Fresh and Chilled Atlantic Salmon From Norway

Investigation Nos. 701-TA-302 and 731-TA-454 (Second Review)

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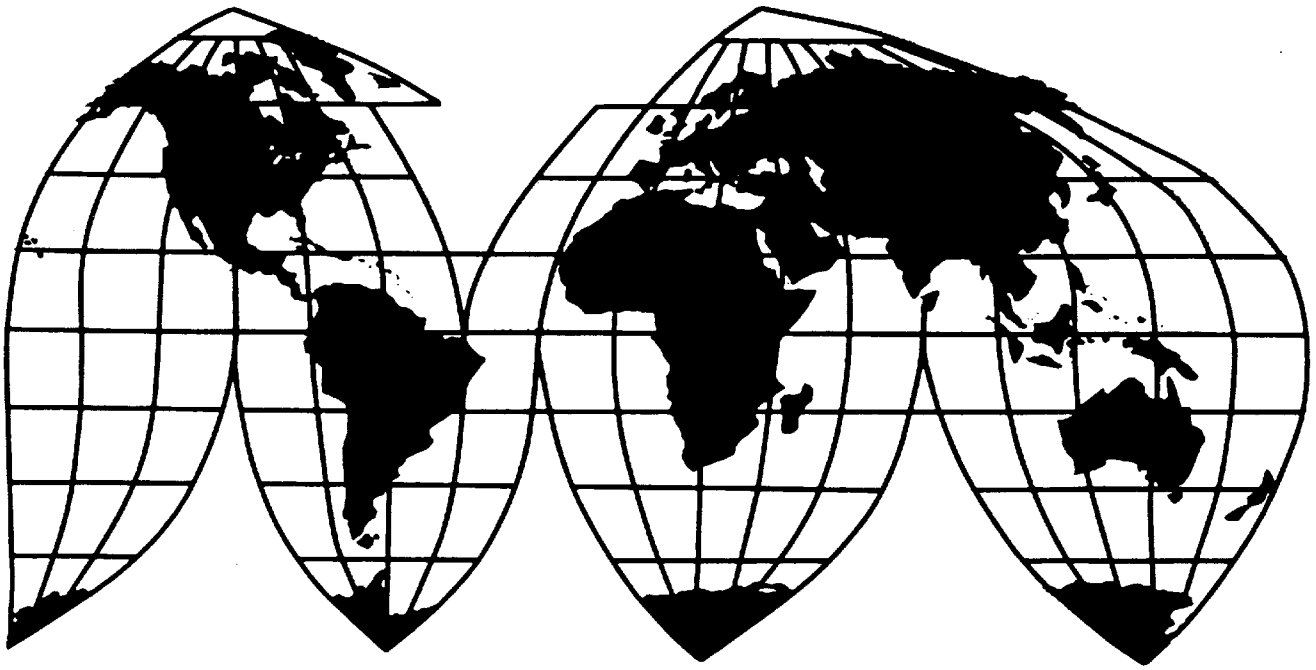
U.S. International Trade Commission



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U.S. International Trade Commission

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CONTENTS

CONTENTS

Appendixes

Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-302 and 731-TA-454 (Second Review)

FRESH AND CHILLED ATLANTIC SALMON FROM NORWAY

DETERMINATIONS

On the basis of the record[1] developed in the subject five-year reviews, the United States International Trade Commission (Commission) determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)) (the Act), that revocation of the antidumping and countervailing duty orders on fresh and chilled Atlantic salmon from Norway would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

BACKGROUND

The Commission instituted these reviews on February 2, 2005 (70 F.R. 5471) and determined on May 9, 2005 that it would conduct a full review (70 F.R. 29364, May 20, 2005). Notice of the scheduling of the Commission's reviews and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on June 27, 2005 (70 F.R. 36947).[2] The hearing was held in Washington, DC, on October 20, 2005, and all persons who requested the opportunity were permitted to appear in person or by counsel.

[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[2] Revisions to the schedule were published in the *Federal Register* on August 30, 2005 (70 F.R. 51365) and September 29, 2005 (70 F.R. 56930).

VIEWS OF THE COMMISSION

Based on the record in these five-year reviews, we determine under section 751(c) of the Tariff Act of 1930, as amended ("the Act"), that revocation of the countervailing duty order and the antidumping duty order on fresh and chilled Atlantic salmon from Norway is likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

I. BACKGROUND

In March 1991, the U.S. International Trade Commission ("Commission") determined that an industry in the United States was being materially injured by reason of imports of fresh and chilled Atlantic salmon from Norway that the Department of Commerce ("Commerce") had determined to be subsidized and sold in the United States at less than fair value.[1] On April 12, 1991, Commerce issued antidumping and countervailing duty orders on imports of fresh and chilled Atlantic salmon from Norway.[2]

In the first five-year reviews of the orders, the Commission determined that revocation of the orders would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.[3]

On February 2, 2005, the Commission instituted these second reviews pursuant to section 751(c) of the Act to determine whether revocation of the countervailing and antidumping duty orders on fresh and chilled salmon from Norway would likely lead to continuation or recurrence of material injury within a reasonably foreseeable time.[4] The Commission received responses to its notice from domestic and respondent interested parties. On May 9, 2005, the Commission determined that the domestic and

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[1] Fresh and Chilled Atlantic Salmon from Norway, Inv. Nos. 701-TA-302 and 731-TA-454 (Final), USITC Pub. 2371 (April 1991) ("Original Determinations"). The Commission's final determinations were challenged by respondent interested parties in an action before the U.S. Court of International Trade ("CIT"). The court remanded with respect to two aspects of the determinations. Chr. Bjelland Seafoods A/S v. United States, 16 CIT 945 (1992); see also Chr. Bjelland Seafoods A/S v. U.S. International Trade Commission, 1 F.3d 1253 (Fed. Cir. 1993) (Court of Appeals for the Federal Circuit dismissing appeal of CIT's remand order in the absence of a final judgment). On remand, the Commission again concluded that the domestic industry was experiencing material injury by reason of the subject imports. Fresh and Chilled Atlantic Salmon from Norway, Inv. Nos. 701-TA-302, 731-TA-454 (Remand), USITC Pub. 2589 (Dec. 1992) ("Remand Determinations"). The determinations on remand were affirmed by the court. Chr. Bjelland Seafoods A/S v. United States, 19 CIT 35 (Ct Int'l Trade 1995).

The Commission's determinations were also challenged by the Government of Norway before GATT panels. The panels found no inconsistency with U.S. obligations under the GATT.

[2] 56 Fed. Reg. 14920 (April 12, 1991).

[3] Fresh and Chilled Atlantic Salmon from Norway, Inv. Nos. 701-TA-302 (Review) and 731-TA-454 (Review), USITC Pub. 3282 (Feb. 2000)) ("First Review Determinations"). The Commission instituted the first reviews on July 1, 1999, pursuant to section 751(c) of the Tariff Act of 1930, as amended ("the Act"). Respondent interested parties did not respond to the notice of institution. The Commission therefore found that the respondent interested party group response was inadequate and, in the absence of a reason to conduct full reviews, conducted expedited reviews pursuant to section 751(c)(3) of the Act. See Fresh and Chilled Atlantic Salmon from Norway, 64 Fed. Reg. 55957 (Oct. 15, 1999).

[4] 70 Fed. Reg. 5471 (Feb. 2, 2005).

respondent interested party group responses to the notice of institution were adequate and that therefore it would conduct full reviews pursuant to section 751(c)(5) of the Act.[5]

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. Domestic Like Product

In making its determination under section 751(c), the Commission defines the "domestic like product" and the "industry."[6] The Act defines the "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this subtitle."[7] The Commission's practice in five-year reviews is to look to the like product definition from the original determination and any previous reviews and consider whether the record indicates any reason to revisit that definition.[8]

Atlantic salmon is generally marketed as a chilled fresh whole adult fish, in "dressed" (gutted and cleaned) form, with the head and tail left on. Once harvested, the subject product is highly perishable and is, therefore, usually packed in freshwater ice, refrigerated, or otherwise chilled (but not frozen) and has a shelf life of 10 to 14 days.[9] Atlantic salmon is commercially produced through farming; commercial harvest of wild Atlantic salmon is banned in the United States and in most other countries to conserve the wild resource. All commercial production of fresh Atlantic salmon in the United States and by all major foreign suppliers, including Norway, is farmed using three stages of production: a freshwater stage where salmon eggs are hatched and raised in tanks into smolt; the saltwater stage where the smolt is raised in ocean pens to market-size salmon; and the harvesting/processing stage where the salmon is killed, bled, cleaned, gutted, and sometimes further processed into cuts. It generally takes about three years for an Atlantic salmon to grow from the egg stage to a harvestable-size salmon. It takes about 18 months from the egg stage until the smolt is ready for transfer to salt grow-out pens, and another 18 months after transfer to the pens to grow to harvestable size.[10]

In these five-year reviews, Commerce has defined the subject merchandise as:

> Atlantic salmon ("Salmo salar") marketed as specified herein; the order excludes all other species of salmon: Danube salmon; Chinook (also called "king" or "quinnat"); Coho ("silver"); Sockeye ("redfish" or "blueback"); Humpback ("pink"); and Chum ("dog"). Atlantic salmon is whole or nearly whole fish, typically (but not necessarily) marketed gutted, bled, and cleaned, with the head on. The subject merchandise is typically packed in fresh water ice ("chilled"). Excluded from the

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[5] 70 Fed. Reg. 29364 (May 20, 2005).

[6] 19 U.S.C. § 1677(4)(A).

[7] 19 U.S.C. § 1677(10). See Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996); Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991). See also S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

[8] See Stainless Steel Sheet and Strip from France, Germany, Italy, Japan, Korea, Mexico, Taiwan and the United Kingdom, Inv. No. 701-TA-380-382 and 731-TA-797-804 (Review), USITC Pub. 3788 (July 2005) at 6; Crawfish Tail Meat from China, Inv. No. 731-TA-752 (Review), USITC Pub. 3614 (July 2003) at 4; Steel Concrete Reinforcing Bar from Turkey, Inv. No. 731-TA-745 (Review), USITC Pub. 3577 (Feb. 2003) at 4.

[9] CR at I-15; PR at I-12.

[10] CR at I-16 - I-18; PR at I-13 - I-14.

> subject merchandise are fillets, steaks, and other cuts of Atlantic salmon. Also excluded are frozen, canned, smoked or otherwise processed Atlantic salmon.[11]

In the original investigations, the Commission defined the domestic like product as fresh and chilled Atlantic salmon, including salmon smolt.[12] The Commission adhered to that domestic like product definition in the first five-year reviews.[13]

No party argues for a definition of the domestic like product that differs from the Commission's definition in the original investigations and first five-year reviews. The record here contains no information that would warrant reconsideration of the domestic like product definition. We therefore define the domestic like product in these reviews as fresh and chilled Atlantic salmon, including salmon smolt, co-extensive with Commerce's definition of the subject merchandise.

B. Domestic Industry

Section 771(4)(A) of the Act defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[14] In the original determinations the Commission defined the domestic industry, in accordance with its like product definition, as U.S. producers of fresh and chilled Atlantic salmon, including Atlantic salmon smolts.[15] It did so again it the first five-year reviews.[16]

The only issue that arises in these second five-year reviews with respect to our definition of the domestic industry is whether any producer should be excluded under the related parties provision, 19 U.S.C. § 1677(4)(B). Section 771(4)(B) of the Act allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise, or which are themselves importers.[17] [18]

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[11] See 70 Fed. Reg. 53345 (Sept. 8, 2005). Currently, the subject merchandise is provided for under HTSUS item number 0302.12.0003 and 0302.12.0004.

[12] Original Determinations at 5, 10. Smolt are salmon in the post larval stage, during which they move into salt water.

[13] First Review Determinations at 5.

[14] 19 U.S.C. § 1677(4)(A). In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market, provided that adequate production-related activity is conducted in the United States. See United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

[15] Original Determinations, at 10. This finding was not challenged on appeal, and was reaffirmed in the remand determinations. Remand Determinations at 3.

[16] First Review Determinations at 5.

[17] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include:

> (1) the percentage of domestic production attributable to the importing producer;
> (2) the reason the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and
> (3) the position of the related producer vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

(continued...)

No party in these second five-year reviews has requested exclusion of any domestic producer under the related party provision.[19] However, several related party issues are raised by the record in these reviews.

a. Marine Harvest/Stolt Sea Farm

Marine Harvest, in Maine, was called Stolt Sea Farm through nearly all of the period of review. Stolt Sea Farm was a wholly owned subsidiary of Stolt Nielsen, a Norwegian producer, until the end of 2004, when it was merged in a joint venture with Marine Harvest, the U.S. marketing subsidiary of Nutreco, a producer based in the Netherlands. Its name was changed to Marine Harvest in May 2005, and it is now jointly owned by Stolt Nielsen and Nutreco. Marine Harvest accounted for *** percent of U.S. production in 2004.[20] As it was owned by Stolt Neilsen during the period of review, Marine Harvest is a related party. Marine Harvest/Stolt Sea Farm ***.[21] Marine Harvest/Stolt Sea Farm also ***.[22] Marine Harvest/Stolt Sea Farm *** the orders.[23]

Appropriate circumstances do not exist to exclude Marine Harvest from the domestic industry. Marine Harvest/Stolt Sea Farm *** over the period,[24] suggesting that it did not derive any significant benefits, or operate in a manner that is different from other domestic producers, as a result of its related party status. Marine Harvest/Stolt Sea Farm ***.[25] The interests of Marine Harvest/Stolt Sea Farm, therefore, are primarily those of a domestic producer.

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[17] (...continued)
See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993).

The Commission has also concluded that a domestic producer that does not itself import subject merchandise, or does not share a corporate affiliation with an importer, may nonetheless be deemed a related party if it controls large volumes of imports. The Commission has found such control to exist where the domestic producer was responsible for a predominant proportion of an importer's purchases and the importer's purchases were substantial. See, e.g., Foundry Coke from China, Inv. No. 731-TA-891 (Final), USITC Pub. 3449 (September 2001) at 8-9.

[18] No related party issues were raised in the original investigations. See Original Determinations. In the first five-year reviews, the Coalition for Fair Atlantic Salmon Trade asserted that two U.S. producers, Stolt Sea Farm and Pan Fish, were related parties through Norwegian ownership or importation of subject merchandise or both. The Commission found that, given the limited information on the record of those reviews regarding the related parties, there was no evidence that appropriate circumstances existed to exclude either of the producers from the domestic industry. First Review Determinations at 5-6.

[19] Respondent interested parties asserted in their prehearing brief that domestic producers related to Canadian producers were not engaged in sufficient production activities in the United States to be part of the domestic industry. Respondents' Prehearing Brief at 15-21. Respondents later withdrew this argument. Respondents' Posthearing Brief at Exhibit 23. We note that domestic producers produce both smolt and whole fish, which are part of the domestic like product. Moreover, the record indicates that processing accounts for a relatively small share of value added. CR at III-9, PR at III-7.

[20] CR at Table I-6.

[21] CR at Tables I-8, III-4.

[22] CR at Table III-4.

[23] CR at Table I-6.

[24] CR at Table III-8.

[25] CR at III-4.

b. American Gold/Cypress Island

Until 2004, American Gold, located in Washington state, was owned by PanFish, a Norwegian salmon producer, and was called Cypress Island.[26] Accordingly, American Gold/Cypress Island was a related party through most of the period of review. It is now owned by Smoki Foods Inc., a Washington firm. American Gold/Cypress Island accounted for *** percent of U.S. production in 2004.[27] American Gold/Cypress Island ***. American Gold *** continuation of the orders.[28]

Appropriate circumstances do not exist to exclude American Gold/Cypress Island from the domestic industry. American Gold/Cypress Island's financial performance over the period was *** the industry average over the period of review,[29] suggesting that it did not derive any significant benefits, or operate in a manner that is different from other domestic producers, as a result of its related party status. Although American Gold's *** over the period of review. American Gold is *** domestic producer and it *** continuation of the orders, suggesting that its primary interest is in domestic production.[30]

c. ASM

Atlantic Salmon of Maine ("ASM") was owned by Fjord Seafood, a Norwegian salmon producer, until 2004.[31] Accordingly, ASM was a related party through most of the review period. It is now owned by Horton's of Maine, a subsidiary of Cooke Aquaculture, a Canadian producer.[32] ASM accounted for *** percent of U.S. production in 2004.[33] It supports continuation of the orders. Appropriate circumstances do not exist to exclude Atlantic Salmon from the domestic industry. The performance of ASM prior to 2004, when Fjord sold the company, was *** the industry average during the period of review.[34] Thus, there is no indication that ASM was deriving any significant benefits as a result of its related party status. ASM accounts for a large proportion of domestic production and no party has argued for its exclusion. Therefore, we do not exclude ASM from the domestic industry.

We find, therefore, that appropriate circumstances do not exist to exclude Marine Harvest/Stolt Sea Farm, American Gold/Cypress Island, or Atlantic Salmon of Maine from the domestic industry. Given our prior definitions of the domestic industry and our definition of the domestic like product here, we continue to define the domestic industry as U.S. producers of fresh and chilled Atlantic salmon, including Atlantic salmon smolts. Thus, the domestic industry consists of ASM, Heritage, American Gold, L.R. Enterprises, Maine Harvest, and other small producers.

[26] CR at Table I-6.

[27] CR at Table I-6.

[28] CR at Table I-6.

[29] CR at Table III-8.

[30] CR at Table III-4.

[31] CR at Table I-6.

[32] CR at Table I-6.

[33] CR at Table I-6.

[34] CR at Table III-8.

III. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF MATERIAL INJURY IF THE COUNTERVAILING AND ANTIDUMPING DUTY ORDERS ARE REVOKED

A. Legal Standard in a Five-Year Review

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke an antidumping duty order unless: (1) it makes a determination that dumping or subsidization is likely to continue or recur, and (2) the Commission makes a determination that revocation of the antidumping duty order "would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time."[35] The SAA states that "under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports."[36] Thus, the likelihood standard is prospective in nature.[37] The U.S. Court of International Trade has found that "likely," as used in the sunset review provisions of the Act, means "probable," and the Commission applies that standard in five-year reviews.[38] [39] [40]

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[35] 19 U.S.C. § 1675a(a).

[36] SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that "[t]he likelihood of injury standard applies regardless of the nature of the Commission's original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed." SAA at 883.

[37] While the SAA states that "a separate determination regarding current material injury is not necessary," it indicates that "the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked." SAA at 884.

[38] See NMB Singapore Ltd. v. United States, 288 F. Supp. 2d 1306, 1352 (Ct. Int'l Trade 2003) ("'likely' means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)"), aff'd without opinion, 05-1019 (Fed. Cir. August 3, 2005); Nippon Steel Corp. v. United States, Slip Op. 02-153 at 7-8 (Ct. Int'l Trade Dec. 24, 2002) (same); Usinor Industeel, S.A. v. United States, Slip Op. 02-152 at 4 n.3 & 5-6 n.6 (Ct. Int'l Trade Dec. 20, 2002) ("more likely than not" standard is "consistent with the court's opinion"; "the court has not interpreted 'likely' to imply any particular degree of 'certainty'"); Indorama Chemicals (Thailand) Ltd. v. United States, Slip Op. 02-105 at 20 (Ct. Int'l Trade Sept. 4, 2002) ("standard is based on a likelihood of continuation or recurrence of injury, not a certainty"); Usinor v. United States, Slip Op. 02-70 at 43-44 (Ct. Int'l Trade July 19, 2002) ("'likely' is tantamount to 'probable,' not merely 'possible'").

[39] Vice Chairman Okun notes that, consistent with her dissenting views in Pressure Sensitive Plastic Tape from Italy, Inv. No. AA1921-167 (Second Review), USITC Pub. 3698 (June 2004) at 15-17, she does not concur with the U.S. Court of International Trade's interpretation of "likely" to mean "probable." See Usinor Industeel, S.A. et. al. v. United States, No. 01-00006, Slip Op. 02-39 at 13 (Ct. Int'l Trade April 29, 2002). However, she will apply the Court's standard in this review and all subsequent reviews until either Congress clarifies the meaning or the U.S. Court of Appeals for the Federal Circuit addresses the issue. See also Additional Views of Vice Chairman Deanna Tanner Okun Concerning the "Likely" Standard in Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Argentina, Brazil, Germany, and Italy, Inv. Nos. 701-TA-362 (Review) and 731-TA-707-710 (Review)(Remand), USITC Pub. 3754 (Feb. 2005).

[40] Commissioner Lane notes that, consistent with her views in Pressure Sensitive Plastic Tape from Italy, Inv. No. AA1921-167 (Second Review), USITC Pub. 3698 (June 2004), she does not concur with the U.S. Court of International Trade's interpretation of "likely," but she will apply the Court's standard in this review and all subsequent reviews until either Congress clarifies the meaning or the U.S. Court of Appeals for the Federal Circuit

(continued...)

The statute states that "the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time."[41] According to the SAA, a "'reasonably foreseeable time' will vary from case-to-case, but normally will exceed the 'imminent' timeframe applicable in a threat of injury analysis in original investigations."[42] [43]

Although the standard in a five-year review is not the same as the standard applied in an original antidumping duty investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to "consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the orders are revoked or the suspended investigation is terminated."[44] It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if the orders are revoked or the suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).[45]

B. Conditions of Competition and the Business Cycle

In evaluating the likely impact of the subject imports on the domestic industry, the statute directs the Commission to consider all relevant economic factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[46] The following conditions of competition are relevant to our determination.

As in the original investigations and the first reviews, we view the three-year growth cycle for production and the 10 to 14 day shelf life of Atlantic salmon to be important conditions of competition. As a result of the three-year production cycle, producers incur costs for several years before any return on

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[40] (...continued)
addresses this issue.

[41] 19 U.S.C. § 1675a(a)(5).

[42] SAA at 887. Among the factors that the Commission should consider in this regard are "the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities." Id.

[43] In analyzing what constitutes a reasonably foreseeable time, Chairman Koplan examines all the current and likely conditions of competition in the relevant industry. He defines "reasonably foreseeable time" as the length of time it is likely to take for the market to adjust to a revocation or termination. In making this assessment, he considers all factors that may accelerate or delay the market adjustment process including any lags in response by foreign producers, importers, consumers, domestic producers, or others due to: lead times; methods of contracting; the need to establish channels of distribution; product differentiation; and any other factors that may only manifest themselves in the longer term. In other words, this analysis seeks to define "reasonably foreseeable time" by reference to current and likely conditions of competition, but also seeks to avoid unwarranted speculation that may occur in predicting events into the more distant future.

[44] 19 U.S.C. § 1675a(a)(1).

[45] 19 U.S.C. § 1675a(a)(1). There have been no duty absorption findings by Commerce with respect to the order under review. CR at I-7, PR at I-4. The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission's determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

[46] 19 U.S.C. § 1675a(a)(4).

their investment is realized.[47] The short shelf life limits producers' flexibility in harvesting salmon.[48] Our consideration of what is likely to occur within a reasonably foreseeable time if the orders are revoked is informed by the growth cycle.[49]

In the first five-year reviews, the Commission noted that demand increased rapidly since the original investigations, and while demand for nonsubject salmon cuts had increased in the first review period, whole salmon still accounted for a significant share of total salmon consumption in the United States. Apparent U.S. consumption of fresh chilled Atlantic salmon increased further and was much greater throughout the current period of review than it was in the original period of investigation.[50] On a value basis, the highest level of apparent U.S. consumption in the original period of investigation was $165.5 million in 1989.[51] During the current period of review, apparent U.S. consumption ranged between a low of $316.5 million in 2004 to a high of $378.2 million in 2000. Even after the decline in apparent U.S. consumption from 2000 to 2004, consumption remained at almost twice the 1989 level.

On a volume basis, apparent U.S. consumption in the current period of review increased from 144.1 million pounds in 1999 to 172.2 million pounds in 2001. Apparent U.S. consumption then declined to 170.3 million pounds in 2002, 163.7 million pounds in 2003, and 149.1 million pounds in 2004.[52] Apparent U.S. consumption increased in interim 2005 to 81.6 million pounds, compared with 74.6 million pounds in interim 2004.[53]

Domestic producers' share of apparent U.S. consumption has remained above its share in the original investigations,[54] fluctuating over the period of review between 10.3 and 24.1 percent on a value basis.[55] The antidumping and countervailing duty orders have continued to restrict Norway's access to the U.S. market. Subject imports' share of apparent U.S. consumption remains well below the share in the original period of investigation,[56] fluctuating over the period between 0.5 and 1.4 percent on a value basis.[57] However, Norway remains the world's largest producer of Atlantic salmon, accounting for 45.0 percent of world production in 2003. Norway's production of fresh and chilled Atlantic salmon increased over the period from 937.3 million pounds in 1999 to 1.1 billion pounds in 2003.[58] Nonsubject import volume is considerably larger in the current period of review than in the original period of investigation,

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[47] The pricing data at CR Tables V-1 to V-3 show U.S. Atlantic salmon sold in high volumes in most quarters with no clear seasonal pattern. Furthermore, when asked if there was any distinctive business cycle for Atlantic salmon, 13 purchasers answered that there was not. CR at II-11, PR at II-6.

[48] First Review Determinations at 8-10.

[49] The domestic interested parties argued that the Commission should consider at least a three-year time frame and as much as a five-year time frame within which to consider the likely consequences of revocation. We find no basis on the record for considering a five-year time frame as the "reasonably foreseeable time," particularly given such factors as the three-year production cycle.

[50] Because the unit measure for domestic shipments in the original investigations cannot be determined (CR/PR Table I-3 n.7), apparent U.S. consumption and relative shares are better considered on a value basis.

[51] CR/PR at Table I-3.

[52] Domestic interested parties assert that part of the decline in consumption is attributable to media reports about high levels of PCBs in salmon in 2004. Hearing Transcript ("Tr.") at 88, 99 (Mr. Cooke); 104-105, 110 (Mr. Craig).

[53] Id.

[54] Domestic producer's share in 1989 was 6.2 percent on a value basis. CR/PR at Table I-3, see also id. n.7 (regarding original investigations).

[55] Id.

[56] Id.

[57] Id.

[58] CR/PR at Table IV-3.

when subject imports dominated the market. Nonsubject imports now account for the majority of apparent U.S. consumption, fluctuating over the period between 73.4 and 84.8 percent on a volume basis, well above the share held in the original period of investigation, which peaked at 32.3 percent in 1989.[59]

In the original investigations, the Commission observed that the U.S. industry was new and emerging. The Commission also noted that domestic producers supplied only a small share of the growing U.S. market while subject salmon from Norway accounted for a substantial and at times overwhelming share of the U.S. market. The Commission noted that the domestic producers therefore were price takers, with prices determined largely by total supply, the perishable nature of the product, and discounts necessary to sell the less-established, domestic product.[60]

In the first five-year reviews, the Commission observed that the domestic industry had matured and that domestic producers' capacity, production, shipments, and market share had increased significantly since the original investigations. The Commission noted that the market was supplied largely by nonsubject imports, and that subject imports from Norway had virtually exited the market after issuance of the orders. The Commission found that Norway continued to be the world's largest fresh Atlantic salmon producer.[61]

There have been numerous ownership changes in the domestic industry since the original investigations and the first five-year reviews.[62] Currently, there are three main U.S. producers that farm salmon off the coast of Maine: ASM, Heritage, and Marine Harvest. ASM is owned by Horton's of Maine, Inc. a subsidiary of Canada-based Cooke Aquaculture.[63] In June 2005, the sale of Heritage to Cooke Aquaculture was announced.[64] Marine Harvest is a joint venture owned by Stolt-Nielsen of Norway and Nutreco of the Netherlands.[65] Another producer, American Gold, farms salmon off the coast of Washington state through its farm, Cypress Island. A few other smaller producers in Maine, such as L.R. Enterprises, also farm salmon, often selling all of their product to ***.[66] Contrasted with the domestic industry at the time of the original investigations, the industry is now a mature one with well-developed infrastructures, technical knowledge, and experienced personnel.

A number of factors have hampered the operations of the domestic industry over the period of review. Some saltwater grow-out sites of Heritage, Stolt/Marine Harvest, and ASM were fallowed for varying periods under a June 2002 consent decree and a May 2003 court order arising from an environmental lawsuit.[67] Domestic industry farms in Maine were adversely impacted in 2002 and 2003 by an outbreak of infectious salmon anemia that forced the eradication of nearly 2.4 million salmon.[68] In

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[59] Id.

[60] Remand Determinations at 4-5.

[61] CITE

[62] CR at I-20 - I-22, II-1, III-1 - III-2.

[63] CR/PR at II-1.

[64] E.g., CR/PR at Table I-6 n.3.

[65] E.g., CR/PR at Table I-6.

[66] CR/PR at II-1. L.R. Enterprises is owned by Cooke Aquaculture.

[67] CR at III-2 - III-4, PR at III-2 - III-3. The domestic industry reports that the Court-ordered fallowing period for the Maine grow-out sites will end by spring 2006. Tr. at 28 (Mr. Cooke)). A processing plant in Machiasport, Maine operated by ASM was closed in the fall of 2004 due to insufficient salmon harvests. Cooke Aquaculture plans to reopen in the facility in the fall of 2007 when there is sufficient salmon production to justify operating the plant. CR at III-6, PR at III-5.

[68] CR/PR at III-4.

2003, "superchill" conditions (a sudden drop in water temperature) killed a number of smolt in Maine.[69] The combination of these factors resulted in a substantial decline in domestic production in 2002 to 2004.[70]

Fresh Atlantic salmon, both domestically produced and imported, is sold through two major distribution channels, the food service and retail sectors. Petitioners in the original investigations estimated that 60 percent of Atlantic salmon sold in the United States was directed to the restaurant trade (primarily at the high end), with the balance being split between retail fish markets and supermarkets. Respondents placed the high-end share of the market for Norwegian salmon at 80 percent, and the low-end share at 20 percent. Anecdotal evidence suggests that the retail share of U.S. whole salmon consumption has grown since the original investigations, especially among large chains of supermarkets and club stores.[71]

C. Likely Volume of Subject Imports

In evaluating the likely volume of imports of subject merchandise if the orders are revoked, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.[72] In doing so, the Commission must consider "all relevant economic factors," including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.[73]

In the original investigations, the Commission found that the volume of subject imports from Norway surged over the period of investigation, and that the volume increases from 1987 to 1989 were significant. In view of the precipitous nature of the drop in subject imports by the end of 1990 from record levels in 1989, the Commission found it likely that its countervailing and antidumping duty proceedings and/or those of Commerce played a role in the decline in subject imports.[74] On remand, the Commission again found the volume of imports to be significant, that other factors did not account wholly for the drop in imports in 1990, and that, notwithstanding the 1990 decline, the volume of subject imports from Norway was four times greater than domestic producer shipments in 1990. The Commission noted that, in each year over the period of investigation, subject imports' market share exceeded that of the domestic industry and any other nonsubject producer.[75]

In the first five-year reviews, the Commission found that the orders had had a restraining effect on subject imports, such that there had been virtually no subject imports during the review period. It found that Norwegian production was at high levels, that there was significant unused capacity, and that government policies would allow issuance of permits to increase hatchery production of sea-ready smolt by 150 percent annually. The Commission observed that Norwegian capacity was expected to grow

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[69] CR at II-4, PR at II-2 - II-3.

[70] CR/PR at Table I-9.

[71] CR at I-19, PR at I-15.

[72] 19 U.S.C. § 1675a(a)(2).

[73] 19 U.S.C. § 1675a(a)(2)(A-D).

[74] Original Determinations at 16-17. The Commission observed that factors other than the countervailing and antidumping duty investigations may have played a role in the decreased volume of subject imports in 1990.

[75] Remand Determinations at 9-10.

annually for several years. The Commission also noted that the Norwegian industry was highly export-oriented, that Norwegian exports worldwide in 1998 were double those in 1989, and that the Norwegian producers faced volume and price restrictions in the European Union ("EU"). The Commission concluded, therefore, that the Norwegian producers would likely export significant volumes of fresh salmon to the United States if the orders were revoked.[76]

The record in these five-year reviews indicates that the orders continue to have a restraining effect on subject imports from Norway. Subject imports of salmon from Norway peaked in the original investigation period at 25.1 million pounds in 1989, then fell after issuance of the orders; they were 151,000 pounds in 1998, the end of the first review period, and have ranged between 469,000 pounds and 1.8 million pounds in the second review period, 1999 to 2004.[77]

Norway remains the world's largest producer of Atlantic salmon.[78] A range of alternative calculations indicate that, by any measure, Norwegian producers' capacity and production is large and growing.[79] Public data available from the Norwegian Ministry of Fisheries and Coastal Affairs identify total annual Norwegian production and permit calculation of the production capacity of the Norwegian industry.[80] Production in Norway rose from 937 million pounds in 1999 to 1.24 billion pounds in 2004, increasing each year of the period of review except 2001.[81] Thus, production in Norway is several times greater than apparent U.S. consumption (149.1 million pounds in 2004).[82]

There are several ways to measure salmon production capacity. Each of these measures show that capacity in Norway increased over the current period of review. On the basis of permissible biomass per license, Norwegian capacity increased from 1.32 billion pounds in 1999 to 1.48 billion pounds in 2004.[83] On this basis, capacity utilization ranged from 70.8 percent to 83.8 percent between 1999 and 2004, and unused capacity ranged from 386.8 million pounds in 1999 to 241.0 million pounds in 2004.[84] Similarly, the Norwegian government data indicate that on a feed-quota basis capacity increased from 1.16 billion pounds in 1999 to 1.62 billion pounds in 2004.[85] Capacity utilization on the feed-quota basis ranged from 66.9 percent to 81.1 percent between 1999 and 2004, and was 76.6 percent in 2004, the end

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[76] First Review Determinations at 10-12.

[77] CR/PR at Table I-3.

[78] CR/PR at Table IV-3. Although Norwegian production expressed as a share of total production globally has declined since the original investigations, Norway still accounts for 45 percent of total global production, which, as noted, is greater than the share of any other country. Id. Moreover, both global production and production in Norway have increased substantially since the original investigations and during the current period of review. CR/PR at Tables IV-3 and IV-4.

[79] CR/PR at Table IV-5.

[80] Id.

[81] CR/PR at Table IV-5.

[82] CR/PR at Table I-3.

[83] CR/PR at Table IV-5. Capacity on this basis was based on the maximum permissible biomass of live fish per license of 780 metric tons (1.7 million pounds). Id. n.7. We acknowledge that the biomass per license limit was first put in place in 2005. However, we view this limit of 780 MT of live fish per license as the best information on the record regarding possible capacity per license in prior years as well.

[84] Id.

[85] We acknowledge respondents' arguments regarding the feed conversion ratio. Respondent Interested Parties' Final Comments at 8-11. However, respondents' ratio is calculated by assuming 100 percent capacity utilization, which is a circular calculation that equates capacity with production. While we recognize the difficulties in calculating capacity based on feed quotas, we note that the feed quota-based capacities calculated by the parties and by the Commission both show a large and increasing capacity, consistent with the other capacity measures on the record.

of the period. Unused capacity on the feed-quota basis ranged from 218.5 million pounds to 474.8 million pounds between 1999 and 2004, and was 380.3 million pounds in 2004.[86]

Norwegian producers' questionnaire responses, reflecting 68 percent of Norwegian production, also indicate growing production and unused capacity over most of the period. The questionnaire response data show that Norwegian production increased from 675.1 million pounds in 1999 to 845.1 million pounds in 2004. Calculated by the respondents on a feed-quota basis, capacity increased from 681.0 million pounds in 1999 to 860.7 million pounds in 2004. Capacity utilization on this basis ranged from 88.4 percent to 99.1 percent between 1999 and 2004, and was 98.2 percent in 2004. The responding producers' unused capacity on this basis ranged from 5.9 million pounds to 92.8 million pounds between 1999 and 2004, and was 15.6 million pounds in 2004. The unused capacity on any of these bases is substantial, particularly when considered as a percentage of the peak volume of subject imports in the original investigations, 25.1 million pounds in 1989.[87]

Also relevant to the Norwegian producers' likely capacity, production, and excess capacity is the overall improving trend of Norwegian producers' yield of smolt from eggs laid down for hatching. Norwegian producers report marked improvements in the survival rate of smolt during the current period of review. The rate of loss declined from 21.5 percent in the 2001/2002 season to 20.3 percent in the 2003/2004 season.[88] Although the number of eggs laid down declined from 247.6 million in the 2001/2002 season to 213.1 million in the 2003/2004 season, Norwegian producers' yield increased from 53.7 smolt per 100 eggs to 71.8 smolt per 100 eggs. As a result the actual number of salmon harvested increased from 104,459 in the 2001/2002 season to 121,901 in the 2003/2004 season.[89] Thus, the number of harvested salmon increased by 16.7 percent, although the number of eggs laid down declined by 13.9 percent. Norwegian producers report a significant increase in the number of eggs laid down in the 2004/2005 season, with the number of eggs laid down 5.6 percent greater than the number for the 2003/2004 season. We find that this increase in the number of eggs laid down coupled with the dramatic improvements in yield will likely result in a significant increase in the number of salmon harvested in the reasonably foreseeable future.

The Norwegian industry continues to be highly export oriented. Norwegian producers concede that given the size of their home market and the volume of salmon produced they must export.[90] In 2004 over 60 percent of Norwegian production was exported.[91] The volume of Norwegian salmon exports increased from 561 million pounds in 1999 to 749 million pounds in 2004. During the period of review the EU and Russia were Norway's largest export markets.

The Norwegian producers exported 543.2 million pounds of fresh whole Atlantic salmon to the EU in 2004, accounting for 72.5 percent of the Norwegian producers' total exports that year.[92]

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[86] Id.

[87] The Norwegian producers' questionnaire responses also estimate capacity based on prior years' release of smolt, adjusted for anticipated harvest weight and mortality. CR/PR at Table IV-5 n.2. We give limited weight to the calculation of capacity and excess capacity on this basis because the calculations begin with the release of smolt, which are themselves subject merchandise, and because the resultant capacity utilization in 2004 exceeds 100 percent, suggesting that this estimated capacity is not an actual limit on production volume. Nonetheless, even on this basis, we note that there was substantial unused capacity during most of the review period, including the first six months of 2005. Id.

[88] Id.

[89] Respondents' Prehearing Brief at Exhibit 34.

[90] Tr. at 231and 232 (Mr. Gregussen and Mr. Berg).

[91] CR/PR at Table IV-6.

[92] CR/PR at Table IV-8. Norwegian exports of fresh Atlantic salmon to the EU increased to 543.2 million

(continued...)

Norwegian exports to the EU in 2004 are thus equivalent to 364 percent of total apparent U.S. consumption in 2004.[93] Prices in the United States for fresh whole salmon from Norway are, on average, higher than those in the EU, suggesting that, all else being equal, the United States would be a more attractive market than the EU from a price perspective if the antidumping and countervailing duties on the Norwegian merchandise were removed.[94] The EU's trade remedies against the Norwegian merchandise would also make the United States a more attractive market upon revocation.[95] In June 2005, the EU replaced provisional antidumping duties against fresh Norwegian salmon with provisional minimum import prices (MIPs).[96] Thus the Norwegian producers' sales to EU countries are limited to those that can be made at or above the MIPs, and there is evidence that the Norwegian product's prices recently descended to near the MIP level,[97] indicating that Norwegian producers likely will need to consider alternative markets for any volume that cannot be sold above the MIPs. With the orders removed, the United States would likely be among those alternative markets.[98]

Also, at the end of 2005, Russia suspended salmon imports from a number of Norwegian farms based on tests showing they contained excessive amounts of heavy metals.[99] Hence, producers of as much as 37.4 million pounds of Norwegian fresh whole salmon, the volume exported to Russia in 2004, may need to find alternative markets for this product.

Respondent interested parties contend that higher transportation costs for exports to the United States relative to those incurred on exports to countries nearer to Norway, such as the EU and Russia, would prevent increases in subject imports in the event of revocation.[100] However, respondents do not explain how freight costs, in the event of revocation, would be any more prohibitive than they were in the original period of investigation, when they did not prevent significant volumes of subject imports from Norway. To the contrary, the significant and growing volumes of exports of fresh whole salmon from

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[92] (...continued)
pounds in 2004 from 470.6 million pounds in 1999. Because the Norwegian producers increased total exports to all markets even more steeply over that period, from 561.2 million pounds in 1999 to 749.3 million pounds in 2004, the increased volume exported to the EU in 2004 accounted for a smaller share of total Norwegian exports that year, 72.5 percent, than did the smaller volume in 1999, 83.9 percent. Id.

[93] Apparent U.S. consumption was 149.1 million pounds in 2004. CR/PR at Table I-8.

[94] While recognizing the limitations inherent in comparing average unit values ("AUVs") in different markets given potential differences in product mixes, we note that the average unit value ("AUV") of the Norwegian product in the United States has been consistently higher over the period of review than the AUV of the Norwegian product in the EU, Russia, and Japan and that, therefore, with respect to price, the United States is likely an attractive alternative to those countries as an export market for the Norwegian producers if the orders were removed. CR at V-6, CR/PR at Table IV-8. Indeed, on this basis, the subject imports could undersell the domestic like product while selling at prices higher than in those other markets.

[95] See 19 U.S.C. § 1675a(a)(2)(C) ("the existence of barriers to the importation of such merchandise into countries other than the United States" is among relevant economic factors the Commission is to consider in evaluating the likely volume of subject imports in the event of revocation).

[96] CR at IV-20 - IV-23, PR at IV-19 - IV-21. The EU has maintained various trade remedies against fresh Atlantic salmon from Norway over the past 15 years, ranging from minimum import price ("MIP") requirements, to antidumping and countervailing duties, bilaterally agreed volume and price restriction, and tariff-rate-quota safeguard measures. Id.

[97] CR at IV-23, PR at IV-21.

[98] CR at IV-21 - IV-22, PR at IV-20 - IV-21.

[99] CR at IV-13 n.11, PR at IV-12 n.11.

[100] E.g., Respondent Interested Parties' Posthearing Brief at 4.

Norway to Asia over the period of review,[101] which likely involve transportation costs comparable to or greater than those for export from Norway to the United States, indicate that freight costs are not determinative in export market decisions.[102]

Finally, respondents claim that the surge of imports to the United States during the original period of investigation resulted from poor forecasting and coordination within a fragmented Norwegian industry. They assert that industry consolidation and improved forecasting models now prevent overproduction by the industry in Norway.[103] However, the record indicates otherwise; in 2003, Norwegian producers overestimated demand and, as a result, destroyed 20 million fingerlings in that year.[104]

In light of their large and expanding capacity and production and, by any of several measures, substantial excess capacity over the period, improving production yields, and export orientation, as well as restrictions on their exports to the EU and Russia, we find that the Norwegian producers would likely export significant volumes of fresh Atlantic salmon to the United States should these orders be revoked.[105]

Subject imports are likely to capture market share from the domestic industry. Domestic producers' market share has increased significantly since the original investigation; in 2004 the producers' market share was over 19 percent. Given the degree of substitutability between subject imports and domestic product[106] and current U.S. market share, subject import volume is likely to displace U.S. shipments and reduce the domestic industry's market share as well as displace non-subject imports and reduce non-subject market share. Further, U.S. production has been limited due to court-ordered fallowing since 2002; in 2001, prior to the court ordered fallowing, the domestic industry's market share was 25 percent. The end of the fallowing and the resulting likely increase in U.S. production will enable U.S. producers to increase market share. However, absent the orders, increased subject imports are likely to impede the ability of U.S. producers to increase domestic shipments and U.S. market share.

Based on the foregoing, we find it likely that the subject producers in Norway would, upon revocation of the orders, increase exports to the U.S. market, and that the likely volume of subject imports would be significant, both in absolute and relative terms, if the discipline of the orders were removed.

D. Likely Price Effects of Subject Imports

In evaluating the likely price effects of subject imports if the orders are revoked, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to the domestic like product and whether the subject imports are likely to enter the United

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[101] CR/PR at Table IV-8.

[102] Respondents also contend that exchange rates will limit exports to the United States in the event of revocation. However, there is no information on the record regarding how future appreciation or depreciation of the Kroner relative to the dollar and to other currencies will affect the relative attractiveness of the U.S. market compared to other markets.

[103] Respondents' Prehearing Brief at 27-44; Tr. at 136-138 (Mr. Cooke), 177 (Mr. Liabo), 193 (Mr. Bjellcarey), 200 (Mr. Soraa).

[104] Tr. at 19 (Mr. Vakerics). In the event of revocation of the orders, the U.S. market would likely be a target if such excess production occurs again. Moreover, we find no basis on the record for concluding that any forecasting models of the Norwegian industry would not factor in production for export to the United States market if the orders were revoked.

[105] See also "Norwegian Exports to USA Can Be Doubled," IntraFish, August 27, 2004; Domestic Interested Parties' Prehearing Brief at Exhibit 1 (respondent interested parties' Norwegian expert in these reviews stating that the U.S. market "is a whole-fish market that we can win back. The value (market) could quickly rise up to [Norwegian Kroner] 3[00] - 400 million per year"), about $44 - $58 million.

[106] CR/PR at Table II-4.

States at prices that otherwise would have a significant depressing or suppressing effect on the price of the domestic like product.[107]

In the original investigations, the Commission found that, when the subject salmon from Norway flooded the market in 1989 and the first half of 1990, domestic producers were forced to sell at reduced prices due to the substantial volume of subject imports and the high degree of substitutability between domestic and Norwegian salmon. The Commission found that the depression and suppression of domestic prices eased with the imposition of preliminary duties.[108]

In the first five-year reviews, the Commission observed that Norwegian production and capacity had increased since the original investigations and that increased quantities of Norwegian salmon would undersell the domestic product to regain market share and would again suppress or depress prices for the domestic like product.[109]

In the current reviews, producers and importers agree that fresh Atlantic salmon is usually sold in the spot market with prices based on publicly available data sets, especially the popular Urner Barry report. Norwegian producers add that larger fresh Atlantic salmon sell at a premium to smaller fresh Atlantic salmon; that premium may be up to 30 percent. *** described fresh Atlantic salmon as being marketed throughout the year, based on negotiations with repeated buyers who generally have a relationship with the producers.[110]

Apparent U.S. consumption has grown considerably since the original investigations and the domestic industry has matured. Fresh, whole Atlantic salmon remains essentially a commodity product. The Norwegian and U.S. product are largely interchangeable,[111] and 10 of 14 responding purchasers identified price as the first or second most important factor in their purchasing decisions.[112]

Respondent interested parties contend that Norwegian salmon currently serves a limited, high-end and low-volume, niche market in the United States where it sells at premium prices and that it will continue to serve the same market if the orders are revoked.[113] Although there may be purchasers that prefer the Norwegian product, the record indicates that, even with the orders in place, neither brand nor country of origin is determinative for the majority of purchasers.[114] Thus, no basis exists for concluding that the subject merchandise would not continue to compete directly with the domestic like product if the orders were revoked. The ability of the Norwegian producers to supply the U.S. market is even more pronounced than in the original investigations in light of the previously noted increases in Norwegian production and production capacity during the review period.

Conditions in the U.S. market are now dramatically different. Domestic producers are no longer unknown newcomers who need to offer a discount to win sales. It is now Norwegian producers that would have to use lower prices to reenter the U.S. market. In addition, fresh Atlantic salmon is now viewed as a commodity product; domestic product is viewed as similar in quality to the Norwegian

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[107] 19 U.S.C. § 1675a(a)(3). The SAA states that "[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices." SAA at 886.

[108] Remand Determinations at 14-17.

[109] First Review Determinations at 12-13.

[110] CR at V-3, PR at V-2.

[111] CR/PR at Table II-4.

[112] CR/PR at Table II-1.

[113] Tr. at 284 (Mr. Vakerics).

[114] CR at II-23 - 24; PR at II-14 - 15.

product.[115] At the hearing, respondents' counsel acknowledged that Norwegian product is not of higher quality, but simply claimed that branding had created a consumer perception that led to a higher price.[116] Finally, we have found the likely volume upon revocation to be significant. We do not find that such volumes of subject imports, under prevailing conditions of competition, could continue to be marketed solely as a "niche" product given these factors as well as the substantial production volumes, annual growth in those volumes, and excess capacity in the Norwegian industry.[117]

Although the quarterly price comparison data on the record in these reviews show the Norwegian merchandise overselling the domestic like product in the majority of comparisons, the volume of the product from Norway was generally quite small in light of the restraining effects of the orders.[118] However, even under the discipline of the orders, the Norwegian merchandise undersold the domestic like product in those quarters in which the largest volumes of Norwegian merchandise were recorded.[119]

We find therefore that, if the orders were revoked, the subject imports would likely undersell the U.S. product in order to gain U.S. market share, forcing U.S. producers to lower their prices to avoid declines in their production and shipment levels.[120] We also conclude that, if the orders are revoked, the likely significant increase in subject import volume at prices that would likely undersell the U.S. product would likely have significant adverse price effects on U.S. producers.[121]

E. Likely Impact of Subject Imports

In evaluating the likely impact of imports of subject merchandise if the orders are revoked, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including

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[115] Tr. at 43 (Mr. Craig).

[116] Tr. at 285 (Mr. Vakerics).

[117] Chairman Koplan and Commissioner Lane find that the EU's use of a MIP, as opposed to an antidumping duty or quota, shows that Norwegian product has a record of competing on price in the EU markets.

[118] CR/PR at Tables V-1, V-2, V-3.

[119] CR/PR at Table V-3 (underselling margin of *** percent on Norwegian product 3 volume of *** pounds in ***, and underselling margin of *** percent on Norwegian product 3 volume of *** pounds in ***).

[120] We also note that, in this generally global market (while recognizing the limits of relying on AUVs given potential product mix differences), the Norwegian producers have demonstrated an ability to sell whole salmon in other markets at prices below those prevailing in the United States. CR/PR at Table IV-8 (e.g., the f.o.b. U.S. value was substantially higher than those for China and Japan, which are also longer-distance markets for Norway, and the f.o.b. values for Norwegian exports in 2004 to Denmark, Poland, Spain, Russia, Netherlands, Finland, Italy, Hong Kong, are all lower than the f.o.b unit value for the Norwegian exports to the United States); see also id. Table IV-9 (we give less weight to these data, which include insurance and freight costs, but note that they show that the c.i.f. unit value of U.S. imports of whole salmon from Norway was higher in each year of the review period than the c.i.f. unit value of other countries' imports of the subject product from Norway, and as much as double the values for other countries).

[121] Commissioner Pearson does not find that subject imports are likely to undersell the domestic like product in the event of revocation. Rather, he finds the additional volumes of subject imports likely upon revocation would lead to depressed prices for all producers, including producers of the domestic like product.

efforts to develop a derivative or more advanced version of the domestic like product.[122] All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.[123] As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the order at issue and whether the industry is vulnerable to material injury if the orders are revoked.[124]

In the original investigations the Commission found that U.S. consumption and domestic producers' capacity, production, and employment had increased over the period. However, the financial performance of the industry, after improving in 1988 relative to 1987, declined precipitously in 1989 as net sales decreased and cost of goods sold and general, selling, and administrative costs increased. Lower prices for the domestic product led to a leveling of juvenile salmon production and lower sales revenues. The industry's operating losses were enormous in 1989, and producers experienced a severe negative cash flow. The industry continued to record a significant operating loss and negative cash flow for the period of January-September 1990, even though net sales were well above the level in the same period in 1989.[125] The largest domestic producer ceased operation in August 1990, and other producers indicated difficulties obtaining working capital and credit.[126]

In the first five-year reviews, the Commission found that the record did not include sufficient information to permit it to determine whether the domestic industry was vulnerable. However, it found that the likely increased volume of subject imports and downward price pressures would have significant adverse effects on the domestic industry's production, shipments, sales, and revenue levels, which in turn would adversely impact the industry's profitability and its ability to raise capital and make and maintain necessary capital investments.[127]

In the current period of review, a number of factors have hampered the operations of the domestic industry. Saltwater grow-out sites of Heritage, Stolt/Marine Harvest, and ASM in Maine were fallowed for varying periods under a June 2002 consent decree and a May 2003 court order arising from an environmental lawsuit.[128] Domestic industry farms in Maine were adversely impacted in 2002 and 2003

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[122] 19 U.S.C. § 1675a(a)(4).

[123] 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that "the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy" in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the "magnitude of the margin of dumping" to be used by the Commission in five-year reviews as "the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title." 19 U.S.C. § 1677(35)(C)(iv). See also SAA at 887. In its final determination in the second review of the countervailing duty order, Commerce determined that revocation of the order would likely result in a net countervailable subsidy of 2.27 percent. In its final determination in the second review of the antidumping duty order, Commerce determined that revocation of the order would likely result in dumping margins of 18.39 for Salmonar A/S; 24.61 Sea Start International A/S; 15.65 for Kinn Salmon A/S (formerly Skaarfish); 21.51 for Frenstad Group A/S; 31.81 for Domstein and Co.; 26.55 for Saga A/S; 19.96 for Chr. Bjelland A/S; 31.81 for Hallvard Leroy A/S; and 23.80 for all others. Commerce has not issued a duty absorption finding with respect to this order.

[124] The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission "considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." SAA at 885.

[125] Original Determinations at 14-15.

[126] Remand Determinations at 7.

[127] First Review Determinations at 15.

[128] CR at III-2 - III-4, PR at III-2 - III-3.

by an outbreak of infectious salmon anemia that forced the eradication of nearly 2.4 million salmon.[129] In 2003, "superchill" conditions killed a number of smolt in Maine.[130] These events restricted U.S. production and shipments and contributed to the operating losses suffered by the domestic industry in 2002, 2003, and 2004. In 2002, the industry's operating income ratio was negative 14.1 percent; in 2003, it was negative 15.8 percent; and in 2004, it was negative 12.7 percent.[131] Other indicators of the industry's condition, such as production, capacity utilization, shipments, and employment, were similarly weak.[132] Capital expenditures have been extremely low and R&D expenses zero.[133] For these reasons we find that the domestic industry is in a vulnerable condition.[134]

The industry's small operating profit of $1.9 million in interim 2005 (and operating income ratio of 5.3 percent) does not indicate a lack of vulnerability, particularly in light of the substantial operating losses from 2001 to 2004, which totaled $41.4 million. We also view the interim period financial results with caution – the domestic industry showed a positive operating income in interim 2004 of $1.9 million, with an operating income ratio of 6.9 percent; however, the full year result was a loss $6.4 million and a loss ratio of 12.7 percent.[135]

We find that material injury is likely to continue or recur if the orders are revoked. The U.S. industry's production and U.S. shipments have declined since the first reviews. The domestic industry's production declined from 30.9 million pounds in 1999 to 28.9 million pounds in 2004, then declined further in interim 2005 to 11.4 million pounds compared with 15.1 million pounds in interim 2004. The industry's reported capacity increased over the period, from 60.0 million pounds in 1999 to 66.8 million pounds in 2004. Capacity was unchanged from interim 2004 to interim 2005 at 36.6 million pounds. Accordingly, reported capacity utilization declined from 52.4 percent in 1999 to 43.2 percent in 2004, and declined further in interim 2005 to 31.3 percent compared with 41.3 percent in interim 2004.[136] Domestic shipments declined from 30.8 million pounds in 1999 to 28.9 million pounds in 2004, and declined further in interim 2005 to 11.4 million pounds compared with 16.3 million pounds in interim 2004.[137]

The industry reported operating income at the beginning of the period of review that increased from $8.9 million in 1999 to $20.1 million in 2000. Thereafter, this indicator declined to operating losses of $14.5 million in 2001, $5.7 million in 2002, $9.1 million in 2003, and $6.4 million in 2004. Operating income in 2005, while positive, was only $1.1 million.[138]

The court-ordered fallowing of U.S. farms in Maine is ending and U.S. producers are resuming production at these facilities.[139] The domestic industry expects U.S. production at these facilities to be fully restored by the fall of 2007. The domestic industry reports that once these farms are returned to full

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[129] CR/PR at Table III-4 .

[130] CR at II-4, PR at II-2.

[131] CR/PR at Table III-6.

[132] CR/PR at Table I-3.

[133] CR/PR at Table III-11.

[134] We disagree with respondent interested parties that the Cooke acquisition and pledge of capital suggest that the domestic industry is not now vulnerable. Respondent Interested Parties' Posthearing Brief at 11-12. Our finding of vulnerability is based on the current condition of the industry. Conclusions as to any improvements as a result of the acquisition would be speculative.

[135] CR/PR at Table III-6.

[136] CR/PR at Table III-2.

[137] CR/PR at Table III-3.

[138] CR/PR at Table III-6.

[139] Tr. at 28 (Mr. Cooke).

production there will be sufficient quantities of salmon to reopen and operate the processing facility in Machiasport, ME.[140] We have found that subject import volume is likely to be significant if the orders are revoked, resulting in likely significant underselling. The significant volume of subject imports and the price depressing/suppressing effect of subject import underselling is likely to negatively impact U.S. producers just as U.S. production is poised to recover. The negative impact of subject imports is likely to prevent U.S. producers from recovering the costs already incurred in producing the smolt to stock the reopened farms and prevent the reopening of the Machiasport processing facility. We therefore conclude that revocation of the antidumping duty order would be likely to lead to significant declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and negative effects on the domestic industry's development and production efforts within a reasonably foreseeable time.[141]

CONCLUSION

For the foregoing reasons, we determine that revocation of the countervailing and antidumping duty order on fresh and chilled salmon from Norway would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

[140] Tr. at 28 - 29 (in spring 2006, the Court-ordered fallowing period for the Maine grow-out sites will end), 39 (Mr. Morang).

[141] To the extent respondent interested parties contend that American Gold on the West Coast will not be impacted if the orders are revoked (e.g., Respondents' Prehearing Brief at 4), we note that 27 percent of the subject imports entered West Coast ports in 2004, indicating that this producer will not likely to be insulated from competition with the subject imports in the event of revocation. CR/PR at Table IV-2.

PART I: INTRODUCTION AND OVERVIEW

BACKGROUND

On February 2, 2005, the U.S. International Trade Commission ("Commission") gave notice, pursuant to section 751(c) of the Tariff Act of 1930 (the Act), that it had instituted a review to determine whether revocation of the antidumping and countervailing duty orders on fresh and chilled Atlantic salmon[1] from Norway would likely lead to the continuation or recurrence of material injury to a domestic industry within a reasonably foreseeable time. On May 9, 2005, the Commission determined that it would conduct full reviews pursuant to section 751(c)(5) of the Act, because the domestic and respondent interested party group responses to the notice of institution were adequate. Information relating to the background and schedule of the reviews is provided in the following tabulation.

Effective date	Action	*Federal Register* citation
April 12, 1991	Commerce's antidumping and countervailing duty orders	56 FR 14920 and 14921
March 13, 2000	Commerce's continuation of antidumping and countervailing duty orders after first five-year review	65 FR 13358
February 2, 2005	Commission's institution of second five-year reviews	70 FR 5471
May 9, 2005	Commission's decision to conduct full reviews	70 FR 29364, May 20, 2005
June 27, 2005	Commission's scheduling of the reviews	70 FR 36947
August 30, 2005	Commission's revised schedule	70 FR 51365
September 8, 2005	Commerce's final results of expedited review of countervailing duty order	70 FR 53345
September 29, 2005	Commission's further revised schedule	70 FR 56930
November 10, 2005	Commission's hearing[1]	N.A.
December 30, 2005	Commerce's final results of full review of antidumping order	70 FR 77378
January 13, 2006	Commission's vote	N.A.
January 27, 2006	Commission's determinations transmitted to Commerce	N.A.
[1] A list of witnesses who appeared at the hearing is presented in app. B.		

[1] A complete description of the product subject to these review investigations is presented in *The Subject Product* section of this part of the report. The Commission's notice of institution, notice to conduct full reviews, scheduling notice, and statement on adequacy appear in app. A and may also be found at the Commission's web site (internet address *www.usitc.gov*). Commissioners' votes on whether to conduct expedited or full reviews may also be found at the web site.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Section 751(c) of the Act requires the U.S. Department of Commerce ("Commerce") and the Commission to conduct a review no later than five years after the issuance of an antidumping or countervailing duty order or the suspension of an investigation to determine whether revocation of the order or termination of the suspended investigation "would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy (as the case may be) and of material injury."

Section 752(a) of the Act provides that in making its determination of likelihood of continuation or recurrence of material injury--

> *(1) IN GENERAL.-- . . . the Commission shall determine whether revocation of an order, or termination of a suspended investigation, would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The Commission shall consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated. The Commission shall take into account--*
>
> *(A) its prior injury determinations, including the volume, price effect, and impact of imports of the subject merchandise on the industry before the order was issued or the suspension agreement was accepted,*
>
> *(B) whether any improvement in the state of the industry is related to the order or the suspension agreement,*
>
> *(C) whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and*
>
> *(D) in an antidumping proceeding . . ., (Commerce's findings) regarding duty absorption . . ..*
>
> *(2) VOLUME.--In evaluating the likely volume of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether the likely volume of imports of the subject merchandise would be significant if the order is revoked or the suspended investigation is terminated, either in absolute terms or relative to production or consumption in the United States. In so doing, the Commission shall consider all relevant economic factors, including--*
>
> *(A) any likely increase in production capacity or existing unused production capacity in the exporting country,*
>
> *(B) existing inventories of the subject merchandise, or likely increases in inventories,*
>
> *(C) the existence of barriers to the importation of such merchandise into countries other than the United States, and*
>
> *(D) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.*
>
> *(3) PRICE.--In evaluating the likely price effects of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether--*
>
> *(A) there is likely to be significant price underselling by imports of the subject merchandise as compared to domestic like products, and*

(B) imports of the subject merchandise are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.

(4) IMPACT ON THE INDUSTRY.--In evaluating the likely impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated, the Commission shall consider all relevant economic factors which are likely to have a bearing on the state of the industry in the United States, including, but not limited to--

(A) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,

(B) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and

(C) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.

The Commission shall evaluate all such relevant economic factors . . . within the context of the business cycle and the conditions of competition that are distinctive to the affected industry.

Section 752(a)(6) of the Act states further that in making its determination, "the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy. If a countervailable subsidy is involved, the Commission shall consider information regarding the nature of the countervailable subsidy and whether the subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement."

Information relating to the original investigations, the first five-year reviews, the product under review, the U.S. industry, and apparent U.S. consumption is presented in Part I. Information on conditions of competition and other relevant economic factors is presented in Part II. Part III contains information on the condition of the U.S. industry, including the financial experience of U.S. producers. Information on the likely volume and price effects of imports is presented in Parts IV and V, respectively.

THE ORIGINAL INVESTIGATIONS AND FIRST FIVE-YEAR REVIEWS

On February 28, 1990, a petition was filed with Commerce and the Commission alleging that an industry in the United States was materially injured by reason of dumped and/or subsidized imports of fresh and chilled Atlantic salmon from Norway.[2] On February 25, 1991, Commerce made final affirmative dumping and subsidy determinations.[3] The Commission made its final affirmative injury determinations on April 2, 1991,[4] and Commerce issued antidumping and countervailing duty orders on April 12, 1991.[5] Commerce's final dumping margins for the manufacturers/exporters in Norway are presented in the following tabulation:

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[2] The petition was filed by the Coalition for Fair Atlantic Salmon Trade ("FAST").

[3] 56 FR 7661 and 7678, February 25, 1991.

[4] Commissioners Lodwick, Rohr, and Newquist made affirmative determinations. Acting Vice Chairman Brunsdale dissented. *Fresh and Chilled Atlantic Salmon from Norway, Investigation Nos. 701-TA-302 and 731-TA-454 (Final)*, USITC Publication 2371, April 1991, p. 1.

[5] 56 FR 14920 and 14921, April 12, 1991.

Manufacturers/producers/exporters	Weighted-average margin *(percent ad valorem)*
Chr. Bjelland Seafoods A/S	19.96
Domstein and Co.	31.81
Fremstad Group A/S	21.51
Hallvard Leroy A/S	31.81
Saga A/S	26.55
Salmonor A/S	18.39
Sea Star International A/S	24.61
Skaarfish Mowi A/S	15.65
All others	23.80

In February 1991, Commerce found that six programs conferred countervailable subsidies on Norwegian producers/exporters of subject merchandise: (1) Regional Development Fund Loans and Grants; (2) National Fishery Bank of Norway Loans; (3) Regional Capital Tax Incentive; (4) Reduced Payroll Taxes; (5) Advance Depreciation of Business Assets; and (6) Government Bank of Agricultural Grants. Commerce found a net subsidy of 2.27 percent *ad valorem*.[6]

The Commission's determinations in the original investigations were appealed to the U.S. Court of International Trade ("CIT"). In response to a suit filed by respondents to the original investigations, the CIT issued a decision and order on October 23, 1992 remanding the Commission's determinations.[7] In its subsequent remand determinations, the Commission again found material injury by reason of subsidized and LTFV imports of fresh and chilled Atlantic salmon from Norway.[8] The CIT affirmed the Commission's determinations on remand.[9]

In September and October of 1991, the Commission's original injury determinations were challenged also by the Government of Norway before General Agreement on Tariffs and Trade ("GATT") panels. The panels found that the Commission's determinations were not inconsistent with United States obligations under the GATT or the 1979 Antidumping or Subsidies and Countervailing Measure Codes.[10]

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[6] *Final Affirmative Countervailing Duty Determination: Fresh and Chilled Atlantic Salmon from Norway*, 56 FR 7678, February 25, 1991.

[7] The CIT instructed the Commission on remand to reevaluate the record and to gather any necessary evidence to consider the impact of factors other than the pending investigations on the reduction in the volume of subject imports from Norway at the end of the period of investigation and to determine whether the industry was being materially injured by subject imports at the end of the period. CHR. Bjelland Seafoods A/S v. United States, 16 CIT 945 (1992).

[8] *Fresh and Chilled Atlantic Salmon from Norway, Views on Remand, Investigation Nos. 701-TA-302 and 731-TA-454 (Final),* USITC Publication 2589, December 1992, p. 1. Chairman Newquist and Commissioners Rohr and Nuzum made affirmative determinations. Vice Chairman Watson and Commissioners Brunsdale and Crawford reached negative determinations.

[9] CHR. Bjelland Seafoods A/S v. United States, 19 CIT 35 (1995).

[10] The panels found that the Commission's underlying findings regarding the volume of subject imports, their price effects, and impact to be consistent with U.S. obligations. *United States – Imposition of Antidumping Duties*

(continued...)

Subsequent to the original investigations for Norway, FAST filed a petition on June 12, 1997, alleging material injury or threat of material injury resulting from LTFV imports of fresh Atlantic salmon from Chile.[11] In July 1998, the Commission found that an industry in the United States was materially injured or threatened with material injury due to the LTFV imports of fresh Atlantic salmon from Chile.[12] Commerce issued an antidumping duty order covering the imports from Chile on July 30, 1998, which was revoked July 25, 2003.[13]

The Commission instituted the first five-year reviews on July 1, 1999, and determined on October 8, 1999, that it would conduct expedited reviews.[14] In February 2000, Commerce made its determinations that the revocation of the antidumping and countervailing duty orders on fresh and chilled Atlantic salmon from Norway would be likely to lead to continuation or recurrence of dumping and subsidies at the same rates as found during the original investigations (*see* tabulation above).[15] The Commission found that revocation of the orders would be likely to lead to continuation or recurrence of material injury on March 1, 2000, and Commerce published notice of the continuation of the antidumping and countervailing duty orders on March 13, 2000.[16]

COMMERCE'S RESULTS OF SECOND FIVE-YEAR REVIEWS

On September 8, 2005, Commerce published its final determination that revocation of the countervailing duty order would be likely to lead to continuation or recurrence of a net countervailable subsidy of 2.27 percent, the rate found in the original determination.[17]

On December 30, 2005, Commerce made a final determination that revocation of the antidumping duty order on fresh and chilled Atlantic salmon from Norway would likely lead to continuation or

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[10] (...continued)
on Imports of Fresh and Chilled Atlantic Salmon from Norway: Report of the Panel (November 30, 1992) *adopted by the Committee on Anti-Dumping Practices on 27 April 1994*; and *United States – Imposition of Countervailing Duties on Imports of Fresh and Chilled Atlantic Salmon from Norway: Report of the Panel* (December 4, 1992) *adopted by the Committee on Subsidies and Countervailing Measures on 28 April 1994*.

[11] The petition also alleged injury due to subsidization of imported fresh and chilled Atlantic salmon from Chile. However, Commerce issued a negative final countervailing duty determination in that matter.

[12] *Fresh Atlantic Salmon from Chile, Investigation No. 731-TA-768 (Final),* USITC Publication 3116, July 1998, p. 1. The scope of the product subject to the investigation regarding fresh Atlantic salmon from Chile was broader than the original investigations concerning Norway in that it included cuts of fresh Atlantic salmon along with whole "dressed" Atlantic salmon (which is salmon that has been bled, gutted, and cleaned). The cuts included, but were not limited to: steaks, fillets, butterfly cuts, combination packages, and product that was minced, shredded, or ground. Ibid., p. I- 1. The Commission found that both whole and cut fresh Atlantic salmon constituted one like product, concluding that "{b}ecause all salmon is available in a variety of sizes and salmon cuts are available in a variety of forms, all salmon can be said to consist of a continuum of products." Ibid, pp. 5-7. In addition, in defining the domestic industry, the Commission excluded firms that merely processed whole salmon into cuts. Ibid, p. 8.

[13] Commerce revoked the antidumping duty order, retroactive to July 1, 2001, based on the fact that domestic parties (Heritage Salmon Inc., Maine Nordic Salmon, Stolt Sea Farms Inc., Cypress Island Inc., and Atlantic Salmon of Maine) had expressed no interest in the continuation of the order. *Fresh Atlantic Salmon from Chile: Final Results of Antidumping Duty Changed Circumstances Review, Revocation of Order, and Rescission of Administrative Review*, 68 FR 44043, July 25, 2003.

[14] 64 FR 35680, July 1, 1999, and 64 FR 55957, October 15, 1999.

[15] 65 FR 5584, February 4, 2000, and 65 FR 5854, February 7, 2000.

[16] 65 FR 11082, March 1, 2000, and 65 FR 13358, March 13, 2000.

[17] 70 FR 53345.

recurrence of dumping at the same rates found during the original investigations (see earlier tabulation).[18] Commerce has not issued a duty absorption determination with respect to these orders.

COMMERCE'S ADMINISTRATIVE REVIEWS

Commerce has conducted five administrative reviews of the antidumping duty order on fresh and chilled Atlantic salmon from Norway as shown in table I-1. No administrative reviews of the countervailing duty order have been conducted by Commerce.

Table I-1
Fresh Atlantic salmon: Commerce's administrative reviews, 1989-2004

Period of review	Date results published	Dumping margin *(percent)*
October 3, 1990 - March 31, 1992	July 14, 1993 (58 FR 37912) amended March 1, 1995 (60 FR 11070)	Skaarfish A/S..... 2.15
April 1, 1992 - March 31, 1993	March 16, 1994 (59 FR 12242)	ABA A/S ..... *31.81 Arctic Group ..... **31.81 Arctic Products Norway A/S ..... *31.81 Brodrene Sirevag A/S ..... *23.80 Cocoon Ltd A/S..... *31.81 Delfa Norge A/S..... *31.81 Delimar A/S..... *** Deli-Nor A/S..... *** Fjord Trading LTD. A/S..... *23.80 Fresh Marine Co. Ltd..... **31.81 Greig Norwegian Salmon ..... **31.81 Harald Mowinckel A/S..... *23.80 Imperator de Norvegia..... *31.81 More Seafood A/S..... *31.81 Nils Willksen A/S..... *31.81 North Cape Fish A/S..... *31.81 Norwegian Salmon A/S..... 18.65 Norwegian Taste Company A/S ..... **31.81 Olsen & Kvalheim A/S..... *23.80 Sekkingstad A/S..... *23.80 Skaarfish-Mowi A/S..... 2.30 Timar Seafood A/S..... *31.81 Victoria Seafood A/S..... **31.81 West Fish Ltd. A/S..... *23.80 Other..... 31.91
April 1, 1993 - March 31, 1994	December 13, 1996 (61 FR 65522) amended August 20, 1997 (62 FR 44255)	Skaarfish[1]..... 2.28 Norwegian Salmon A/S..... 13.88
May 1, 1995 - October 31, 1995	January 10, 1997 (62 FR 1430)	Nordic Group A/L..... 0.00
April 1, 1997 - March 31, 1998	April 12, 1999 (64 FR 17616)	Nornir Group A/S..... 31.81

Footnotes on next page.

[18] 70 FR 77378.

Table I-1--*Continued*
Fresh Atlantic salmon: Commerce's administrative reviews, 1989-2004

[1] Commerce determined that Kinn Salmon A/S was the successor-in-interest to Skaarfish because the management and organizational structure of the former Skaarfish remained intact under Kinn, and there were no changes in the production facilities, supplier relationships, or customer base. Kinn was assigned the Skaarfish antidumping cash deposit rate (64 FR 9979, March 1, 1999).

* No shipments during the period; margin from the last administrative review.
** No response; highest margin from the original LTFV investigation.
*** No shipments or sales subject to this review; the firm had no individual rate from any segment of this proceeding.

DISTRIBUTION OF CONTINUED DUMPING AND SUBSIDY OFFSET ACT FUNDS TO AFFECTED DOMESTIC PRODUCERS

The Continued Dumping and Subsidy Offset Act of 2000 ("CDSOA") (also known as the Byrd Amendment) provides that assessed duties received pursuant to antidumping or countervailing duty orders must be distributed to affected domestic producers for certain qualifying expenditures that these producers incur after the issuance of such orders.[19] During the period of review, qualified U.S. producers of fresh and chilled Atlantic salmon were eligible to receive disbursements from the U.S. Customs and Border Protection ("Customs") under CDSOA relating to the antidumping and countervailing duty orders on the subject product.[20] Table I-2 presents CDSOA disbursements and claims for Federal fiscal years (October 1-September 30) 2001-04 for Heritage Salmon, the only recipient of disbursements during the period.

Table I-2
Fresh Atlantic salmon: CDSOA claims and disbursements for Heritage Salmon, Federal fiscal years 2001-04

Item	2001	2002	2003	2004
	Value *(dollars)*			
Antidumping duty order (Commerce case No. A-403-801):				
Amount of claim filed:[1]	39,249,921	45,217,295	47,327,380	50,284,547
Amount disbursed:[2]	45,909	59,195	18,276	58,331
Countervailing duty order (Commerce case No. C-403-802):				
Amount of claim filed:[1]	39,249,921	45,238,870	47,385,405	50,345,540
Amount disbursed:[2]	17,667	29,412	6,641	154,664

[1] Qualifying expenditures incurred by domestic producers since the issuance of an order, as presented in Section I of the CSDOA *Annual Reports*.
[2] As presented in Section I of Customs' CSDOA *Annual Reports.*

Source: U.S. Customs and Border Protection's CDSOA *Annual Reports*. Retrieved at *www.cbp.gov/xp/cgov/import/add_cvd/*.

SUMMARY DATA

[19] Section 754 of the Tariff Act of 1930, as amended (19 U.S.C. § 1675(c)).

[20] 19 CFR 159.64 (g).

A summary of data collected in these reviews is presented in appendix C. U.S. industry data are based on questionnaire responses of five producers that, with their affiliates, accounted for virtually all U.S. production of fresh and chilled Atlantic salmon during 2004. U.S. import data are based on official Commerce Department statistics with adjustments to imports from Canada to account for misreporting.[21] Available comparative data from the original investigations, the first five-year reviews, and the second five-year reviews are presented in table I-3. Responses by U.S. producers, importers, purchasers, and Norwegian producers of fresh Atlantic salmon to a series of questions concerning the significance of the existing antidumping and countervailing duty orders and the likely effects of revocation are presented in appendix D.

THE SUBJECT PRODUCT

The imported product subject to the antidumping and countervailing duty orders under review, as defined by Commerce, is:

> *the species Atlantic salmon (Salmon Salar) marketed as specified herein; the order excludes all other species of salmon: Danube salmon, Chinook (also called ''king'' or ''quinnat''), Coho (''silver''), Sockeye (''redfish'' or ''blueback''), Humpback (''pink'') and Chum (''dog''). Atlantic salmon is a whole or nearly-whole fish, typically (but not necessarily) marketed gutted, bled, and cleaned, with the head on. The subject merchandise is typically packed in fresh-water ice (''chilled''). Excluded from the subject merchandise are fillets, steaks and other cuts of Atlantic salmon. Also excluded are frozen, canned, smoked or otherwise processed Atlantic salmon. Atlantic salmon was classifiable under item number 110.2045 of the Tariff Schedules of the United States Annotated (''TSUSA''). Atlantic salmon is currently provided for under the Harmonized Tariff Schedule of the United States (''HTSUS'') statistical reporting numbers 0302.12.0003 and 0302.12.0004. The HTSUS statistical reporting numbers are provided for convenience and customs purposes. The written description remains dispositive as to the scope of the product coverage.*[22]

[21] Importers' questionnaire responses accounted for 134 percent of the quantity and 108 percent of the value of imports of fresh Atlantic salmon from Norway in 2004.

[22] *Final Results of Expedited Sunset Review of Countervailing Duty Order: Fresh and Chilled Atlantic Salmon From Norway* (70 FR 53345, September 8, 2005)

Table I-3
Fresh Atlantic salmon: Summary data from the original investigations and current reviews, 1987-89 and 1994-2004
(Quantity=*1,000 pounds*; value=*1,000 dollars*; unit values, unit labor costs, and unit financial data are *per pound*)

Item	1987	1988	1989	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
U.S. consumption quantity:														
Amount	***	26,916	41,705	(1)	(1)	(1)	(1)	***	144,100	158,571	172,205	170,298	163,744	149,104
Producers' share[2]	***	7.1	7.5	(1)	(1)	(1)	(1)	***	21.4	26.2	24.8	14.2	19.9	19.4
Importer's share:														
Norway[2]	***	72.9	60.2	(1)	(1)	(1)	(1)	***	0.7	0.4	0.6	1.0	1.1	0.3
All other countries[2]	***	20.1	32.3	(1)	(1)	(1)	(1)	***	77.9	73.4	74.5	84.8	79.0	80.3
Total imports[2]	***	92.9	92.5	(1)	(1)	(1)	(1)	***	78.6	73.8	75.2	85.8	80.1	80.6
U.S. consumption value:														
Amount	104,454	134,349	165,505	(1)	(1)	(1)	(1)	(1)	355,511	378,239	351,679	343,324	357,476	316,493
Producers' share[2]	2.2	6.5	6.2	(1)	(1)	(1)	(1)	(1)	19.0	24.1	18.0	10.3	15.4	15.7
Importer's share:														
Norway[2]	78.7	74.0	62.5	(1)	(1)	(1)	(1)	(1)	0.8	0.5	0.8	1.3	1.4	0.5
All other countries[2]	19.1	19.5	31.3	(1)	(1)	(1)	(1)	(1)	80.2	75.5	81.1	88.5	83.1	83.9
Total imports[2]	97.8	93.5	93.8	(1)	(1)	(1)	(1)	(1)	81.0	75.9	82.0	89.7	84.6	84.3
U.S. imports from [3]--														
Norway:														
Quantity	16,843[4]	19,688[4]	25,124[4]	324	181	164	89	151	980	651	1,067	1,691	1,817	469
Value	74,703	90,348	93,672	1,023	614	423	219	381	2,977	1,776	2,943	4,316	5,082	1,456
Unit value	$4.90	$5.07	$4.12	$3.16	$3.39	$2.58	$2.46	$2.52	$3.04	$2.73	$2.76	$2.55	$2.80	$3.10
All other countries:														
Quantity	3,808[4]	6,850[4]	13,468[4]	66,617	78,723	86,543	97,473	106,280	112,280	116,319	128,366	144,425	129,331	119,699
Value	16,396	29,627	46,881	178,133	203,145	212,200	249,095	257,450	284,982	285,428	285,381	303,759	297,174	265,436
Unit value	$4.54	$4.85	$3.85	$2.67	$2.58	$2.45	$2.56	$2.42	$2.54	$2.45	$2.22	$2.10	$2.30	$2.22
All countries:														
Quantity	21,177[4]	25,016[4]	38,591[4]	66,941	78,904	86,707	97,562	106,431	113,259	116,970	129,433	146,116	131,148	120,169
Value	91,099	119,975	140,553	179,156	203,759	212,623	249,314	257,831	287,959	287,204	288,323	308,076	302,256	266,892
Unit value	$4.83	$5.02	$4.02	$2.68	$2.58	$2.45	$2.56	$2.42	$2.54	$2.46	$2.23	$2.11	$2.30	$2.22

Table continued on next page.

Table I-3--*Continued*
Fresh Atlantic salmon: Summary data from the original investigations and current reviews, 1987-89 and 1994-2004

Item	1987	1988	1989	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
U.S. producers'-- Capacity quantity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	58,970	66,490	66,490	66,490	71,490	66,810
Production quantity	(1)	(1)	(1)	18,478[5]	29,763[5]	32,216[5]	38,091[5]	***[5]	30,879	41,962	41,323	30,628	28,376	28,865
Capacity utilization[2]	29.2	46.8	33.0	55.6[2]	66.7[6]	65.1[6]	71.9[6]	(1)	52.4	63.1	62.1	46.1	39.7	43.2
U.S. shipments: Quantity	***[7]	1,900[7]	3,114[7]	(1)	(1)	(1)	(1)	***	30,841	41,601	42,772	24,182	32,596	28,935
Value	***	8,670	10,193	(1)	(1)	(1)	(1)	***	67,552	91,035	63,356	35,248	55,220	49,601
Unit value	$***	$4.56	$3.27	(1)	(1)	(1)	(1)	$***[8]	$2.19	$2.19	$1.48	$1.46	$1.69	$1.71
Ending inventory quantity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Inventories/total shipments[2]	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Production workers	117	196	265	(1)	(1)	(1)	(1)	(1)	237	243	252	140	102	68
Hours worked (*1,000 hours*)	194	345	514	(1)	(1)	(1)	(1)	(1)	314	342	300	230	159	96
Wages paid (*1,000 dollars*)	1,395	2,702	4,082	(1)	(1)	(1)	(1)	(1)	2,817	2,814	2,692	1,986	1,217	631
Hourly wages	$7.51	$8.05	$8.10	(1)	(1)	(1)	(1)	(1)	$8.97	$8.23	$8.97	$8.63	$7.65	$6.57
Productivity (*1,000 pounds* per *hour*)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	61.6	67.6	66.4	65.9	64.2	114.5
Net sales: Quantity	***[7]	***[7]	***[7]	(1)	(1)	(1)	(1)	(1)	32,651	42,543	44,926	27,297	34,156	29,667
Value	***	***	***	45,284	64,398	68,311	76,866	(1)	71,920	92,972	67,218	40,555	57,693	50,805
Unit value	***	***	***	(1)	(1)	(1)	(1)	(1)	$2.20	$2.19	$1.50	$1.49	$1.69	$1.71
Cost of goods sold	***	***	***	(1)	(1)	(1)	(1)	(1)	58,648	67,309	81,369	42,368	61,939	53,500
Gross profit or (loss)	***	***	***	(1)	(1)	(1)	(1)	(1)	13,272	25,663	(14,151)	(1,813)	(4,246)	(2,695)
Operating income or (loss)	***	***	***	5,370	10,150	2,060	2,225	(1)	8,947	20,096	(20,392)	(5,698)	(9,142)	(6,432)
Unit cost of goods sold	$***	$***	$***	(1)	(1)	(1)	(1)	(1)	$1.80	$1.58	$1.81	$1.55	$1.81	$1.80
Unit operating income or (loss)	$***	$***	$***	(1)	(1)	(1)	(1)	(1)	$0.27	$0.47	$(0.45)	$(0.21)	$(0.27)	$(0.22)
Cost of goods sold/sales[2]	***	***	***	(1)	(1)	(1)	(1)	(1)	81.5	72.4	121.1	104.5	107.4	105.3
Operating income or (loss)/sales[2]	***	***	***	11.9	15.8	3.0	2.9	(1)	12.4	21.6	-30.3	-14.1	-15.8	-12.7

Footnotes on next page.

Table I-3--*Continued*
Fresh Atlantic salmon: Summary data from the original investigations and current reviews, 1987-89 and 1994-2004

[1] Not available.
[2] In *percent*.
[3] The 1987-88 data were estimated by calculating the ratios of fresh whole Atlantic salmon to all fresh whole salmon as observed in 1989 U.S. import data and applying those ratios to comparable county-specific 1987 and 1988 quantity and value data for all fresh whole salmon.
[4] Dressed weight.
[5] Adult "round" salmon, mature fish ready for harvest.
[6] Calculated from capacity and production figures which were expressed in thousands of pounds (not numbers of salmon).
[7] The unit of measure is not clear in the record for the original investigation.
[8] Calculated from dressed weight figures provided by FAST.

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

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

The subject product in these reviews is classifiable in the Harmonized Tariff Schedule of the United States ("HTS") in statistical reporting numbers 0302.12.0003 (fresh Atlantic salmon, except cuts, farmed) and 0302.12.0004 (fresh Atlantic salmon, except cuts, not farmed). The rate of duty for these numbers in the General column of the tariff schedule, which applies to Norway, is Free. Table I-4 presents current tariff rates for Atlantic salmon.

Table I-4
Fresh Atlantic salmon: Tariff rates, 2005

HTS provision	Article description	General[1]	Special	Column 2[2]
		Rates *(percent ad valorem)*		
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 0304:			
0302.12	Pacific, Atlantic, and Danube salmon:			
0302.12.0003	Atlantic salmon, farmed	Free		4.4¢/kg
0302.12.0004	Atlantic salmon, not farmed	Free		4.4¢/kg

[1] Normal trade relations, formerly known as the most-favored-nation duty rate.
[2] Applies to imports from a small number of countries that do not enjoy normal trade relations duty status.

Source: Harmonized Tariff Schedule of the United States (2005).

THE DOMESTIC LIKE PRODUCT

In both its original determinations and its first review investigations, the Commission defined the domestic like product as fresh and chilled Atlantic salmon, including Atlantic salmon smolt.[23] It also found the relevant domestic industry to consist of producers of that like product (including firms that engage only in the freshwater production of smolt). It followed the Commerce Department's scope in the original investigations[24] and excluded salmon cuts such as fillets and steaks.[25] No party in these reviews has argued for a different domestic like product than the one articulated in the original investigations. There have been no material changes in the product, production processes, or distribution channels since those determinations.

Description and Uses

The subject product, fresh Atlantic salmon, is a seafood. Atlantic salmon is generally marketed by the producer as a chilled fresh whole adult fish, in "dressed" (gutted and cleaned) form, with the head and tail left on. The scope of the duty orders also includes fresh ungutted ("round") Atlantic salmon, as well as fresh Atlantic salmon that has had its head and/or tail removed. Once harvested, the subject product is highly perishable and is, therefore, usually packed in freshwater ice, refrigerated, or otherwise chilled. The term "fresh and chilled" refers to fresh fish, whether or not chilled, as distinct from frozen or

[23] The Commission considered and rejected the argument by Norwegian respondents that the like product should be broadened to include fresh Pacific salmon along with Atlantic salmon. It stated that "... (1) Atlantic and Pacific salmon belong to a different species and genera [sic]; (2) Atlantic and Pacific salmon are produced to a large extent in an entirely distinct manner using different equipment and workforces; (3) Atlantic and Pacific salmon, as a whole, have limited interchangeability; (4) Atlantic salmon passes through separate channels of distribution than most Pacific salmon; and (5) the prices for Atlantic and Pacific salmon differ appreciably..." The Commission also decided that steelhead trout should not be part of the like product since "... (1) steelhead trout and Atlantic salmon differ in genus and species, (2) prices of Atlantic salmon and steelhead trout differ significantly, (3) few purchasers listed steelhead trout as a substitute for Atlantic salmon, and (4) steelhead trout is also captured wild ..." Lastly, the Commission indicated that it agreed with petitioner that the "semifinished" product like product analysis supported including smolt in its like product definition. According to the Commission, "(s)molts are destined to become adult salmon. Smolts have no independent use other than to become adult salmon. Smolts, as salmon, clearly embody the essential characteristics of the adult salmon." *Fresh and Chilled Atlantic Salmon from Norway, Investigation Nos. 701-TA-302 and 731-TA-454 (Final),* USITC Publication 2371, April 1991, pp. 4-9.

[24] In its original investigations, Commerce defined the imported merchandise subject to investigation as fresh and chilled Atlantic salmon, excluding (1) all other species of salmon; (2) frozen, canned, or smoked salmon; and (3) salmon processed beyond bleeding, gutting, and cleaning. *Fresh and Chilled Atlantic Salmon from Norway, Investigation Nos. 701-TA-302 and 731-TA-454 (Final),* USITC Publication 2371, April 1991, p. 4.

[25] Subsequent to the original investigations on Norway, the same petitioner filed a petition on June 12, 1997 alleging material injury or threat of material injury by reason of LTFV imports of fresh Atlantic salmon from Chile. *Fresh Atlantic Salmon from Chile, Investigation No. 731-TA-768 (Final),* USITC Publication 3116, July 1998. Commerce defined in its scope the subject imported product to include cuts such as fillets and steaks, along with the whole salmon that was the subject product in the Norway investigations. The Commission in *Chile* found the domestic like product to include both whole and cut fresh Atlantic salmon, concluding that "(b)ecause all salmon is available in a variety of sizes and salmon cuts are available in a variety of forms, all salmon can be said to consist of a continuum of products." *Fresh Atlantic Salmon from Chile, Investigation No. 731-TA-768 (Final),* USITC Publication 3116, July 1998, pp. 5-7. It further found that there was no clear dividing line between the products that would warrant treating them as separate domestic like products. Ibid.

otherwise further processed.[26] Excluded from the scope of these reviews are fresh Atlantic salmon fillets, steaks, or other cuts; Atlantic salmon that is frozen, canned, smoked, or otherwise further processed; and other species of fish, including other species of salmon.[27]

Atlantic salmon is native to the northern Atlantic Ocean and to various freshwater bodies in North America and Europe. In the natural state, females spawn in freshwater lakes and rivers, where the juvenile salmon remain until they reach the smolt (post-larval) stage, during which they migrate to salt water.[28] During their adult life, wild Atlantic salmon may return three or four times to their freshwater birthplace to spawn, and go back to the ocean afterwards. The commercial harvest of wild Atlantic salmon is banned in the United States and in most other countries to conserve the wild resource, which some scientists believe is headed toward extinction;[29] thus, fish farming is the commercial production method.

Production Process

All commercial production of fresh Atlantic salmon in the United States and by all major foreign suppliers, including Norway, is farmed using three stages of production: a freshwater stage where salmon eggs are hatched and raised in tanks into smolt; the saltwater stage where the smolt is raised in ocean pens to market-size salmon; and the harvesting/processing stage where the salmon is killed, bled, cleaned, gutted, and sometimes further processed into cuts. It generally takes about three years for an Atlantic salmon to grow from the egg stage to a harvestable-size salmon. Figure I-1 presents a graphic depiction of the life stages of salmon.

The freshwater stage begins in late fall when Atlantic salmon typically spawn. The eggs and milt are drawn from the brood stock and are mixed to create fertilized "green" eggs. Around January, the green eggs will become "eyed" eggs with visible eyes and yolk sacs. Generally in late February, the eyed eggs hatch and tiny fish-like creatures emerge; these "alevins" continue to feed from the yolk sacs. By late March the yolk sacs are consumed and the juvenile "fry" markings appear. At this point, feeding begins and within a couple of months the fish are transferred from incubator tanks to large freshwater grow-out tanks. During the summer the fry grow rapidly and by the fall mature into "parr." Parr remain in the freshwater tanks until they lose their juvenile markings and develop the silver skin that identifies them as smolt. Smolt are generally ready for transfer to the saltwater grow-out pens by the following April, which is about 18 months from the egg stage.

In order for the juvenile salmon to develop properly and yield a flesh quality similar to wild salmon, the environment experienced by farmed salmon must simulate a natural environment. For that reason, the hatchery and freshwater grow-out tanks are set up with cold, quickly circulating fresh water, like a natural river current. Oxygen levels, water temperature, and biomass are monitored closely to avoid impairing the health or growth of the young fish. The diet of the fish changes as it grows; as a parr,

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[26] The term "further processed," as used here, refers to any and all treatment of the product beyond gutting, cleaning, removal of the head, tail, and/or fins, and packaging.

[27] Atlantic salmon is the species Salmo salar, in the genus Salmo, which belongs to the biological family of finfish Salmoninae. Other members of the genus Salmo include various species of trout. The Pacific salmon species are in a separate genus, Oncorhynchus, also within the family Salmoninae.

[28] Landlocked Atlantic salmon strains do not naturally migrate to saltwater as described in this section but remain in freshwater.

[29] In 2000, the U.S. Fish and Wildlife Service and the National Marine Fisheries Service listed Atlantic salmon as endangered under the Endangered Species Act of 1973. Background information on the status of wild Atlantic salmon may be found in *Atlantic Salmon in Maine*, Ocean Studies Board and Board on Environmental Studies and Toxicology, National Research Council, Washington, D.C (2004), ch. 3.

its diet prepares it for the transfer to salt water. At each stage of the development process, fish of inferior size and/or health are culled.

At the end of the freshwater stage, the salmon smolt are transferred to ocean sites typically located in protected harbors off the coasts of northern states. Successful salmon farming requires clean water, strong current or tides, and water temperatures that remain above freezing. An ocean site is typically made up of from 8 to 16 attached pens. The pens must be able to be accessed and serviced 24 hours a day and are, therefore, usually placed in an area near land and protected from strong winds and seas. A pen is typically constructed of nets secured to a moored metal frame. An inner net holds the fish and an outer net protects them from predators. The ocean sites of the more advanced U.S. producers have electronic equipment that enables the site workers to most efficiently feed the salmon, monitor their health and detect predators (such as seals) and equipment failures (such as net pen holes).

Smolt are transferred to saltwater pens in the spring and remain there for about 18 months. During the summer the fish feed voraciously and gain weight rapidly; however, their appetite and weight gain fade in the winter. Because salmon mature at different rates, producers separate the fish according to size to encourage uniform feeding and growth. Some producers separate and grade the fish up to five times a year. After one year in saltwater, the salmon is designated as "1SW" salmon, meaning they have spent one "sea winter" in saltwater. Beginning three months later, the largest of the 1SWs will reach market size of about 8-10 pounds. Harvesting of this salmon class will take place over the next 12 months, as it is needed to service the market. Salmon that remain unharvested after the second anniversary of the class' entry into saltwater are referred to as 2SWs. Salmon that are selected for brood stock are left to mature in their fourth year.

The fish are no longer fed beginning about 10 to 14 days before harvesting, so they will be free of any food debris upon slaughter. On harvest day, a harvest barge, with a crew of four or five, will dock alongside the designated pen. The workers harvest fresh Atlantic salmon with a small purse seine, a cylindrical net with a draw-string at one end. The fish are entrapped by tightening the draw-string, closing off the bottom of the net, as the catch is hauled in. Salmon is generally killed and bled at the pen site[30] and then transported as "round" fish to a facility where they are further processed.

At the processing facility, workers using specially designed knives cut the salmon length-wise through the belly, and then "clean" the salmon by removing all of its internal organs and throughly bathing the gutted fish in water. The salmon are then inspected for defects and graded by weight. Salmon that are sold as "dressed, head-on" are then packaged for sale in specially designed boxes.[31]

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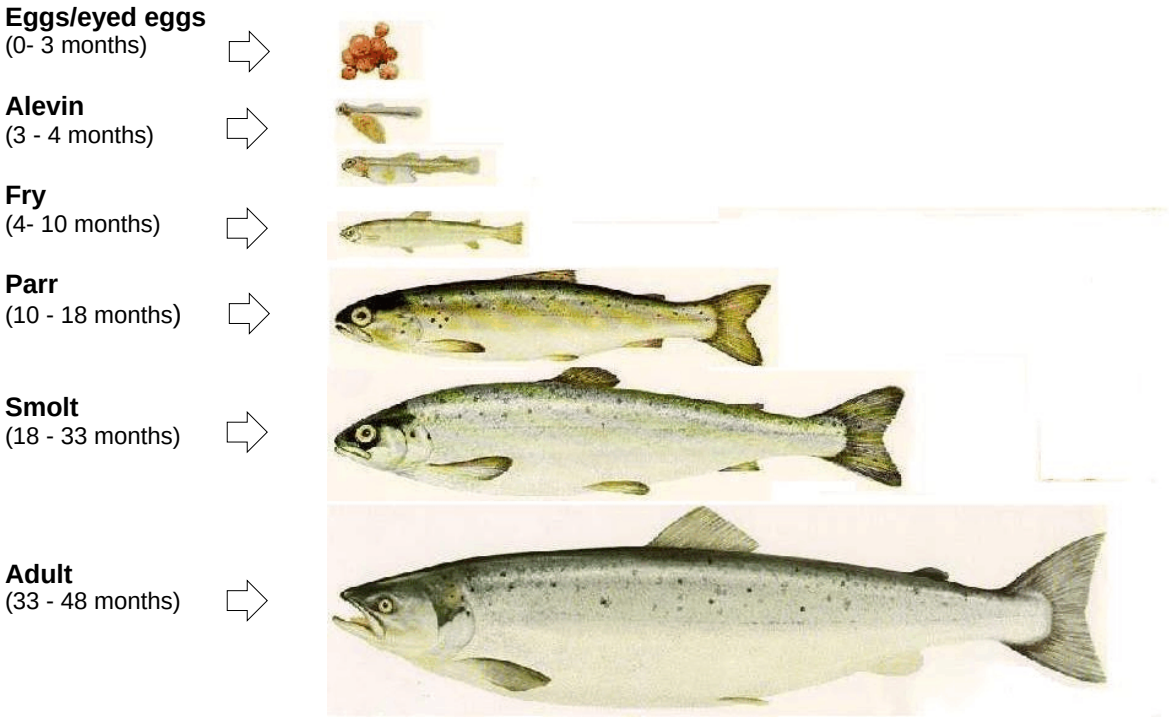
[30] Alternatively, the salmon may be sucked through a vacuum hose into a tank and transported live to a gutting and packing facility.

[31] Salmon designated for sale as cuts are, after inspection, placed in cool-storage for one to two days. The cooling stage makes removing the bones easier. The most common cut is the fillet, or lengthwise cut of a salmon, in which the salmon's head and tail are removed and the body is split lengthwise into two halves. The backbone and belly bones are removed. Fillets can be sold with or without the skin and with or without the remaining pin bones (small bones still in the salmon flesh). The most popular fillet cut is sold with the skin off and pin bones out. Fillets can be sold as whole or in smaller portions. For steak cuts, the bones are not removed from the carcass and the salmon is cut in cross section from top to bottom. Steaks and small-portion fillets may be packed in the same box and sold as a "combo" box. Imported Atlantic salmon cuts, such as fillets and steaks, are excluded from the scope of these reviews.

Figure I-1
Fresh whole Atlantic salmon: Life stages



Source: Fish Creek Atlantic Salmon Club, Inc., retrieved at http://www.dreamscape.com/flyman/Life_cycle.jpg.

Channels of Distribution

Most (97 percent or more) of U.S. production of fresh Atlantic salmon is marketed domestically. Both U.S. producers and importers sell whole Atlantic salmon through two major distribution channels, the food service and retail sectors. Petitioners in the original investigations estimated that 60 percent of Atlantic salmon sold in the United States was directed to the restaurant trade (primarily at the high end), with the balance being split between retail fish markets and supermarkets. Respondents placed the high-end share of the market for Norwegian salmon at 80 percent, and the low-end share at 20 percent. Anecdotal evidence suggests that the retail share has grown since the original investigations, especially among large chains of supermarkets and club stores. Channels of distribution for U.S.-produced fresh Atlantic salmon are presented in table I-5.

Table I-5
Fresh Atlantic salmon: U.S. producers' shipments of dressed Atlantic salmon, by channels of distribution, 1999-2004, January-June 2004, and January-June 2005

* * * * * * *

THE INDUSTRY IN THE UNITED STATES

U.S. Producers

There are four significant U.S. producers of fresh Atlantic salmon: American Gold Seafood ("American Gold") (formerly Cypress Island), Atlantic Salmon of Maine ("ASM"), Heritage, and Marine Harvest (formerly Stolt Sea Farm). All but Washington-State-based American Gold are located in Maine. Other farms in Maine have been reported;[32] they are believed to be much smaller than the above. Among these are Island Aquaculture and Treats Island Fisheries, both of which sell exclusively to ASM, and L.R. Enterprises, Maine Coast Nordic, and Trumpet Island Salmon Farm, Inc., all of which sell exclusively to Heritage. American Gold is owned by Smoki Foods, a U.S.-owned processor. ASM and Heritage are both owned by Cooke Aquaculture, a Canadian company. Marine Harvest is owned by Nutreco and Stolt Nielsen (see table I-6).

As noted previously, U.S. industry data are based on questionnaire responses of five producers and their affiliates. Based on the collected data, the domestic interested parties accounted for *** percent of U.S. production of fresh and chilled Atlantic salmon during 2004.

Norwegian respondents argued that, not only do domestic interested parties (Heritage and ASM) not account for most of the industry, they also are not representative of the domestic industry because of their Canadian corporate parentage.[33] Cooke Aquaculture is a Canada-based firm that, in addition to its U.S. subsidiaries Heritage, Horton's (parent of Atlantic Salmon), and others, operates salmon farms in New Brunswick, Quebec, and Prince Edward Island.[34] The other major U.S. producers, Marine Harvest and American Gold, are Dutch/Norwegian and American-owned, respectively.

Recent data on the relative size of each U.S. producer are not available. However, one rough guide to size is the acreage of the leases on the aquaculture farms operated by each firm. Unlike some other fish species such as catfish, salmon is farmed in public waters,[35] and leases must be obtained from the relevant State Government. In Maine, 13 firms hold salmon aquaculture leases at various locations along the State's coast.[36] (Not all leased sites are currently in production, although information on which are or are not is not available.) Selected public data on these firms' leases are included in table I-7. By this measure, Marine Harvest/Stolt Sea Farm is the largest firm, with 22 percent of total leased acreage, followed closely by ASM (20 percent) and Heritage (19 percent). G.C., Island Aquaculture Corp., Maine Coast Nordic, and Treat's Island each have 5-7 percent, followed by smaller amounts held by the remaining six leaseholders.

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[32] The ITA lists, in addition to the above, L.R. Enterprises, Inc. and Maine Nordic Salmon as "U.S. producers of fresh Atlantic salmon," *Notice of Initiation of Antidumping Changed Circumstances Review: Fresh Atlantic Salmon from Chile*, Federal Register, 68:100, 28196 (May 23, 2003).

[33] Norwegian response to the notice of institution, March 23, 2005, p. 10.

[34] Retrieved at http://www.hortons.com and http://www.cookeaqua.com/ .

[35] John Forster, *The U.S. Farmed Salmon Industry*, a review undertaken for the National Risk Management Feasibility Program for Aquaculture, managed by the Department of Agricultural Economics, Mississippi State University, February 2003, p. 8. Available on the Internet at http://www.agecon.msstate.edu/Aquaculture/pubs/Salmon_Industry_Profile.pdf.

[36] Most such leases also allow culture of trout and other species, but Atlantic salmon is the leading species in each case listed here.

Table I-6
Fresh Atlantic salmon: U.S. producers, locations, positions on continuation of orders, year acquired, share of production in 2004, and affiliations, 2005

Producer name (location)	Parent company (location)	Position on continuation of orders	Year acquired and from whom	Share of production in 2004 (percent)	Comments
American Gold (Washington)	Smoki Foods, Inc. (Washington)	***	2005, from PanFish (Norway)[1]	***	Formerly known as Cypress Island
Atlantic Salmon of Maine (Maine)	Cooke Aquaculture (Canada)	Supports	2004, from Fjord (Norway)[2]	***	ASM is actually a subsidiary of Horton's of Maine, a Cooke subsidiary. Horton's also owns two smaller Maine producers, Treat's Island and Island Aquaculture, also acquired from Fjord.
Heritage (Maine)	Cooke Aquaculture (Canada)	Supports	2005, from George Weston (Canada)[3]	***	Formerly known as Connors
L.R. Enterprises (Maine)	Cooke Aquaculture (Canada)	Supports	2003	***	***
Marine Harvest (Maine)	Nutreco-75% (Netherlands) and Stolt Nielsen-25% (Norway)	***	Formed as a joint venture in 2004, combining two existing firms[4]	***	Until May 2005, Marine Harvest was called Stolt Sea Farm, the name of Stolt Nielsen's U.S. producing subsidiary. It was merged in 2004 with Nutreco's U.S. marketing subsidiary, Marine Harvest.

[1] Puget Sound Business Journal, "Seattle processor buys salmon farming operations," May 3, 2005, found at http://www.bizjournals.com/seattle/stories/2005/05/02/daily15.html, December 8, 2005.
[2] "Sale of Atlantic Salmon of Maine," Fjord Seafood press release, April 2, 2004.
[3] "Sale of Heritage Salmon Canadian East Coast Aquaculture," George Weston press release, June 20, 2005, retrieved at http://tsedb.theglobeandmail.com/servlet/WireFeedRedirect?cf=GlobeInvestor/tsx/config&date=20050620&archive=cnw&slug=1306203965.
[4] "Nutreco seeks shareholder approval for joint venture of its worldwide fish farming activities with those of Stolt Nielsen S.A.," Nutreco press release, December 6, 2004. "Marine Harvest merger gets warm reception," Intrafish, Oct. 2004, p. 31. "Nutreco, Stolt cavalier about obstacles facing new firm," Intrafish, October 2004, p. 30.

Table I-7
Fresh Atlantic salmon: Maine aquaculture lessees, lease locations, sizes, and shares of total Maine lease acreage, 2004

Lessee	Lease location	Acreage	Share of total Maine lease acreage *(percent)*
Atlantic Salmon of Maine LLC	Cross Island, Cutler	25	3.4
	Cross Island, Cutler	20	2.7
	Dyer Island, Harrington	20	2.7
	Flint Island, Harrington	10	1.4
	Starboard Island, Machiasport	40	5.4
	Libby Island, Machiasport	20	2.7
	Stone Island, Machiasport	10	1.4
	Subtotal	145	19.6
Birch Point Fisheries	Birch Point, Perry	28.5	3.9
Heritage Salmon, Inc.	Broad Cove, Eastport	45	6.1
	Johnson Bay, Lubec	1.36	0.2
	Seward Neck, Lubec	8.54	1.2
	Deep Cove, Eastport	25	3.4
	Goose Island, Eastport	27.55	3.7
	South Bay, Lubec	30	4.1
	Subtotal	137.45	18.6
G.C., Inc.	Perry and Eastport	24.65	3.3
	Seward Neck, Lubec	24.8	3.4
	Subtotal	49.45	6.7
Harris, Lee M. And George Harris, Jr.	Cobscook Bay, Eastport	30	4.1
Island Aquaculture Corp.	Black Island, Frenchboro	15	2.0
	Scrag Island, Swans Island	18.83	2.5
	Toothacker Cove, Swans Island	18	2.4
	Subtotal	51.83	7.0
L.R. Enterprises, Inc.	Johnson Bay, Eastport	15	2.0

Table continued on next page.

Table I-7--*Continued*
Fresh Atlantic salmon: Maine aquaculture lessees, lease locations, sizes, and shares of total Maine lease acreage, 2004

Lessee	Lease location	Acreage	Share of total Maine lease acreage *(percent)*
Maine Coast Nordic / Isaac Beal	Great Wass Island, Beals	10	1.4
Maine Coast Nordic/Robert A. Cates/ Robert N. Cates	Little River, Cutler	6.3	0.9
	Little River, Cutler	6.9	0.9
Maine Coast Nordic	Cutler Peninsula, Cutler	10	1.4
	Spectacle Island, Beals	10	1.4
	Subtotal	33.2	5.8
Maine Salmon, Inc.	Off Shackford Head, Eastport	8.2	1.1
Pierce Associates	Mason Station	3.24	0.4
Stolt Sea Farm Maine, Inc.	Seward Neck, Lubec	9.95	1.3
	Harris Cove, Eastport	10	1.4
	Johnson Cove, Eastport	22	3.0
	Kendall Head, Eastport	29.4	4.0
	Eastern Johnson Bay, Lubec	32.14	4.3
	Prince Cove, Eastport	26.5	3.6
	Cobscook Bay, Lubec	32.14	4.3
	Subtotal	162.13	21.9
Treat's Island Fisheries, Inc.	Comstock Point, Lubec	15	2.0
	Johnson Cove, Eastport	10.34	1.4
	Treat Island, Eastport	10	1.4
	Treat Island, Eastport	4.99	0.7
	Subtotal	40.33	5.5
Trumpet Island Salmon Farm, Inc.	Blue Hill Bay, Tremont	25	3.4
Total		732.53	100.0

Source: State of Maine, Department of Marine Resources, Aquaculture Lease Inventory, retrieved on August 18, 2005 from http://www.maine.gov/dmr/aquaculture/leaseinventory2005/finfishlist.htm.

U.S. Importers

There are relatively few importers of the subject product from Norway, generally not more than a dozen in a given year. The larger importers are affiliated with Norwegian producers and exporters, and the largest one or two importers typically account for half or more of total imports from Norway. The greatest volume is imported by companies located in the regions around Boston, MA, and Seattle, WA.

U.S. Purchasers

The Commission mailed questionnaires to 39 purchasers of fresh and chilled Atlantic salmon. To date, it has received responses from 15, not including two purchasers who responded that they did not purchase fresh and chilled Atlantic salmon. The majority of responding purchasers were distributors. Further information on purchasers is contained in part II of the report.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table I-8 presents apparent U.S. consumption, imports, shipments, and market shares for the period of review. Apparent U.S. consumption rose from 144.1 million pounds in 1999 to a high of 172.2 million pounds in 2001 before declining to 149.1 million pounds in 2004. During January - June 2005, consumption totaled 81.6 million pounds, 9.4 percent higher than the same period in 2004. The value of apparent U.S. consumption of fresh and chilled Atlantic salmon rose from $355.5 million in 1999 to a high of $378.2 million in 2000, before declining to $316.5 million in 2004. During January - June 2005, apparent consumption totaled $176.1 million, 11 percent higher than the same period in 2004.

U.S. producers' share of consumption rose from 21.4 percent in 1999 to a high of 26.2 percent in 2000, then declined irregularly to 19.4 percent in 2004 and 14.0 percent during January - June 2005. U.S. producers' share of the value of consumption rose from 19.0 percent in 1999 to a high of 24.1 percent in 2000, then declined irregularly to 15.7 percent in 2004 and 11.3 percent during January - June 2005.

As a share of U.S. consumption, imports from Norway fluctuated between 0.3 percent and 1.1 percent of the volume and 0.4 and 1.4 percent of the value during 1999-2004 and January-June 2005. Imports from Canada, the largest foreign supplier, fluctuated between 53.6 percent and 76.8 percent of apparent consumption, and between 56.7 percent and 75.1 percent of the value of consumption. The next largest source of imports was the United Kingdom, where salmon farming operations in Ireland and Scotland are reportedly controlled in large part by Norwegian owners.[37] Imports from the United Kingdom peaked in 2003 at 25.8 million pounds, or 15.7 percent of apparent consumption, dropping to 5.5 percent in the first half of 2005.

U.S. production was overshadowed by imports during the entire period of review, ranging from almost 3 times U.S. production in 2000 to more than 6 times U.S. production during January - June 2005 (table I-9). Imports from Norway as a share of U.S. production fluctuated during the period, from a low of 1.6 percent in 2000 to a high of 6.4 percent in 2003.

[37] Globefish, "CHAOS REIGNS IN THE EUROPEAN SALMON MARKET ," February 2005, found at http://www.globefish.org/index.php?id=2349, December 5, 2005.

Table I-8
Fresh Atlantic salmon: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity *(1,000 pounds)*							
U.S. producers' shipments	30,841	41,601	42,772	24,182	32,596	28,935	16,001	11,436
U.S. imports from--								
Norway	980	651	1,067	1,691	1,817	469	317	234
Canada	84,576	86,933	104,271	121,174	87,788	93,078	43,499	62,675
Chile	6,363	8,923	7,974	7,652	7,646	4,755	2,540	1,380
United Kingdom	11,763	12,054	12,988	12,815	25,766	17,990	10,101	4,491
All other sources	9,577	8,409	3,133	2,785	8,131	3,877	2,121	1,359
Subtotal, nonsubject	112,280	116,319	128,366	144,425	129,331	119,699	58,261	69,905
Total U.S. imports	113,259	116,970	129,433	146,116	131,148	120,169	58,578	70,139
Apparent consumption	144,100	158,571	172,205	170,298	163,744	149,104	74,579	81,575
	Value *($1,000)*							
U.S. producers' shipments	67,552	91,035	63,356	35,248	55,220	49,601	27,489	19,835
U.S. imports from--								
Norway	2,977	1,776	2,943	4,316	5,082	1,456	839	711
Canada	219,106	214,559	239,533	257,686	205,974	198,682	94,728	130,298
Chile	15,370	21,525	15,750	14,571	16,937	11,054	6,165	3,191
United Kingdom	31,436	31,738	24,916	26,504	60,761	48,371	24,960	18,942
All other sources	19,070	17,607	5,181	4,998	13,503	7,329	3,967	3,085
Subtotal, nonsubject	284,982	285,428	285,381	303,759	297,174	265,436	129,821	155,516
Total U.S. imports	287,959	287,204	288,323	308,076	302,256	266,892	130,660	156,227
Apparent consumption	355,511	378,239	351,679	343,324	357,476	316,493	158,149	176,062
	Share of quantity *(percent)*							
U.S. producers' shipments	21.4	26.2	24.8	14.2	19.9	19.4	21.5	14.0
U.S. imports from--								
Norway	0.7	0.4	0.6	1.0	1.1	0.3	0.4	0.3
Canada	58.7	54.8	60.6	71.2	53.6	62.4	58.3	76.8
Chile	4.4	5.6	4.6	4.5	4.7	3.2	3.4	1.7
United Kingdom	8.2	7.6	7.5	7.5	15.7	12.1	13.5	5.5
All other sources	6.6	5.3	1.8	1.6	5.0	2.6	2.8	1.7
Subtotal, nonsubject	77.9	73.4	74.5	84.8	79.0	80.3	78.1	85.7
Total U.S. imports	78.6	73.8	75.2	85.8	80.1	80.6	78.5	86.0
	Share of value *(percent)*							
U.S. producers' shipments	19.0	24.1	18.0	10.3	15.4	15.7	17.4	11.3
U.S. imports from--								
Norway	0.8	0.5	0.8	1.3	1.4	0.5	0.5	0.4
Canada	61.6	56.7	68.1	75.1	57.6	62.8	59.9	74.0
Chile	4.3	5.7	4.5	4.2	4.7	3.5	3.9	1.8
United Kingdom	8.8	8.4	7.1	7.7	17.0	15.3	15.8	10.8
All other sources	5.4	4.7	1.5	1.5	3.8	2.3	2.5	1.8
Subtotal, nonsubject	80.2	75.5	81.1	88.5	83.1	83.9	82.1	88.3
Total U.S. imports	81.0	75.9	82.0	89.7	84.6	84.3	82.6	88.7

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table I-9
Fresh Atlantic salmon: U.S. production and ratios of U.S. imports to production, by sources, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity *(1,000 pounds)*							
U.S. production	30,879	41,962	41,323	30,628	28,376	28,865	15,094	11,436
	Ratio to production (*percent*)							
U.S. imports:								
Norway	3.2	1.6	2.6	5.5	6.4	1.6	2.1	2.0
Canada	273.9	207.2	252.3	395.6	309.4	322.5	288.2	548.1
Chile	20.6	21.3	19.3	25.0	26.9	16.5	16.8	12.1
United Kingdom	38.1	28.7	31.4	41.8	90.8	62.3	66.9	39.3
Other sources	31.0	20.0	7.6	9.1	28.7	13.4	14.1	11.9
Subtotal (nonsubject)	363.6	277.2	310.6	471.5	455.8	414.7	386.0	611.3
Total U.S. imports	366.8	278.8	313.2	477.1	462.2	416.3	388.1	613.3

Source: Calculated from tables I-8 and III-2.

Information regarding U.S. consumption of all Atlantic salmon (whole fresh, cuts, and frozen) is presented in table I-10 and figure I-2. Apparent U.S. consumption of all Atlantic salmon grew steadily from 277.1 million pounds in 1999 to 453.6 million pounds in 2003, before declining slightly in 2004 to 428.9 million pounds. Apparent consumption during January - June 2005 was 9.4 percent ahead of the same period of 2004.

During the period of review, whole fresh fish as a share of apparent U.S. consumption of all Atlantic salmon declined steadily from 52.0 percent in 1999 to 34.8 percent in 2004. While consumption of whole salmon peaked in 2001, consumption of frozen salmon and salmon cuts more than doubled during the period of review, increased steadily from 1999 through 2003, before dropping by 3.5 percent in 2004 to 279.8 million pounds. Chile supplied the majority of frozen salmon and cuts consumed, its share ranging from 64.6 percent in 1999 to 83.4 percent in 2004 and 84.3 percent in the first half of 2005.

In 1999, Canada supplied 34.9 percent of apparent U.S. consumption of all Atlantic salmon. By 2004, its share had fallen to 26.6 percent, rebounding to 32.3 percent in January - June 2005. At the same time, Chile's share of apparent U.S. consumption of all Atlantic salmon rose from 33.3 percent in 1999 to 55.5 percent in 2004, and 55.1 percent in January - June 2005.

Table I-10
Atlantic salmon: Apparent U.S. consumption, by types, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity (*1,000 pounds*)							
Whole fresh:								
U.S. shipments	30,841	41,601	42,772	24,182	32,596	28,935	16,001	11,436
U.S. imports:[1]								
Norway	980	651	1,067	1,691	1,817	469	317	234
Canada	84,576	86,933	104,271	121,174	87,788	93,078	43,499	62,675
Chile	6,363	8,923	7,974	7,652	7,646	4,755	2,540	1,380
United Kingdom	11,763	12,054	12,988	12,815	25,766	17,990	10,101	4,491
Other sources	9,577	8,409	3,133	2,785	8,131	3,877	2,121	1,359
Total imports	113,260	116,970	129,433	146,116	131,148	120,169	58,578	70,139
Apparent consumptio	144,100	158,571	172,205	170,298	163,744	149,104	74,579	81,575
Cuts and frozen:[2]								
U.S. shipments [3]	7,776	10,487	10,783	8,637	11,641	10,334	5,714	4,084
U.S. imports:[4]								
Norway	26,237	22,437	17,499	18,789	22,665	15,055	8,480	5,066
Canada	17,446	24,891	43,744	52,633	42,289	29,959	15,987	17,094
Chile	122,064	184,970	254,142	300,733	327,578	331,856	158,225	179,816
United Kingdom	7,013	3,718	1,146	780	2,747	2,886	1,356	1,172
Other sources	4,582	1,885	1,749	1,009	2,437	4,618	2,622	3,858
Total imports	177,341	237,901	318,279	373,945	397,716	384,375	186,670	207,006
Apparent consumption	185,117	248,388	329,062	382,582	409,357	394,709	192,384	211,090
Total Atlantic Salmon:								
U.S. shipments	38,617	52,088	53,555	32,819	44,237	39,269	21,715	15,520
U.S. imports:								
Norway	27,216	23,087	18,566	20,480	24,481	15,524	8,796	5,300
Canada	102,022	111,823	148,015	173,807	130,077	123,037	59,486	79,769
Chile	128,427	193,893	262,117	308,385	335,224	336,611	160,765	181,196
United Kingdom	18,776	15,773	14,134	13,595	28,513	20,876	11,457	5,663
Other sources	14,160	10,295	4,882	3,794	10,568	8,495	4,743	5,217
Total imports	290,601	354,871	447,713	520,061	528,864	504,544	245,248	277,145
Apparent consumption	329,218	406,960	501,267	552,881	573,102	543,813	266,963	292,665

Table continued on next page.

Table I-10–*Continued*
Atlantic Salmon: Apparent U.S. consumption, by types, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
	Share of total Atlantic salmon (*percent*)							
Whole fresh:								
U.S. shipments	9.4	10.2	8.5	4.4	5.7	5.3	6.0	3.9
U.S. imports:								
Norway	0.3	0.2	0.2	0.3	0.3	0.1	0.1	0.1
Canada	25.7	21.4	20.8	21.9	15.3	17.1	16.3	21.4
Chile	1.9	2.2	1.6	1.4	1.3	0.9	1.0	0.5
United Kingdom	3.6	3.0	2.6	2.3	4.5	3.3	3.8	1.5
Other sources	2.9	2.1	0.6	0.5	1.4	0.7	0.8	0.5
Total imports	34.4	28.7	25.8	26.4	22.9	22.1	21.9	24.0
Apparent consumption	43.8	39.0	34.4	30.8	28.6	27.4	27.9	27.9
Cuts and frozen:								
U.S. shipments	2.4	2.6	2.2	1.6	2.0	1.9	2.1	1.4
U.S. imports:								
Norway	8.0	5.5	3.5	3.4	4.0	2.8	3.2	1.7
Canada	5.3	6.1	8.7	9.5	7.4	5.5	6.0	5.8
Chile	37.1	45.5	50.7	54.4	57.2	61.0	59.3	61.4
United Kingdom	2.1	0.9	0.2	0.1	0.5	0.5	0.5	0.4
Other sources	1.4	0.5	0.3	0.2	0.4	0.8	1.0	1.3
Total imports	53.9	58.5	63.5	67.6	69.4	70.7	69.9	70.7
Apparent consumption	56.2	61.0	65.6	69.2	71.4	72.6	72.1	72.1
Total Atlantic salmon:								
U.S. shipments	11.7	12.8	10.7	5.9	7.7	7.2	8.1	5.3
U.S. imports:								
Norway	8.3	5.7	3.7	3.7	4.3	2.9	3.3	1.8
Canada	31.0	27.5	29.5	31.4	22.7	22.6	22.3	27.3
Chile	39.0	47.6	52.3	55.8	58.5	61.9	60.2	61.9
United Kingdom	5.7	3.9	2.8	2.5	5.0	3.8	4.3	1.9
Other sources	4.3	2.5	1.0	0.7	1.8	1.6	1.8	1.8
Total imports	88.3	87.2	89.3	94.1	92.3	92.8	91.9	94.7
Apparent consumption	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Includes HTS statistical reporting numbers 0302.12.0003 (farmed) and 0302.12.0004 (not farmed).
[2] Fresh and frozen cuts were converted to dressed weight by using a 70 percent yield factor. *Fresh Atlantic Salmon from Chile (Inv. No. 731-TA-768 (Final))*, USITC Publication 3116, July 1998, table IV-2, fn. 1.
[3] U.S. shipments of cuts represent Atlantic Salmon and Heritage shipments and estimated other producer shipments (based on Atlantic Salmon and Heritage's ratio of cuts to total sales). Domestic posthearing brief, exhibit 8, fns. 2 and 3.
[4] Includes HTS subheading 0303.22 (whole frozen) and statistical reporting numbers 0304.10.4093 (fresh and chilled farmed fillets), 0304.10.4094 (fresh and chilled not farmed fillets), and 0304.20.6006 (frozen fillets).

Source: Compiled from data submitted in response to Commission questionnaires, official Commerce statistics, and domestic posthearing brief.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

INTRODUCTION

The U.S. market for fresh Atlantic salmon is dominated by imports from nonsubject countries such as Canada and the United Kingdom. U.S. production is a smaller part of the market, and Norwegian imports even smaller. However, Norway is one of the world's main producers of fresh Atlantic salmon. According to information supplied by Norwegian parties, U.S. consumption of salmon was approximately 20 percent of world consumption in 2003, roughly comparable to Japanese and Russian consumption but roughly two-thirds of European Union ("EU") consumption.[1] Both U.S. and global demand for salmon has been growing for the last 15 years. Nonetheless, the U.S. industry has faced difficulties involving environmental regulations as well as alleged health risks affecting demand.

MARKET STRUCTURE

There are three main U.S. producers who farm salmon off the coast of Maine: ASM, Heritage, and Marine Harvest. A few other smaller producers (such as ***) do as well, often selling all of their product to ***. American Gold farms salmon off the coast of Washington state, the only such producer to do so. The farm it owns, Cypress Island, was owned by Pan Fish until May 2005.[2] Pricing power by any firm in the U.S. market is restrained by the volume of imports from Canada and the United Kingdom, in addition to substantial amounts from Chile, Iceland, and the Faroes Islands.

CHANNELS OF DISTRIBUTION

Fresh Atlantic salmon is commonly sold by producers and importers to distributors, who in turn sell to restaurants, retailers, and other wholesalers.[3]

U.S. MARKET SEGMENTS

Geographic Markets

ASM and Heritage described their geographic market as consisting of the *** regions. However, American Gold stated that it served the *** regions.[4] Among importers, *** reported having a national

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[1] Norwegian response to the notice of institution, exh. 1, p. 9.

[2] Four firms submitted both producers' and importers' questionnaires for the same or related companies: ***. In all of these cases except for ***, the questionnaires were submitted by the same individuals. For the purposes of Part II, and to avoid double counting responses, questionnaire responses from *** are included with producer totals and responses from *** with importer totals because *** have imported from Norway while *** have not. ***, its producer questionnaire responses are footnoted in Part II, but are not compiled with the other producers.

[3] Questionnaire responses and staff interview with Gina Beck for domestic industry, July 7, 2005. Generally, most of the ten largest purchasers listed by producers and importers were distributors. Four U.S. producers, all four importers, 35 Norwegian producers/exporters, and 16 purchasers reported that they did not sell fresh Atlantic salmon over the internet.

[4] At the hearing, Coast Seafood USA testified that U.S. fresh Atlantic salmon from the West Coast was not sold on the East Coast, and vice versa. However, Cooke Aquaculture disagreed with this assessment, describing the entire U.S. fresh Atlantic salmon market as one market. Hearing transcript, pp. 92 (Cooke) and 201 (Rygg). For port-of- entry data, please see table IV-2.

market,[5] while *** named the Northeast, Mid-Atlantic, and West Coast as its primary markets and *** named the Northeast, Southeast, and West Coast.[6]

U.S. SUPPLY: DOMESTIC PRODUCTION FOR THE U.S. MARKET

U.S. producers have little room to increase U.S. shipments from inventories, production substitutes, or exports. All four producers said that there were no production substitutes for fresh Atlantic salmon.[7] Due to the fresh (rather than frozen) nature of the product, producers keep no long-term inventories of fresh Atlantic salmon. Export markets are a very small part of overall shipments of U.S. product. All four producers reported that it would be difficult to impossible to switch their sales of fresh Atlantic salmon from the United States to other countries. *** indicated that almost all their sales were in the United States, and that they had not developed other markets. *** said that the strong U.S. dollar and expensive transportation costs had prevented it from developing other markets, as had the "domination" of the European market by Chilean and Norwegian producers. It added that entering such markets with a competitive price would be difficult if not impossible.[8]

U.S. producers described state (i.e., Maine or Washington) permitting for salmon pens as the major restriction on their production.[9] *** said that Washington had not allowed any new pen permits since 1990, and that surface area and volume were still restricted by the original permits. Similarly, *** reported that Maine sets a regulatory limit (500 acres) on the acreage that one firm can own. Both ASM and Heritage have been faced with difficulties due to regulations involving farming salmon. In 2003, a federal judge ruled that ASM and Stolt Sea Farm (now Marine Harvest) needed to leave all their pens fallow for two years due to issues involving the Clean Water Act. However, that order is due to expire in 2006.[10]

Farmed Atlantic salmon is vulnerable to superchill conditions as well as a range of biological threats, including ISA, sea lice, kudoa,[11] and others. Superchill, a sudden drop in water temperature,

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[5] However, *** reported selling only to the West Coast, at distances of less than 100 miles from its production facility.

[6] ASM and Heritage estimated that *** percent of their sales were shipped between 100 and 1,000 miles. ASM added that it shipped *** percent of its product less than 100 miles and *** percent more than 1,000 miles, while Heritage shipped *** percent of its product less than 100 miles and *** percent more than 1,000 miles. Importer *** shipped 80 percent of its product within 100 miles and 20 percent within 100 to 1,000 miles, while importers *** shipped 50 percent of their product between 100 and 1,000 miles and the majority of the rest less than 100 miles. Importer *** shipped 25 percent of its product within 100 miles and 75 percent between 100 and 1,000 miles.

[7] Additionally, Cooke Aquaculture said that ASM and Heritage focus their production on whole Atlantic salmon rather than cut or frozen products. Hearing transcript, p. 42 (Craig) and p. 90 (Cooke).

[8] When asked if their exports of fresh Atlantic salmon were not subject to tariffs in other countries, *** answered no while *** responded that it did not know. Among importers, *** answered no while *** responded that it did not export.

[9] *** stated that the low prices and oversupply of world salmon were the major constraints on its production capacity.

[10] Domestic response to the notice of institution, p. 10, and Norwegian response to the notice of institution, exh. 1, p. 19. In addition, purchaser *** said that U.S. salmon producers were no longer producing salmon in Maine due to being forced out of business by "environmental whackos." At the hearing, Cooke Aquaculture described itself as ready to begin growing salmon at ASM's and Heritage's facilities again in 2006, and said it will process some of these salmon at currently empty facilities in Machiasport, ME. Hearing transcript, pp. 27-29 (Cooke).

[11] Kudoa thyrsites is a star-shaped parasite that infects the muscles of fish, causing unsightly cysts and post-mortem "myoliquefaction," a softening of the salmon's flesh to sufficient extent to leave the fish unmarketable.

(continued...)

killed a number of ASM's and Heritage's smolt in 2003. ISA, a virus that is fatal to salmon, devastated Heritage's harvest in 2002 and ASM's in 2003. While biosecurity measures offer some protection against the virus, ISA remains a threat to any salmon aquaculture operation.[12] However, producer *** indicated that while biological threats can create "big problems" for about a year, so far vaccines or other strategies have been able to bring them under control.[13]

When asked if they had observed any significant changes in the product range, product mix, or marketing of fresh Atlantic salmon, three producers responded that they had not. (*** indicated that it did not know.) However, *** added that Chilean exports of all salmon, most of which it alleged were fresh and frozen Atlantic salmon fillets, had increased 236 percent over 1999 to 2004.[14]

While three producers had not seen any changes in factors affecting supply[15] since January 1999, all four producers anticipated an increased in the availability of U.S.-produced fresh Atlantic salmon. *** anticipated a controlled increase in the availability of product. They hoped to maintain prices at steady levels balanced against gradually increasing demand, as they worried that a sharp price increase would damage the market. They continued that supply was higher in 2001 before the PCB controversy, but that as demand recovers they will hire more workers at ***.

Purchasers were also asked if they had observed any changes in the factors affecting the supply of U.S.-produced fresh Atlantic salmon. Nine said no and four said yes, although two of those that answered yes mentioned factors involving product from nonsubject countries. *** said that environmentalist activity in the United States had reduced availability of product.

U.S. SUPPLY: THE POTENTIAL OF SUBJECT IMPORTS TO SUPPLY THE U.S. MARKET

Norway is the world's largest single country source of farmed Atlantic salmon,[16] with most of its product being produced for export.[17] Domestic parties stated that warm ocean currents make it easier to farm Atlantic salmon off the coast of Norway than the coast of North America.[18] The largest market for exports of Norwegian salmon is the EU, with Japan, Russia, and the rest of Asia also large markets. Norwegian producers/exporters indicated that salmon farming does not face as much pressure from environmental groups in Norway as U.S. and Canadian salmon farms do in their countries.[19] Norwegian producers/exporters also said that the U.S. market is not of interest to them due to the high transportation costs required to reach it and their existing commitments in Europe and Russia, and they point to low

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[11] (...continued)
Currently, the lifecycle of kudoa is not completely understood and no effective treatment exists, other than perhaps removing infected fish from the larger population. See http://en.wikipedia.org/wiki/Kudoa_thyrsites and http://hmsc.oregonstate.edu/classes/MB492/kudoawhipps/descrip.htm (downloaded on September 9, 2005).

[12] Hearing transcript, pp. 25-26 (Cooke).

[13] E-mail from ***, September 15, 2005.

[14] All four producers also reported that they did not anticipate any future changes in product mix, product range, or marketing of fresh Atlantic salmon.

[15] These factors include changes in availability or price of energy or labor, transportation conditions, production capacity and/or methods of production, technology, export markets, or alternative production opportunities. *** did not see any such changes that affected supply.

[16] Hearing presentation of Svein Berg, slide 1.

[17] Norwegian producers/exporters generally described Norway itself as too small a market to be significant compared to the world market, though Norwegians may eat a lot of salmon per capita.

[18] Hearing transcript, p. 83 (Cooke).

[19] Hearing transcript, p. 272 (Gregussen).

shipments to the United States by Norwegian companies with zero dumping margins.[20] Like U.S. producers, Norwegian producers keep no inventory. Capacity data for Norwegian producers depend on method of measurement; these issues are discussed in more detail in part IV.[21]

In their questionnaire responses and at the Commission hearing, Norwegian producers described how their production could adjust to different markets and market conditions. Coast Seafood described the Norwegian fresh Atlantic salmon exported to the EU as generally smaller fish more like a tenderloin cut of beef while the Norwegian product exported to the United States is generally a larger fish and more like a ribeye steak. When describing how world demand and price for fresh Atlantic salmon affect their harvest, Norwegian producers said that delaying a harvest will produce more large, fatty fish demanded by sushi markets in the Far East and by some markets in the United States. They also indicated that they could adjust their harvesting times depending on whether they anticipated demand to be higher or lower relative to EU and Russian demand for smaller fish.[22]

According to Lars Liabo, a fisheries and aquaculture expert for Norwegian parties, the Norwegian fresh Atlantic salmon industry has undergone substantial changes to its market structure recently. Liabo and counsel for Norwegian parties described the Norwegian industry as consolidating in the last 15 years, from an industry of over 700 farms and 150 exporting companies to one where 25 companies account for 70 percent of production. With new government regulations that allow more than one farming license per company, the Norwegian industry has undergone both vertical and horizontal integration.[23] Mr. Liabo added that 65 percent of Norwegian salmon exports in 2004 were sent to the EU.[24]

When asked if there had been any change in the product range, mix, or marketing of fresh Atlantic salmon since 1999, four importers answered that there had not been, nor did they expect any. When asked what changes they expected for the product range, mix, or marketing of fresh Atlantic salmon, 28 Norwegian producers/exporters named more production of value-added products such as fillets and portions, and five did not foresee any changes.

Compared to importers, Norwegian producers/exporters were more likely to have seen supply changes. Although 10 Norwegian producers/exporters did not see any changes affecting the availability of Norwegian fresh Atlantic salmon in the U.S. market, 27 did, citing explanations such as an increase in imports of Chilean and Canadian product and an increase in new markets (especially Eastern Europe and Russia) for Norwegian product. Norwegian producers/exporters expected both factors to reduce the supply of Norwegian product in the U.S. market.

Four importers anticipated no change in the availability of Norwegian fresh Atlantic salmon in the U.S. market, with *** adding that the availability of Norwegian fresh Atlantic salmon is based on overall supply and global markets. When asked how easily they could shift sales between the United States and other countries, importers *** responded that their main or only market is the United States. Two importers said that their exports of fresh Atlantic salmon were not subject to tariffs or non-tariff barriers in other countries, with the others not answering or not knowing.

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[20] Transportation costs are discussed in part V of this report. See hearing presentation of Svein Berg, slide 1 and hearing transcript, pp. 205 (Korsnes), 220 (Liabo) and Stern (228). In addition, Norwegian producers/exporters said that the Norwegian government is no longer involved in the Norwegian salmon industry. Hearing transcript, p. 274 (Gregussen).

[21] The approximately three-year life cycle of salmon affects any interpretation of fresh Atlantic salmon capacity. In less than the life cycle, salmon production can not be increased beyond the amount of fish already growing. In periods of more than the life cycle, available pens are more important. Hearing transcript, p. 23 (Cooke).

[22] Hearing transcript, pp. 268 (Rygg) and 269-270 (Bjelkaroy).

[23] Staff ex parte meeting with Lars Liabo, economic consultant to Norwegian parties, July 7, 2005, hearing presentation of Lars Liabo, and hearing transcript, p. 20 (Vakerics).

[24] Norwegian response to the notice of institution, exh. 2, p. 4.

Moreover, 37 Norwegian producers/exporters did not anticipate any changes in the availability of Norwegian fresh Atlantic salmon in the U.S. market, mentioning the greater proximity of Chilean and Canadian producers to the U.S. market, and/or the difficulty in re-establishing old relationships with customers, as barriers to increased imports of Norwegian product to the U.S. market.

When asked how easily their firm could shift its sales of fresh Atlantic salmon between the U.S. market and other markets, 20 Norwegian producers/exporters answered that sales to alternative markets were preferred to sales to the U.S. market. They described the U.S. market as more competitive (due to the presence of Canadian, Chilean, and Scottish imports), further away (with higher transportation costs), and less accessible (with fewer long term relationships for Norwegian producers/exporters than in Europe and Asia). An additional ten Norwegian producers/exporters responded that they did not export or sell to exporters who handle such issues for them.

Ten Norwegian producers/exporters described the U.S. market as different from the Norwegian market in terms of the product range, mix, or marketing of fresh Atlantic salmon. However, 18 did not see any differences (sometimes because they did not export). The Norwegian producers/exporters who did see differences described the U.S. market as a high-priced and high quality market mainly focused on "white tablecloth" restaurants, while Norway demands a wider range of products including lower priced items.

Norwegian producers/exporters were also asked if the fresh Atlantic salmon produced for the Norwegian market was interchangeable with the product produced for the U.S. and third-country markets. Twenty-one Norwegian producers/exporters answered yes, and seven answered no. When asked to identify any differences, ten Norwegian producers/exporters (whether they had answered yes or no to the first question) responded that larger salmon is sold in the U.S. market. *** indicated that the Norwegian market uses a lot of low cost "production grade" salmon that is not exported. *** stated that some Asian markets and Russia demand the same sizes as the U.S. market, but that the U.S. quality requirements are generally stricter in terms of color and fat content.

Norwegian producers/exporters were asked if they face import competition in their home market. Thirty-three answered that they did not.[25] On the other hand, Norwegian exports of fresh Atlantic salmon to Europe were assessed provisional safeguard duties by the EU in 2004, but in February 2005 a minimum import price was negotiated to replace the duties.[26]

U.S. SUPPLY: NONSUBJECT IMPORTS

Producers and importers were asked if the availability of fresh Atlantic salmon from nonsubject countries has changed since January 1, 1999. *** responded that nonsubject supply had decreased due to the lower demand as a result of the polychlorinated biphenyl ("PCB") controversy (discussed in the "Demand Trends" section of this chapter). However, *** answered that Canadian and Scottish exports to the United States had increased because salmon fillet producers in those countries could no longer compete with lower-priced salmon fillets from Chile. According to ***, the volume of Chilean fresh and frozen salmon fillets exported to the United States had increased 236 percent from 1999 to 2004, pushing Canadian salmon producers from the fillet market into the fresh Atlantic salmon market. *** saw an increase in Chilean imports of fresh Atlantic salmon. Among importers, *** saw changes in Canadian production, *** reported increased production from Canada and Chile, *** said that the supply of product from Chile had increased more than 10 times, and *** cited increases in supply from Chile as making more product available at "reasonable" prices.

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[25] One firm cited competition from Chile, Canada, and EU salmon farmers.

[26] Staff ex parte meeting with Lars Liabo, economic consultant to Norwegian parties, July 7, 2005, hearing transcript, pp. 58-60 (Cannon), and domestic response to the notice of institution, p. 22 and exh. 4. See part IV of this report for a discussion of EU unfair trade investigations.

Purchaser *** described some salmon farms in Western Canada as having closed down to "politics" and kudoa. Purchaser *** reported that production of fresh Atlantic salmon in Chile has increased, leading to lower prices of Chilean product.

When asked if they were aware of any new suppliers in the U.S. fresh Atlantic salmon market, twelve purchasers answered no and four answered yes. Twelve purchasers reported that they did not expect any new entrants to the market, but three did, with *** noting that suppliers enter and exit the market frequently.[27]

ASM and Heritage alleged that recent EU safeguard measures against Chilean salmon could divert increased volumes of Chilean product to the United States.[28] In addition, Norwegian parties' economic consultant described the majority of Chilean production as going to the United States.[29]

U.S. DEMAND

Demand Characteristics

*** reported that 99.9 percent of fresh Atlantic salmon is used for human consumption, while 0.1 percent is used for fish meal. Importer *** stated that it believes that fresh Atlantic salmon is usually used in portions at high end restaurants, where it estimated that 10 percent of the restaurant price of a meal was the cost of the fresh Atlantic salmon.[30] No producers and no importers had seen or anticipated seeing any changes in end uses. However, five purchasers had seen changes in end uses, with four of those reporting that fillets and/or portions were being demanded more often. However, seven purchasers had not seen any changes in end uses. In addition, nine purchasers did not anticipate any more changes in end uses while one, ***, predicted that portions and value added salmon would become more popular at the expense of fillets, and another, ***, predicted increased affordability.[31]

Norwegian producers/exporters, on the other hand, were much more likely to report seeing changes in end uses. While six Norwegian producers/exporters said that there had not been changes in the end uses of fresh Atlantic salmon since January 1, 1999, 31 said there had been, citing new markets in Eastern Europe and Russia as well as more value-added applications such as portions (i.e., cut pieces of salmon). Twenty-seven Norwegian producers/exporters anticipated further changes in end uses, predicting that more new markets, increased consumer awareness of the alleged health benefits of salmon, and more value added products would stimulate new uses. However, ten Norwegian producers/exporters did not anticipate any further changes in end uses.

Purchasers were asked if the fresh Atlantic salmon market was subject to distinctive business cycles or conditions of competition. Fourteen answered no, but *** replied that the market is seasonal, and *** said that it is harder to obtain the larger sizes of salmon preferred by sushi chefs from domestic producers.[32] Purchasers were then asked if the emergence of new markets for fresh Atlantic salmon had affected the product's business cycle or conditions of competition. Ten purchasers responded that it had not, but four answered yes, with *** citing some direct sales by its suppliers to its existing customer base,

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[27] Importer *** noted that consolidation in the near future will probably result in the creation of new firms.

[28] Domestic response to the notice of institution, p. 12. EU safeguards against Chilean salmon were terminated on June 30, 2005. Council Regulation (EC) No. 628/2005, Official Journal of European Union, L170/34, 7/1/2005.

[29] Staff ex parte meeting with Lars Liabo, economic consultant to Norwegian parties, July 7, 2005.

[30] Purchasers did not offer many descriptions of the end uses of fresh Atlantic salmon, although *** reported trying to develop a *** product that was not successful.

[31] Importer *** predicted that there would be more value-adding and market segmentation.

[32] Importer *** answered that the amount of smolt supply can affect prices two years later.

*** citing low-priced Chilean product as hurting other producers, *** saying that new competitors had emerged on the East Coast but not the West Coast, and *** citing expanding markets.

Since April 4, 2005, the U.S. Department of Agriculture ("USDA") has been enforcing country of origin labeling ("COOL") requirements for many seafood products, including fresh Atlantic salmon. COOL mandates that large retailers (i.e., not including small seafood markets or restaurants) specify whether the seafood they sell is wild or farmed, and what country it came from.[33] Purchasers were asked if the emergence of COOL had had any effect on the business cycles for fresh Atlantic salmon. Fifteen said no, with one adding it had caused "just pain," while *** responded that such changes had helped large companies.

Purchasers were also asked if consumers' perception of brand had affected the business cycle for fresh Atlantic salmon from Norway. Fourteen responded that it had not, but *** replied that it had, explaining that consumers now preferred product from overseas[34] and *** said that a small percentage of consumers are brand conscious.

Demand Trends

Norwegian parties' economic consultant described salmon demand as growing for the last 15-20 years, and especially after Chilean product entered the world market. He reported that demand had grown 10 to 15 percent annually over that growth period, but was now mature.[35] Salmon's demand growth has been due in part to recent marketing as a healthy protein source rich in vitamins and omega-3 fatty acids.[36]

ASM and Heritage described demand as increasing from 1999 to 2004 and then decreasing due to the controversy over PCBs (described below).[37] On the other hand, *** stated that demand had increased "substantially" since 1999 because of increased availability and increased consumer awareness of the alleged health benefits of eating salmon. *** also saw increased demand since 1999. Nonetheless, *** anticipated gradually increasing demand due to healthier eating habits while *** did not anticipate any changes in demand. *** expected demand to continue to grow.

While importer *** saw demand as unchanged, two other importers saw demand as increasing. *** described stronger consumer demand due to better domestic distribution and increased awareness of the alleged health benefits of eating salmon. *** saw increased demand due to greater product availability at "reasonable" prices.[38] *** indicated that unchanged to increased demand was due to population growth, product availability, and price. However, all four importers did not anticipate further changes in demand.[39]

Among purchasers, eight saw demand as having increased, with *** attributing the increase to new product forms and logistics, and other firms attributing the increase to availability, the emerging

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[33] See http://www.seafoodhaccp.com/cool.html, (downloaded on September 13, 2005).

[34] Importer *** agreed with ***.

[35] Staff ex parte meeting with Lars Liabo, economic consultant to Norwegian parties, July 7, 2005, Norwegian response to the notice of institution, exh. 1, p. 23, and hearing transcript, pp. 181-182 (Stern).

[36] See, for example, http://www.wholefoodsmarket.com/products/seafood/choices.html (downloaded on September 29, 2005).

[37] Hearing transcript, pp. 88-89 and 104-105 (Cooke and Craig).

[38] *** attributed increased demand to consumer health concerns.

[39] However, *** did anticipate a continued increase in demand.

sushi market, and price.[40] However, two purchasers saw demand as having decreased due to "bad press" and competition from further processed forms of salmon. Four purchasers expressed that demand was unchanged. Eight purchasers did not anticipate any changes in demand, while four did, citing economic growth and consumer awareness of the health benefits of eating seafood.[41]

Among Norwegian producers/exporters, 32 saw demand as having increased, three saw it as unchanged, and one said that it had seen different changes based on its company's changing structure. Those Norwegian producers/exporters that did see changes mentioned increased product development, increased demand in Norway, increased awareness of the alleged health benefits of eating salmon, the wider availability of salmon at a lower price, and a general increase in consumption as having driven increased demand. While four Norwegian producers/exporters did not anticipate any changes in demand, 33 did, citing increased demand from the rest of the world, especially Asia and Eastern Europe. *** expected a yearly increase in world demand of five to ten percent.

When asked to describe their home market for fresh Atlantic salmon, Norwegian producers generally indicated that the Norwegian market was small, and that they produce mostly for export. For example, Norwegian producer *** described selling lower quality "graded" product to the Norwegian market while the superior quality product is exported. Norwegian producers also cited Norway's relatively small population as hindering total consumption there.

In 2004, several articles in the media and scientific journals alleged that the level of PCBs[42] were higher in farmed salmon than in wild salmon. There is scientific debate about whether PCBs cause cancer in humans or not, and especially at the fairly low levels found in farmed salmon. Farmed salmon is fed fish meal made from smaller wild caught fish. These fish ingest PCBs in the ocean and in turn pass it up the food chain to salmon. Farmed salmon is fattier than wild salmon, and PCBs may accumulate in the fat, perhaps causing the PCB levels in farmed salmon to be higher than in their wild cousins. To respond to these allegations, and other allegations involving the levels of omega-3 in farmed versus wild salmon, the coloration of farmed salmon, and the environmental effects of farming salmon, salmon producers formed the promotional group "Salmon of the Americas."[43]

Nonetheless, a majority of purchasers stated that consumers were now showing an increased preference for wild caught salmon. When asked if increased consumer awareness of the differences between wild and farmed Atlantic salmon had affected the conditions of competition for fresh Atlantic salmon, nine answered that it had and seven answered that it had not. *** said that it now sold wild salmon that "no one had an interest in before." *** responded that it now sold more wild than farmed salmon. *** agreed that demand for wild salmon is currently higher than demand for farmed salmon. *** saw consumer awareness of the differences causing a decrease in demand for farmed salmon. *** said that American and European consumers preferred farmed products because of their high oil content, but Asian consumers preferred wild products with lower oil content.

On the other hand, the supply of fresh, wild salmon is more restricted than the supply of farmed salmon, and there is some evidence that the recent growth in demand for "wild" salmon is being met by farmed salmon. A New York Times article from April 10, 2005 said that while wild salmon may sell for as much as $29 per pound, and farmed salmon for $5 to $12 per pound, not all that is marketed as wild

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[40] Two purchasers saw increased demand for their firm's final products produced with fresh Atlantic salmon, one saw it increased, and one saw it as unchanged, with no other purchasers answering a question about such demand.

[41] Importer *** saw a continued decrease in demand.

[42] PCBs are chemicals used in many applications until the 1970s, when their use was curtailed due to environmental concerns. As persistent organic pollutants, PCBs are still present in the environment. See http://en.wikipedia.org/wiki/Polychlorinated_biphenyl (downloaded on October 21, 2005).

[43] See http://www.wfga.net/issues.asp?id=54 , http://www.ewg.org/reports/farmedPCBs/es.php , http://www.ewg.org/reports/farmedPCBs/part2.php and http://www.salmonoftheamericas.com/topic_01_04_newspaper.html , (downloaded on September 9, 2005).

really is. However, when the Times sent seven allegedly "wild" salmon it purchased in New York to a laboratory for testing, six of the samples were found to be farmed salmon.[44]

Substitute Products

As a fish used in human consumption, fresh Atlantic salmon has substitutes among other seafood and proteins, but few substitutes for consumers looking to eat salmon (especially fresh salmon) as a specific product. Other potential substitutes include fresh wild caught salmon (from among the four Pacific species) and some other species of fish such as steelhead trout. However, these substitutes are often more expensive and not available in consistent quantities. Questionnaire respondents were far more likely to cite other forms of salmon, such as frozen salmon, salmon fillets,[45] or salmon portions, as substitutes for fresh Atlantic salmon. At the hearing, Coast Seafood described Chile as the primary source for fresh and frozen salmon fillets in the United States.[46]

No producers reported any substitutes for fresh Atlantic salmon. When asked about different cuts of salmon, producers described the markets for cut salmon as different than the markets for fresh Atlantic salmon, where the purchasers want to cut the fish themselves rather than buy pre-cut fish.[47]

Importers *** named fillets, portions, and steaks as examples of a customer receiving pre-cut salmon instead of fresh Atlantic salmon. *** added that U.S. companies that process whole salmon could switch to buying fillets if the price of fillets is low enough. Importer *** named frozen Atlantic salmon as a substitute. Importers *** did not see changes in the price of substitutes affecting the price of fresh Atlantic salmon. Among purchasers, three said that there were no substitutes for fresh Atlantic salmon, but six others listed other species of salmon (i.e., Pacific salmon such as king, sockeye, coho, and silverbrite) or frozen and/or cut fresh Atlantic salmon as substitutes, including in portion and fillet form.[48] While six purchasers stated that changes in the price of substitutes do not affect the price of fresh Atlantic salmon, *** remarked that when substitutes are abundantly available, the price of fresh Atlantic salmon can drop, and *** said that the willingness to substitute depends on regional preferences.

Thirty-four Norwegian producers/exporters named fresh and frozen salmon fillets, frozen whole salmon, and/or salmon portions as potential substitutes for fresh Atlantic salmon.[49] They described fillets as having lower freight and handling costs, as well as being easier to use for the customer. Ten Norwegian producers/exporters saw the price of substitutes as having affected the price of fresh Atlantic salmon, while eleven said that it had not.

*** had seen nor anticipated any changes in the number or types of substitutes since January 1, 1999, although *** reported that while there were no substitutes for fresh Atlantic salmon, value-added products such as fresh and frozen fillets had increased their markets "considerably" since 1999. Four importers said that they had not observed and did not expect any changes in substitute products. Ten purchasers indicated that they had not observed any changes. However, purchaser *** noted that more value-added options had become available. Thirteen purchasers expressed that they did not anticipate any

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[44] See http://www.ewg.org/news/story.php?id=3828 (downloaded on September 9, 2005).

[45] In their posthearing briefs, parties disagreed about the importance of salmon fillets as substitutes for fresh whole Atlantic salmon. Norwegian parties pointed out that salmon fillets have increased their share of total U.S. salmon consumption since the original investigations. Domestic parties answered that overall U.S. consumption of fresh whole Atlantic salmon is up notwithstanding any increase in the consumption of nonsubject products. See Norwegian posthearing brief, exh, 3, pp. 1-3, and domestic posthearing brief, exh. 1, p. 10.

[46] Hearing transcript, p. 200 (Soeraa).

[47] Hearing transcript, pp. 109-110 (Cannon and Craig).

[48] Additionally, *** named tuna as a substitute.

[49] Mostly among those 34, seven Norwegian producers/exporters named wild salmon and/or other proteins as substitutes.

changes in substitutes.[50] Only five Norwegian producers/exporters reported that there had been any changes in the number or type of substitutes (citing more production of value-added, ready-to-cook items), while 25 said that there had not been. However, 33 Norwegian producers/exporters said that they did not anticipate any future changes in the substitutability of other products for fresh Atlantic salmon.[51]

SUBSTITUTABILITY ISSUES

Lead Times

Lead times are short for fresh Atlantic salmon. Three producers reported lead times of two days or less for product from inventory and four days or less for product produced to order. Similarly, importers reported lead times of one to three days for product from inventory and three to seven days produced to order.[52] According to producer and importer questionnaire responses, the shelf life of fresh Atlantic salmon is 7-18 days.

U.S. Purchasers

The Commission mailed questionnaires to 39 purchasers of fresh Atlantic salmon and received responses from 16, not including two purchasers who responded that they did not purchase fresh Atlantic salmon.[53] One purchaser, ***, listed *** as a related firm that imports, and *** submitted both importer and purchaser questionnaires. No other purchasers reported being affiliated with any importers or producers.

Purchasers were divided among distributors and further processors, with 11 purchasers describing themselves as distributors, one as a further processor, and four as both distributors and further processors.[54] No clear pattern emerged when purchasers were asked what kind of customers they served, with both distributors and processors reporting sales to restaurants and retailers. Nine purchasers said that they competed with their suppliers (though some described such competition as infrequent), while seven said that they did not.

Eight purchasers reported familiarity with U.S. fresh Atlantic salmon, and five reported familiarity with Norwegian product. Among nonsubject country sources, Canada (eight purchasers reported familiarity), Chile (seven), Iceland (one), and Scotland and/or Ireland (three) were mentioned.

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[50] However, importer *** said that value-added Atlantic salmon might replace whole Atlantic salmon.

[51] However, *** predicted that future production of "customer-designed" product would increase demand for seafood in general. Two other Norwegian producers/exporters foresaw an increase in value-added products in the future.

[52] Three Norwegian producers/exporters reported that 100 percent of their sales were produced to order, with lead times of two to five days; the other Norwegian producers/exporters did not answer the question.

[53] The Commission mailed questionnaires to purchasers three times, once on July 15, 2005, once again (to those firms that had not responded plus an additional six firms listed in questionnaires) on August 29, 2005, and a final time (to seven large purchasers) on November 16, 2005. In addition, the Commission received purchaser questionnaires from ***, but staff has not counted these questionnaires as purchasers' questionnaires because the firms in question are importers that do not purchase product already imported into the United States by other firms. *** also submitted importers' questionnaires, and their responses there are counted as importers' responses. *** did not submit an importers' questionnaire, and some of its questionnaire responses are reported in this chapter, though not tabulated with the purchasers. Purchasers *** are related.

[54] Among purchasers that described themselves as distributors, two purchasers described themselves as distributors or wholesale distributors, three as national distributors, and nine as regional distributors.

Purchasers were asked to report their purchases by year.[55] Comparing 2004 to 2000, *** showed a decrease in reported purchases of U.S. product, while *** showed an increase and *** showed no change. Additionally, *** showed a decrease in nonsubject country purchases while *** showed an increase in nonsubject country purchases. *** reported unchanged purchases of Norwegian product.[56]

Purchasers were also asked if their relative purchases of fresh Atlantic salmon from different countries had changed since 2000. Eight purchasers reported at least one change. *** reported purchasing more U.S. product as its access to U.S. product improved. Two reported an increase in purchases of Norwegian product. One of those, ***, responded that it had just started buying Norwegian product this year. The other, ***, stated that they were suppliers for ***, which requires chemical-free product that *** described as only available from Norway.[57] However, *** added that its 2005 purchases of Norwegian product will decrease as Norwegian prices have increased substantially due to exchange rate changes. Among product from nonsubject countries, purchasers reported increases and decreases from Canada, Chile, and Scotland, citing price, quality, disease problems in supply, availability, and processing.

Purchasers were asked if they had purchased fresh Atlantic salmon before 1991. Six purchasers answered no and eight (***) responded that they had. Purchasers who answered yes were then asked if their pattern of purchasing fresh Atlantic salmon from Norway had changed since then. Five (including ***, which answered no to the first question), responded that they had reduced or discontinued purchases of Norwegian product because of the orders (with *** adding that it had increased purchases of product from nonsubject countries both because of the orders and because of the entrance of Chilean product into the marketplace in the early 1990s), *** said that its purchasing pattern was essentially unchanged, and the other three responded that they had changed their purchasing pattern for other reasons, citing closer proximity to U.S. producers and higher price/lower availability of Norwegian product.

Purchasers were also asked if their pattern of purchasing fresh Atlantic salmon from nonsubject countries had changed since 1991. Seven responded that they had increased purchases from nonsubject countries because of the antidumping order. On the other hand, seven answered that their pattern was essentially unchanged.

[55] Two purchasers did not distinguish U.S. and Canadian product, with one remarking that it could not.

[56] Importer *** showed an increase.

[57] Importer *** described a similar relationship with ***.

Factors Affecting Purchasing Decisions

Producers and importers disagreed about the importance of price in competition between U.S. and Norwegian fresh Atlantic salmon, with producers stating that price was the main factor in purchasing decisions for the "commodity" product of fresh Atlantic salmon,[58] and importers stating that Norwegian salmon is sold to small, upscale "niche" markets that are willing to pay more for branded Norwegian product. This niche market was described as consisting of both restaurants (such as sushi bars) specializing in Asian cuisine and "white tablecloth" restaurants where chefs remembered the branding effort of Norwegian producers/exporters to establish Norwegian salmon as higher quality than other salmon.[59]

Available data from purchasers indicate that availability, price, and quality are the most important factors that influence purchasing decisions for fresh Atlantic salmon.[60] Purchasers were asked to list the top three factors that they consider when choosing a supplier of fresh Atlantic salmon. Table II-1 summarizes responses to this question. Purchasers were also asked to describe the importance of various purchasing factors, as summarized in table II-2. Price was an important factor for most purchasers.[61] Summaries of purchaser comparisons of domestic, subject, and nonsubject fresh Atlantic salmon are presented in table II-3.

Table II-1
Fresh Atlantic salmon: Ranking of purchasing factors by purchasers

Factor	Number of firms reporting		
	Number 1 factor	Number 2 factor	Number 3 factor
Quality	6	4	0
Price/cost	5	6	2
Availability	2	1	7
Traditional supplier	1	0	0
Delivery	0	1	3
Credit	0	0	1

Note.–Other factors mentioned were reliability and communication with supplier. These answers were not included above. *** answered "quality and price" for every factor; its answers were not recorded above.

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

[58] Hearing transcript, p. 43 (Craig).

[59] Hearing transcript, p. 247 (Korsnes) and staff telephone interview with Tom Vakerics, counsel for Norwegian producers, November 17, 2005. Additionally, in a separate affidavit, Wally Stevens, president of purchaser Slade Gorton, described Norwegian fresh Atlantic salmon as a product with appeal to a premium niche in which U.S. product can not compete. See affidavit of Wally Stevens, pp. 2-3, presented in the Norwegian posthearing brief, exh. 29.

[60] When asked what defines the quality of fresh Atlantic salmon, purchasers listed many factors, including freshness, meat color, firmness, smell, gills, clear eyes, age, lack of kudoa, net weight accuracy, and cut.

[61] When asked how often they purchase the fresh Atlantic salmon offered to them at the lowest price, three said always, three said usually, eight said sometimes, and one said never. *** said the answer varied by country, with the answer being sometimes for Canadian product, always for Chilean product, and never for Norwegian product.

Table II-2
Fresh Atlantic salmon: Importance of purchasing factors

Factor	Number of firms reporting		
	Very important	Somewhat important	Not important
Availability	15	0	1
Delivery terms	7	1	8
Delivery time	11	2	3
Discounts	3	5	8
Extension of credit	4	4	8
Price	14	2	0
Minimum quantity	2	3	11
Packaging	6	2	8
Product consistency	13	2	1
Quality meets industry standards	12	3	1
Quality exceeds industry standards	11	2	3
Product range	5	4	7
Reliability of supply	12	4	0
U.S. transportation costs	3	6	7

Note.– In addition, importer *** said that fuel costs and currency rates were very important.

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

Table II-3
Fresh Atlantic salmon: Number of purchasers' comparisons of U.S.-produced and imported product

Factor	U.S. vs. Norway[1]			U.S. vs. nonsubject[1]			Norway vs. nonsubject[1]		
	S	C	I	S	C	I	S	C	I
Availability	3	0	1	3	4	2	0	3	3
Delivery terms	4	0	0	3	5	1	0	4	2
Delivery Time	4	0	0	3	5	1	0	3	3
Discounts	2	2	0	0	8	1	0	4	2
Extension of credit	2	2	0	2	7	0	1	5	0
Lower price[2]	4	0	0	2	5	2	0	1	5
Minimum quantity	3	1	0	1	7	1	1	4	1
Packaging	2	2	0	2	6	1	0	6	0
Product consistency	3	0	1	4	4	1	2	4	0
Quality meets industry standards	1	1	1	2	6	1	1	5	0
Quality exceeds industry standards	1	2	1	1	7	1	1	5	0
Product range	2	2	0	1	7	1	0	4	2
Reliability of supply	3	1	0	3	4	2	0	3	3
U.S. transportation costs	4	0	0	4	5	0	0	4	2
Other	1	0	0	1	0	0	0	0	1

[1] S = first named source superior, C = products comparable, I = first named source inferior.
[2] A rating of superior means that the price is generally lower. For example, if a firm reports "U.S. superior," it means that the price of the U.S. product is generally lower than the price of the imported product.

Note.– Nonsubject consists of Canada, Chile, Iceland, and Scotland. In the "other" category, importer *** said that U.S. product was inferior to Norwegian and nonsubject product due to kudoa and other parasites. However, *** stated that for short notice orders, U.S. product was superior to Canadian and Norwegian product, and Canadian product was superior to Norwegian product.

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

When asked how often U.S.-produced fresh Atlantic salmon meet minimum quality specifications for their or their customers' uses, five purchasers said always, six said usually, and two said sometimes. When asked how often Norwegian subject fresh Atlantic salmon meet minimum quality specifications, five purchasers reported always, nine reported usually, and one reported sometimes. When asked how often nonsubject country fresh Atlantic salmon meet minimum quality specifications, purchasers answered differently for different nonsubject country sources. Purchasers were more likely to report Norway and Scotland always or usually met minimum quality specifications, while Chile and Canada always, usually, or sometimes did.

Eight purchasers reported that they required certification or qualification of their suppliers for 100 percent of their purchases, and *** required certification of production methods for 30 percent of purchases.[62] However, eight did not require approval of suppliers for their purchases, with *** adding that it would not purchase twice from a purchaser that sent substandard fish. The qualification process can involve looking at HACCP[63] compliance, COOL compliance, chemicals present, quality, cut, trim, price, customer service, reliability, and delivery. Fourteen purchasers reported that no suppliers had failed to receive approval.[64]

Purchasers were asked how often their firm makes purchasing decisions on the basis of the producer of the fresh Atlantic salmon involved. Three stated always, two stated usually, six stated sometimes, and five stated never. Purchasers often reported quality concerns as being the primary reason to stick with particular producers.

Purchasers were also asked how often their customers make purchasing decisions on the basis of the producer of the fresh Atlantic salmon involved. One reported always, one reported usually, nine reported sometimes, and four reported never. Three purchasers cited brand loyalty as a reason for why their customers sometimes made purchasing decisions based on the producer. *** reported that only *** cares about who the producer is. Two other purchasers cited quality as a reason why customers make purchasing decisions on the basis of the producer.

Fifteen purchasers reported that they were always aware of the country of origin of the fresh Atlantic salmon purchased by their firm, and one was usually aware. Purchasers were asked how often their firm makes purchasing decisions on the basis of the country of origin of the fresh Atlantic salmon involved. Three said always, two said usually, five said sometimes, and six said never. *** described Chilean product as low fat and low taste, and thus avoided by higher end customers. *** also said it does not buy Chilean product unless it is substantially less expensive. *** cited COOL regulations as affecting its purchasing decisions based on country.[65] *** said that a few customers will only buy Canadian product (while most are not concerned with national origin). Similarly, *** indicated that some customers require Norwegian product. *** said that some customers prefer Scottish or Norwegian product for quality reasons. Purchasers were also asked how often their customers make purchasing decisions on the basis of the country of origin of the fresh Atlantic salmon involved. Two said always, one said usually, seven said sometimes, and five said never.

When asked if they or their customers ever specifically ordered fresh Atlantic salmon from one country over others, ten purchasers reported that they did not.[66] However, six purchasers stated that they did. *** cited customer preference for Canadian product over Chilean product due to taste. *** described Norwegian and Scottish product as having higher quality. *** indicated that some of its customers require Norwegian product while others do not specify. *** stated that some customers will not purchase Chilean product. *** said that one percent of its customers want Icelandic salmon. Finally, *** noted that it does not always buy Canadian product due to concerns about kudoa, and that it does purchase U.S. product sometimes for advantages in freshness and availability.

When purchasers were asked if certain grades or types of fresh Atlantic salmon are only available from a single country source, thirteen said no and two said yes (one without elaborating and the other

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[62] Importer *** required certification for 80 percent of its purchases.

[63] HACCP (Hazardous Analysis Critical Control Points) is a FDA food safety program. See www.cfsan.fda.gov/~lrd?bghaccp.html .

[64] *** did report an instance of a supplier failing to receive certification, but did not remember the details. *** said suppliers had failed because of inconsistencies in the process of pricing and delivering. Importer *** reported that *** had failed to qualify due to poor quality and *** due to parasite problems.

[65] Importer *** stated that its customers demanded exclusively European fish.

[66] Separately, when asked if buying product that was produced in the United States was important to their firm, twelve purchasers answered no and three answered yes, citing freshness and "Buy American" provisions.

stating that it uses mostly 16-18 pound product). When asked why they had sometimes purchased more expensive fresh Atlantic salmon when less expensive fresh Atlantic salmon were available, both *** and *** cited their history with specific suppliers as making them more confident in the quality and availability of product.[67] *** said that quality was the most important decision making factor.

Comparisons of Domestic Products and Subject Imports

Producers, importers, and purchasers were asked to assess how interchangeable fresh Atlantic salmon from the United States were with fresh Atlantic salmon from Norway and nonsubject countries. Their responses are summarized in table II-4.[68]

Table II-4
Fresh Atlantic salmon: U.S. producers', importers', and purchasers' perceived degree of interchangeability of product produced in the United States and in other countries

	Number of firms reporting											
	U.S. producers				U.S. importers				U.S. purchasers			
Country comparison	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. Norway	4	0	0	0	0	1	2	0	6	0	0	3
U.S. vs. nonsubject	4	0	0	0	0	3	0	0	7	1	0	2
Norway vs. nonsubject	3	0	0	0	0	2	1	0	4	0	2	1

Note: A = Always; F = Frequently; S = Sometimes; N = Never.

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

Producers did not offer further comments on the interchangeability of U.S. and Norwegian fresh Atlantic salmon, but a few importers and purchasers did. *** said that the fresh Atlantic salmon from Norway is higher-priced than product from other countries. It added that Norwegian product has a higher fat content than U.S. product, leading to a purchaser preference for Norwegian product in certain market segments.[69] *** stated that most Norwegian fresh Atlantic salmon is marketed as a specifically Norwegian product. Purchaser *** noted that the Chilean use of antibiotics restricts their interchangeability with fresh Atlantic salmon from other national sources. It also said that U.S. products are never interchangeable with other country products because of COOL.[70] Purchaser *** added that all fresh Atlantic salmon is interchangeable, but that Norwegian and Scottish product had always maintained a high quality. Purchaser *** said that 95 percent of consumers saw the products as interchangeable, but five percent were "quality conscious."

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[67] Importer *** answered that it always pays significantly more for Scottish and Norwegian product compared to Canadian product due to higher quality and transportation costs.

[68] *** described U.S., Norwegian, and nonsubject country product as always interchangeable with each other.

[69] In addition, Coast Seafood said that Norwegian producers use fish feed with a higher percentage of oil than other producers use to impart more fat to their salmon. Hearing transcript, p. 232 (Rygg). However, counsel for Norwegian producers later indicated that the difference between Norwegian product and other countries' product was more an issue of branding and consumer perception than physical quality differences. Hearing transcript, p. 248 (Vakerics).

[70] Importer *** stated that price, fat content, and color limit competition between product from different national sources.

Producers and importers were asked to assess how often differences other than price were significant in sales of fresh Atlantic salmon from the United States, subject countries, or nonsubject countries. Their answers are summarized in table II-5.[71]

Table II-5
Fresh Atlantic salmon: U.S. producers' and importers' perceived importance of factors other than price in sales of product produced in the United States and in other countries

Country comparison	Number of firms reporting							
	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. Norway	0	1	0	3	0	1	2	0
U.S. vs. nonsubject	0	1	0	3	0	0	3	0
Norway vs. nonsubject	0	0	0	2	0	0	3	0

Note: A = Always; F = Frequently; S = Sometimes; N = Never.

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

Neither producers nor importers offered much further commentary on the importance of factors other than price. *** stated that the main advantages of U.S. product over Norwegian product are that U.S. product has greater availability on short notice and more freshness.

At the hearing, both U.S. and Norwegian producers described some efforts at branding their products as having grown in their respective areas. Domestic parties said that "grown in Maine" is a "very good seller," but held elsewhere that competition between fresh Atlantic salmon remains price-oriented.[72]

ELASTICITY ESTIMATES[73]

U.S. Supply Elasticity

The domestic supply elasticity for fresh Atlantic salmon depends on factors such as the level of excess capacity, the ability to shift production to alternate products, and the availability of alternate markets. U.S. producers have no alternative production possibilities and ***, but low capacity utilization rates. Whether or not U.S. producers could quickly increase shipments depends on whether the spare capacity is leases with no equipment (i.e., pens, etc.). If so, it may not be easy to increase shipments quickly. Analysis of these factors indicates that the domestic producers of fresh Atlantic salmon have some ability to alter domestic shipments in response to a change in the relative price of fresh Atlantic salmon. An estimate in the range of 1 to 3 is suggested.[74]

[71] *** described factors other than price as never a significant factor in sales between U.S., Norwegian, and nonsubject country product.

[72] Hearing transcript, pp. 130-131 (Coachman and Cooke).

[73] Parties had the opportunity to comment on the elasticities in their briefs; none did so.

[74] The analysis above is based on a longer-term production reaction to changes in prices, as fresh Atlantic salmon have a three year growth cycle. In the shorter run, U.S. production may increase substantially as ASM and Heritage begin production and shipping again after the mandatory fallowing period ends.

U.S. Demand Elasticity

The U.S. demand elasticity for fresh Atlantic salmon depends on the availability of substitute products as well as the importance of fresh Atlantic salmon to their consumers. There are few substitutes for fresh Atlantic salmon in the same price range, but fresh Atlantic salmon demand may be somewhat price sensitive in that salmon is not a necessity. Based on the available information, the aggregate demand elasticity for fresh Atlantic salmon is likely to be in the range of -0.5 to -1.5.

Substitution Elasticity

The elasticity of substitution depends on the extent of product differentiation between the domestic and imported products. Product differentiation depends on factors such as the range of products produced, quality, availability, and the reliability of supply. Based on available information, Norwegian fresh Atlantic salmon is substitutable for domestic fresh Atlantic salmon in most end uses; there are some differences in reputation, but these differences seem relatively unimportant in purchasing decisions given that Norwegian product is barely present in the U.S. market right now. Based on these factors, staff estimates the substitution elasticity between domestic fresh Atlantic salmon and that imported from Norway to be in the range of 3 to 5.

PART III: CONDITION OF THE U.S. INDUSTRY

STRUCTURAL CHANGES IN THE DOMESTIC INDUSTRY

In 1991, at the time of the original investigations, there were 25 U.S. producers of Atlantic salmon, concentrated in the States of Maine and Washington. In 2000, it was reported that 11 producers existed.[1] As of late 2002, there reportedly were 12 U.S. producers: Cypress Island, Inc.; Stolt Sea Farm, Inc.; Atlantic Salmon of Maine, Inc.; Connor's Aquaculture, Inc.; Birch Point Fisheries; D.E. Salmon, Inc.; Island Aquaculture Corp.; L.R. Enterprises, Inc.; Maine Coast Nordic; Maine Salmon, Inc.; Treat's Island Fisheries, Inc.; and Trumpet Island Salmon Farm.[2] Cypress Island, at the time a subsidiary of Norway-based Pan Fish A.S.A., was in 2002 the only Washington State producer. The others were in Maine, all owned by, or producing under contract for, three foreign-owned multinational operators of fish farms: Stolt Sea Farm S.A., of Luxembourg but a subsidiary of Norway-based Stolt Nielsen S.A.; Fjord Seafood A.S.A., also of Norway, which owned D.E. Salmon, Atlantic Salmon of Maine, Island Aquaculture, and Treat's Island Fisheries; and George Weston Ltd., a Canada-based parent of Heritage Salmon, of which Connor's Aquaculture was a subsidiary.[3] Stolt Sea Farm S.A. and Fjord Seafood A.S.A. also farmed Atlantic salmon in Norway, and all four multinationals operating in the United States also farmed Atlantic salmon in Chile and Canada.

Since 2002, consolidation and other changes in the global industry have continued the integration of the U.S. industry into the much larger global one. In early 2004, Fjord Seafood sold Atlantic Salmon of Maine (and with it, Treat's Island Fisheries and Island Aquaculture) to Horton's of Maine, Inc., a subsidiary of Canada-based Cooke Aquaculture.[4] The lost supply for the U.S. market, Fjord said, would be made up by production from its Chilean operations.[5]

Also related to the U.S. industry was a December 2004 merger of the Atlantic salmon subsidiaries of two large European firms, Nutreco and Stolt-Nielsen (this merger is described in more detail in the Foreign Industry section of Part IV). This merger brought together two large U.S. firms: Marine Harvest USA, the marketing arm of Nutreco, and Stolt Sea Farm, Inc., Stolt's U.S. producing arm. The combination was reportedly expected to create "substantial synergies" in processing and marketing of Atlantic salmon in the U.S. market and elsewhere.[6]

In May 2005, Pan Fish sold its Washington State subsidiary, Cypress Island, to American Gold Seafoods, a subsidiary of Smoki Foods, Inc., which left Pan Fish with only its British Columbia farms as North American producing sites.[7] Also, in June 2005 George Weston announced the sale of its Heritage

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[1] *Fresh and Chilled Atlantic Salmon from Norway*, Inv. Nos. 701-TA-302 and 731-TA-454 (Review), USITC Publication 3282, February 2002, pp. I-10-I-11.

[2] Forster, op. cit., p. 8.

[3] Forster , op. cit., p. 14; and Fjord Seafood 2003 Annual Report, p. 23. Fjord owned Treat's Island and Island Aquaculture indirectly; both are 100%-owned subsidiaries of Atlantic Salmon of Maine. http://www.med.uscourts.gov/Opinions/Carter/2003/GC_05092003_1-00cv151_USPIRG_v_AtlanticSal.pdf; and http://www.med.uscourts.gov/opinions/carter/2003/gc_05282003_1-00cv149_uspirg_v_stoltseafar.pdf.

[4] "Sale of Atlantic Salmon of Maine," Fjord Seafood press release, April 2, 2004.

[5] Fjord Seafood A.S.A., Quarterly Report, First Quarter 2004, p. 3.

[6] "Nutreco seeks shareholder approval for joint venture of its worldwide fish farming activities with those of Stolt Nielsen S.A.," Nutreco press release, December 6, 2004.

[7] "Restructuring of Pan Fish' US operations," Pan Fish press release, January 31, 2005.

Salmon subsidiary[8] (which operates farms in eastern Canada as well as the Conner's farms in Maine) to Cooke Aquaculture, making Cooke by far the largest owner of U.S. production of fresh Atlantic salmon.

ENVIRONMENTAL ISSUES

In Maine, the only state on the eastern seaboard where salmon is farm-grown, only 14 of the 45 permanent ocean pens were in use in June 2005 because of a 2003 federal court ruling that required aquaculture companies to allow the sites to remain fallow as a result of violating the federal Clean Waters Act.[9] The current situation results from a lawsuit filed in Maine in July 2000 by two Maine residents and the United States Public Interest Research Group. The suit alleged that Heritage, Stolt, and ASM violated the Clean Water Act by illegally discharging pollutants into the ocean without permits.

In June 2002, Heritage settled the suit with the following stipulations under a Consent Decree:

- *Heritage shall grow neither European salmon nor genetically modified salmon.*
- *Heritage shall take strong measures to prevent fish escapes.*
- *Heritage shall fallow its farm sites to reduce the chance of disease outbreaks and allow the sea floor beneath the sea cages to recover from fish farm wastes.*
- *Heritage shall limit the number of fish it grows by capping the "stocking density" of its cages.*
- *Heritage shall not discharge toxic substances in concentrations identified by the state as toxic to aquatic organisms.*
- *Prophylactic antibiotic use is prohibited and Heritage must test for antibiotic residues in local fish and shellfish.*
- *Heritage shall not use experimental drugs and medicines without a prior review and approval by an environmental agency.*
- *Heritage shall not expand its operations to Penobscot Bay during the life of the Consent Decree.*

Many other husbandry practices and disease control measures are specified in the consent decree, as are enhanced monitoring and public reporting requirements. Heritage is also paying $375,000 to fund wild Atlantic salmon restoration efforts in Washington County, where most salmon farms in Maine are located.[10]

The case against ASM and Stolt went to trial, and in June 2002, the two companies were found guilty of violating the Clean Water Act. In May 2003, the judge issued the following orders:

- *ASM and Stolt each were to pay a fine of $50,000.00.*
- *ASM and Stolt shall scrupulously follow and strictly comply with all existing regulatory requirements applicable to those pen sites.*
- *ASM and Stolt shall, in a timely fashion, harvest all fish and shall not restock any such pen site for 24 months from the date of completion of the harvest. ASM shall fallow its pen sites at Cross Island for 36 months.*

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[8] "Sale of Heritage Salmon Canadian East Coast Aquaculture," George Weston press release, June 20, 2005, downloadable from http://micro.newswire.ca.

[9] Sebastian Belle, "Proposal Would Allow Fish Farming off US Coasts," Boston Globe, June 8, 2005, found at http://www.boston.com, September 29, 2005.

[10] The full details of the case can be found at U.S. Public Interest Research Group, "Settlement of Environmental Lawsuit Points to New Direction for Salmon Farming," June 4, 2002, found at http://www.commondreams.org/news2002/0604-06.htm, October 12, 2005.

- *ASM shall fallow its Scragg Island pen sites for 6 months following the removal of the smolt recently stocked.*
- *Neither ASM nor Stolt shall stock or restock any pen site subject to the above until a Maine Pollutant Discharge Elimination System or a National Pollutant Discharge Elimination System permit has been issued to it and shall conduct all subsequent operation in strict compliance with such permit, the requirements imposed by the order and injunction, and all other applicable rules and regulations.*
- *ASM and Stolt shall stock at any pen site in waters adjacent to the Maine coast only a one-year-class of fish at any one time.*
- *ASM and Stolt shall not stock any non-North American stock or genetic strain of Atlantic salmon.*
- *ASM and Stolt shall pay reasonable attorneys' fees for plaintiffs.*[11]

In the Pacific Northwest, American Gold noted that the last salmon pen built in Washington was built in 1999. Since then, no new pens have been permitted. Some counties either banned or placed moratoriums on the issuance of permits for new salmon pens. There has been significant sociological and environmental opposition to the development of the marine aquaculture industry in the Pacific Northwest.[12]

U.S. PRODUCERS' CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Production, capacity, and capacity utilization for eggs, fry, smolt, and round Atlantic salmon are shown in table III-1. Swings in capacity utilization have been the result of various external factors, such as superchill conditions, which led to large losses of smolt in 2003, or disease, such as that experienced by ***, which lost *** production of salmon in 2002 due to disease.[13] Salmon production in the Cobscook Bay of Maine, where the majority of salmon farms are located, suffered an outbreak of infectious salmon anemia in 2001 and early 2002. This disease, which is not harmful to humans, forced the eradication of nearly 2.4 million fish and caused an approximate loss of $24 million in production. The area was quarantined for several months before production resumed but at stocking densities 30 percent lower than before the outbreak.[14]

[11] The full details of the case can be found at http://www.med.uscourts.gov/opinions/carter/2003/GC_05282003_1-00cv149_USPIRG_v_StoltSeaFar.pdf.

[12] American Gold, producer questionnaire response, section II-8.

[13] Hearing transcript, pp. 25-26 (Cooke).

[14] Linda J. Kling and Timothy Dalton, "Atlantic Salmon Aquaculture in Maine: Current Status and Challenges," March 2003, University of Maine, College of Natural Sciences, Forestry, and Agriculture White Papers, found at http://www.nsfa.umaine.edu/research/Salmon%20Aquaculture.pdf, October 12, 2005.

Table III-1
Fresh Atlantic salmon: U.S. production capacity, production, and capacity utilization for eyed eggs, fry, smolt, and round Atlantic salmon, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
Quantity in (*1,000 units*)								
EYED EGGS:								
Average production capacity (*quantity*)	36,500	37,600	37,600	37,600	37,600	24,100	12,500	12,500
Production (*quantity*)	17,556	26,517	21,712	24,513	26,882	10,464	5,074	9,553
Mortality (*quantity*)	1,579	3,776	2,396	3,147	1,704	1,361	738	424
Capacity utilization (*percent*)	41.4	63.6	49.2	59.0	64.2	39.4	32.8	68.0
Mortality/production (*percent*)	9.0	14.2	11.0	12.8	6.3	13.0	14.6	4.4
FRY:								
Average production capacity (*quantity*)	14,700	14,700	14,700	14,000	14,800	12,400	8,150	8,150
Production (*quantity*)	10,583	13,628	13,485	13,731	13,080	5,921	3,474	2,064
Mortality (*quantity*)	537	573	1,180	705	895	351	166	276
Capacity utilization (*percent*)	72.0	92.7	91.7	98.1	88.4	47.8	42.6	25.3
Mortality/production (*percent*)	5.1	4.2	8.8	5.1	6.8	5.9	4.8	13.4
SMOLT:								
Average production capacity (*quantity*)	***	***	***	***	***	***	***	***
Production (*quantity*)	***	***	***	***	***	***	***	***
Mortality (*quantity*)	***	***	***	***	***	***	***	***
Capacity utilization (*percent*)	***	***	***	***	***	***	***	***
Mortality/production (*percent*)	***	***	***	***	***	***	***	***

Table continued on next page.

Table III-1--*Continued*
Fresh Atlantic salmon: U.S. production capacity, production, and capacity utilization for eyed eggs, fry, smolt, and round Atlantic salmon, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
Quantity in (*1,000 pounds*)								
ROUND ATLANTIC SALMON:								
Average production capacity (*quantity*)	67,853	79,067	84,739	83,452	88,539	88,452	45,226	46,870
Production (*quantity*)	35,580	48,794	53,868	28,651	46,149	31,551	17,364	6,379
Mortality (*quantity*)	1,143	2,876	6,953	1,066	8,796	2,387	1,291	330
Capacity utilization (*percent*)	52.4	61.7	63.6	34.3	52.1	35.7	38.4	13.6
Mortality/production (*percent*)	3.2	5.9	12.9	3.7	19.1	7.6	7.4	5.2
Source: Compiled from data submitted in response to Commission questionnaires.								

Dressed salmon is the output of processing facilities, where the fresh round salmon that have been harvested are slit lengthwise, gutted, and packed.[15] U.S. producers' capacity for dressed salmon rose from 1999 through 2003, then plateaued, as shown in table III-2 and figure III-1. U.S. producers' capacity utilization peaked at 63.6 percent in 2001, but by mid-2005 had fallen to 13.6 percent.

Prior to the fall of 2004, ***.[16] The CEO of Cooke Aquaculture, Inc. reported that the idling of the Machiasport facility is temporary and it will be re-opened by the fall of 2007 when there is sufficient production.[17]

[15] E-mail from Gina Beck, economic consultant to ASM/Heritage, September 15, 2005, supplemental response to producer questionnaire, section I.8.

[16] Staff field trip notes, ASM/Heritage, August 22, 2005; and hearing transcript, p. 28 (Cooke).

[17] Hearing transcript, pp. 28-29 (Cooke).

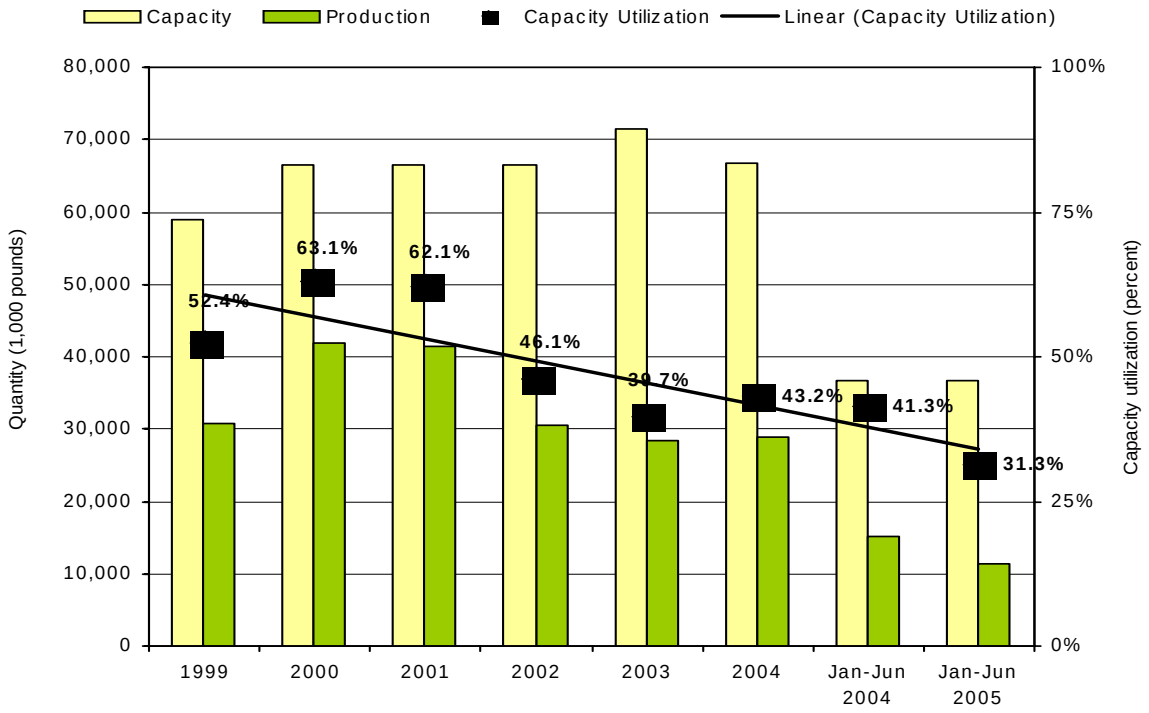
Table III-2
Dressed Atlantic salmon: U.S. producers' capacity, production, and capacity utilization, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity (*1,000 pounds*)							
Capacity:								
American Gold	***	***	***	***	***	***	***	***
ASM	***	***	***	***	***	***	***	***
Heritage	***	***	***	***	***	***	***	***
Marine Harvest	***	***	***	***	***	***	***	***
Other[1]	***	***	***	***	***	***	***	***
Total	58,970	66,490	66,490	66,490	71,490	66,810	36,585	36,585
Production:								
American Gold	***	***	***	***	***	***	***	***
ASM	***	***	***	***	***	***	***	***
Heritage	***	***	***	***	***	***	***	***
Marine Harvest	***	***	***	***	***	***	***	***
Other[1]	***	***	***	***	***	***	***	***
Total	30,879	41,962	41,323	30,628	28,376	28,865	15,094	11,436
	Ratio/share (*percent*)							
Capacity utilization:								
American Gold	***	***	***	***	***	***	***	***
ASM	***	***	***	***	***	***	***	***
Heritage	***	***	***	***	***	***	***	***
Marine Harvest	***	***	***	***	***	***	***	***
Other[1]	***	***	***	***	***	***	***	***
Average	52.4	63.1	62.1	46.1	39.7	43.2	41.3	31.3
Share of total production:								
American Gold	***	***	***	***	***	***	***	***
ASM	***	***	***	***	***	***	***	***
Heritage	***	***	***	***	***	***	***	***
Marine Harvest	***	***	***	***	***	***	***	***
Other[1]	***	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Includes Trumpet Island Salmon Farm, Maine Coast Nordic, and LR Enterprises.

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

Figure III-1
Fresh Atlantic salmon: U.S. production capacity, production, and capacity utilization, 1999-04, January-June 2004, and January-June 2005



Source: Table III-2.

U.S. production peaked in 2000, at 42.0 million pounds, declining steadily to 28.4 million pounds in 2003 before rebounding slightly in 2004 to 28.9 million pounds. Production during January-June 2005 was 24.2 percent below the same period in 2004.

During these reviews, respondent interested parties argued that because ASM and Heritage are wholly owned by Cooke Aquaculture of Canada "there are serious questions as to whether, among other things, Atlantic/Heritage has any domestic shipments of the subject merchandise."[18] Heritage submitted the following information regarding its production operations:[19]

* * * * * * *

In their posthearing brief, respondent interested parties indicated that they "are withdrawing their argument that the salmon grown in the U.S. are outside the scope of the antidumping duty order."[20]

[18] Norwegian comments on the draft questionnaires, June 28, 2005, p. 3.

[19] E-mail from Gina Beck, economic consultant to ASM/Heritage, September 15, 2005, supplemental response to producer questionnaire, section I-8.

[20] Norwegian posthearing brief, exh. 23.

U.S. PRODUCERS' DOMESTIC SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS

U.S. producers' U.S. shipments fluctuated during the period of review, from a low of 24.2 million pounds in 2002 to a high of 42.8 million pounds in 2001, settling at 28.9 million pounds in 2004, a 6.2–percent decline from 1999 (*see* table III-3 and figure III-2). Shipments during January - June 2005 were 11.4 million pounds, a 28.5–percent drop from the same period in 2004. The value of U.S. producers' U.S. shipments also fluctuated, from a low of $35.2 million in 2002 to a high of $91.0 million in 2000, ending at $49.6 million in 2004, a 26.6–percent decrease from 1999. The value of shipments during January - June 2005 was $19.8 million, a 27.8–percent decrease from the same period in 2004. Virtually all *** U.S.-produced fresh Atlantic salmon is marketed domestically.

U.S. PRODUCERS' INVENTORIES

U.S. producers maintain no inventories because the product is so perishable.

U.S. PRODUCERS' IMPORTS AND RATIOS TO PRODUCTION

U.S. producers' U.S. imports and ratios to production are presented in table III-4. As noted earlier in this report, in December 2004, Netherlands-based Nutreco Holding N.V. and Norway-based Stolt-Nielsen S.A., whose salmon-farming subsidiaries worldwide make them the first[21] and fourth[22] largest global producers of farmed salmon, announced an agreement on a merger of most of the farming operations (including salmon) of Stolt Sea Farm S.A. into a stand-alone, independently financed company,"[23] and to be 75-percent owned by Nutreco and 25-percent owned by Stolt-Nielsen.[24] The new firm, retaining the name Marine Harvest, reportedly has more than a 20-percent share of the world industry.[25] As noted earlier, Marine Harvest USA (a U.S. marketing subsidiary of Nutreco) and Stolt Sea Farm, Inc. (a producer in Maine) are included in the transaction.[26]

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[21] "Nutreco stock creeps up," Intrafish, August 2004, p. 31.

[22] "Stolt Sea Farm putting its eggs in several baskets," Intrafish, March 2004, p. 8.

[23] "Nutreco Holding N.V. and Stolt-Nielsen S.A. Plan Merger of Global Fish Farming Operations New stand-alone company to be undisputed world leader in aquaculture," Stolt-Nielsen press release, September 13, 2004. See also, "Stolt, Nutreco fish farms bleed red ink," Intrafish, November 2004, p. 27.

[24] "Nutreco shareholders vote in favour of Marine Harvest joint venture," Marine Harvest USA press release, December 21, 2004.

[25] "Nutreco seeks shareholder approval for joint venture of its worldwide fish farming activities with those of Stolt Nielsen S.A.," Nutreco press release, Dec. 6, 2004. See also, "Marine Harvest merger gets warm reception," Intrafish, October 2004, p. 31.

[26] Marine Harvest USA produces Atlantic salmon in Canada, Chile, and elsewhere, but not in the United States. It does, however, market U.S.-produced salmon produced under contract with it. Stolt produces in both Canada and Maine.

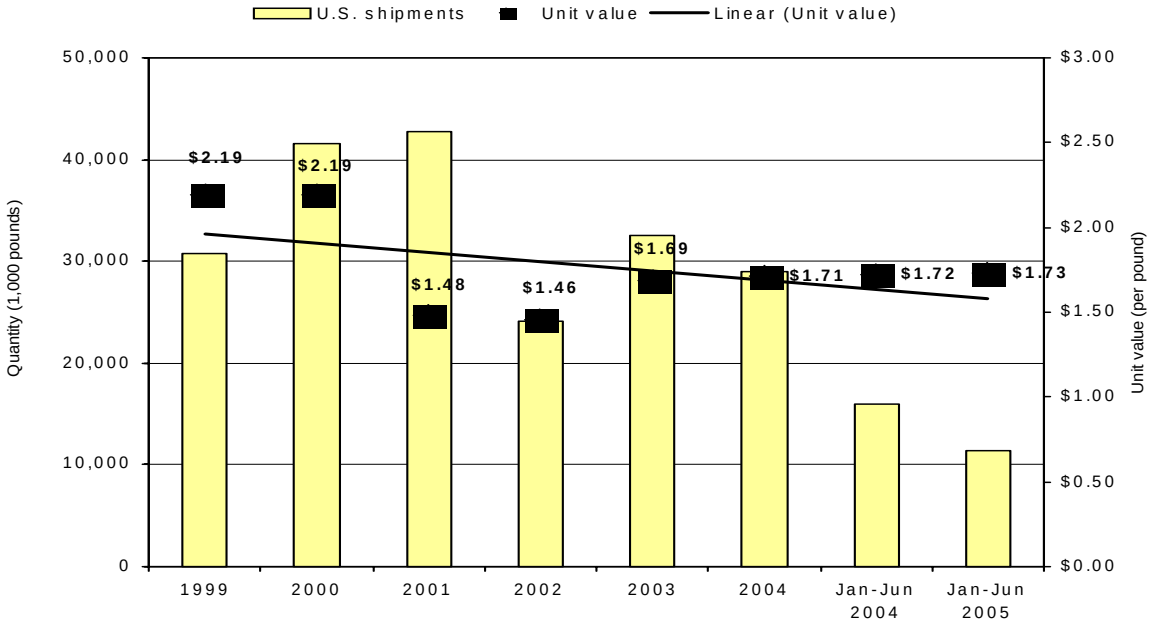
Table III-3
Dressed Atlantic salmon: U.S. producers' shipments, by type, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity in (*1,000 pounds*)							
Commercial	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers to related	***	***	***	***	***	***	***	***
U.S. shipments	30,841	41,601	42,772	24,182	32,596	28,935	16,001	11,436
Export shipments	***	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***	***
	Value *($1,000)*							
Commercial	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers to related	***	***	***	***	***	***	***	***
U.S. shipments	67,552	91,035	63,356	35,248	55,220	49,601	27,489	19,835
Export shipments	***	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***	***
	Unit value *(dollars per pound)*							
Commercial	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers to related	***	***	***	***	***	***	***	***
U.S. shipments	2.19	2.19	1.48	1.46	1.69	1.71	1.72	1.73
Export shipments	***	***	***	***	***	***	***	***
Average	***	***	***	***	***	***	***	***
	Share of shipment quantity *(percent)*							
Commercial	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers to related	***	***	***	***	***	***	***	***
U.S. shipments	***	***	***	***	***	***	***	***
Export shipments	***	***	***	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Not applicable.

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

Figure III-2
Fresh Atlantic salmon: U.S. producers' U.S. shipments and unit values, 1999-04, January-June 2004, and January-June 2005



Source: Table III-3.

Table III-4
Dressed Atlantic salmon: U.S. producers' imports and ratios to U.S. production, 1999-2004, January-June 2004, and January-June 2005

* * * * * * *

U.S. PRODUCERS' EMPLOYMENT, WAGES, AND PRODUCTIVITY

The number of production-related workers declined by more than half from 1999 to 2004, to 234, and the number of hours worked declined by a similar percentage (*see* table III-5). The mix of production-related workers has also shifted. In 1999, processing operations accounted for *** percent of employment. By 2004, employment in processing operations accounted for only *** percent of total employment. Hourly wages fluctuated during the period, and productivity increased by almost 86 percent from 1999 to 2004.

Table III-5
Fresh Atlantic salmon: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
Paid employment (*PRWs*):								
Farming operations	***	***	***	***	***	***	***	***
Processing operations	***	***	***	***	***	***	***	***
Total	533	499	490	317	290	234	233	121
Hours worked *(1,000):*								
Farming operations	***	***	***	***	***	***	***	***
Processing operations	***	***	***	***	***	***	***	***
Total	823	788	690	557	505	398	199	128
Wages paid *($1,000):*								
Farming operations	***	***	***	***	***	***	***	***
Processing operations	***	***	***	***	***	***	***	***
Total	11,626	11,785	11,242	9,104	8,704	6,509	3,413	2,134
Hourly wages:								
Farming operations	***	***	***	***	***	***	***	***
Processing operations	***	***	***	***	***	***	***	***
Average	$14.13	$14.96	$16.29	$16.34	$17.24	$16.35	$17.15	$14.48
Productivity *(pounds per hour)*	61.6	67.6	66.4	65.9	64.2	114.5	102.0	99.3
Unit labor costs (*per pound*)	$0.15	$0.12	$0.14	$0.12	$0.12	$0.06	$0.07	$0.15

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

FINANCIAL EXPERIENCE OF U.S. PRODUCERS

Background

Seven firms, including American Gold, ASM, Heritage, LR Enterprises, Maine Coast, Stolt, and Trumpet,[27] provided usable financial data on their operations on Atlantic salmon. The data provided by these firms accounted for the majority of known U.S. production of Atlantic salmon in 2004.

The smaller number of reporting U.S. producers (compared with 25 firms that reported producing Atlantic salmon in 1991)[28] reflects the considerable consolidation of the industry.[29] This consolidation has taken the form of the acquisition of independent fish farms by firms that both farm and perform processing.[30] Reportedly, this consolidation reflects farming-related difficulties, including restrictions on leasing public lands for fish pens, obtaining operating permits under the Clean Water Act, and operating problems, which have driven some independent farmers out of business, such as storm, fish disease (anemia or fish lice), escape, superchill, and the like.[31]

Operations on Atlantic Salmon

The effects of fish losses or no production may be seen in the data for periods for which a firm reported no sales and no costs: *** reported greatly reduced sales and costs in 2002 and 2003; *** reported no sales and no costs in 2002 (*** because of disease); *** reported no sales in 1999, 2002, and 2003; and *** reported zero or very minimal sales in 1999, 2000, and 2004.

The data of several firms are shown as transfers because these firms have no processing capability and they supply "round fish" to other firms: transfers are made by a fish farmer to a processor, where typically the processor picks up the fish at the farming operation and the transfer value reflects costs of harvesting, processing, distribution, and the processor's sales fee. These firms are: ***,[32] ***, ***,[33] and

---

[27] Each of the firms reported on a ***. The reported data of ***, two firms that ***, respectively, are shown separately as transfers (neither firm has processing capability and relied on *** to perform harvesting and processing). *** reported financial data on a limited basis, which are shown as transfers because ***. Differences between the data in the trade and financial sections of the Commission's questionnaire mainly arise because of differences in the reporting base of firms (e.g., ***). ***. Commission staff verified the questionnaire responses of ASM, Heritage, and the limited responses of LR Enterprises and Maine Coast. These data were reviewed during the staff verification based on the business records of the two firms. The results of the verifications are incorporated herein.

[28] *Fresh and Chilled Atlantic Salmon from Norway*, Investigation Nos. 701-TA-302 and 731-TA-454 (Final), USITC Publication 2371, April 1991, p. A-19. In 2000, there were a reported 11 U.S. producers.

[29] Consolidation is described in a special focus section by Peter Redmayne, "Farmed salmon," in Seafood Business, found at Internet site http://www.seafoodbusiness.com/archives/00aug/farmed.html, retrieved on September 12, 2005. Reflecting some of this consolidation, reportedly, there remains only one family-owned Atlantic salmon farm in the United States. Staff telephone interview with ***, September 14, 2005.

[30] For example, ***, and ***. The data of ***.

[31] Maine imposes limitations on the acreage that any single entity may lease. Also, all firms currently must submit a fallowing plan that allows for a two-year period following harvest. See e-mail from *** to staff, September 16, 2005, and domestic interested parties' posthearing brief, p. 3.

[32] The data of *** are shown as ***. Also, *see* note earlier in this section of the report regarding ***.

[33] *** only for the period following ***, and it did no report any of the data of *** in which it is the *** since ***. Staff received and have reported the data of ***; the data of *** for periods prior to acquisition are shown separately, while post-acquisition data are included in the questionnaire response of ***. It should be noted that there are operating data for *** that are shown in 2004. These data relate to post-acquisition final operations of the

***. Also, internal consumption was reported by ***. These represent transfers to ***, Canadian processors related through the common corporate parent that perform value-added processing such as cutting the fish into fillets, cuts, and prepared portions. The average unit value ("AUV") of internal consumption varies only a little from commercial sales.

Results of U.S. firms' operations on Atlantic salmon are briefly summarized here. Total sales quantity decreased irregularly between 1999 and 2004 after peaking in 2001, reflecting the effects of disease loss of ***. Total sales quantity also fell between January-June 2004 and the same period in 2005. Total sales values likewise fell irregularly during the periods reviewed after peaking in 2000 (a low was reached for the yearly periods in 2002 reflecting the crop losses of ***), and fell between January-June 2004 and the same period in 2005. The average unit value of commercial sales fell sharply between 2000 and 2001 but recovered slightly between 2002 and 2003 and remained essentially flat during the remaining periods reviewed. The AUV of the cost of goods sold ("COGS") declined between 1999 and 2002 although to a lesser extent than sales AUV, but increased sharply between 2002 and 2003 before declining between the interim periods. Operating income rose between 1999 and 2000 but fell to a loss in each of the four subsequent years.[34] The industry recorded an operating profit in each of the interim periods. These data are shown in table III-6.

The Commission's questionnaire requested that the responding U.S. producers provide a breakdown of their sales by size of fish within three ranges: less than 8 pounds, between 8 and 10 pounds, and greater than 10 pounds. The last category accounts for the majority of sales and has the highest AUV of sales. Table III-7 presents the data received.

firm.

[34] For example, compare with ASM's statement that its ***. It described an unusual concurrence of events from 2001 to its eventual sale to Cooke in 2004. ASM's ***.

Table III-6
Fresh Atlantic salmon: Results of operations of U.S. firms, fiscal years 1999-2004, January-June 2004, and January-June 2005

Item	Fiscal year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity (*1,000 pounds*)							
Commercial sales[1]	***	***	***	***	***	***	***	***
Internal consumption[2]	***	***	***	***	***	***	***	***
Transfers to related firms[3]	***	***	***	***	***	***	***	***
Total net sales	32,651	42,543	44,926	27,297	34,156	29,667	16,165	***
	Value (*$1,000*)							
Commercial sales[1]	***	***	***	***	***	***	***	***
Internal consumption[2]	***	***	***	***	***	***	***	***
Transfers to related firms[3]	***	***	***	***	***	***	***	***
Total net sales	71,920	92,972	67,218	40,555	57,693	50,805	27,832	***
Total COGS	58,648	67,309	81,369	42,368	61,939	53,500	24,340	***
Gross profit or (loss)	13,272	25,663	(14,151)	(1,813)	(4,246)	(2,695)	3,492	***
SG&A expenses	4,325	5,566	6,242	3,885	4,896	3,737	1,579	***
Operating income or (loss)	8,947	20,097	(20,393)	(5,698)	(9,142)	(6,432)	1,913	***
Interest expense	2,591	3,396	3,512	3,620	3,837	2,754	1,523	***
Other expense	821	293	(526)	210	6,445	3,432	2,772	***
CDSOA (Byrd	0	0	0	0	***	***	0	***
Other income	604	1,508	333	(1,950)	***	***	876	***
Net income or (loss)	6,139	17,916	(23,046)	(11,478)	***	***	(1,506)	***
Depreciation/amortization	4,285	5,431	5,361	5,042	4,718	3,128	2,284	***
Cash flow	10,424	23,347	(17,685)	(6,436)	***	***	778	***

Table continued on following page.

Table III-6--*Continued*
Fresh Atlantic salmon: Results of operations of U.S. firms, fiscal years 1999-2004, January-June 2004, and January-June 2005

Item	Fiscal year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
Ratio to net sales (*percent*)								
Total COGS	81.5	72.4	121.1	104.5	107.4	105.3	87.5	***
Gross profit or (loss)	18.5	27.6	(21.1)	(4.5)	(7.4)	(5.3)	12.5	***
SG&A expenses	6.0	6.0	9.3	9.6	8.5	7.4	5.7	***
Operating income or (loss)	12.4	21.6	(30.3)	(14.1)	(15.8)	(12.7)	6.9	***
Net income or (loss)	8.5	19.3	(34.3)	(28.3)	(58.7)	(15.1)	(5.4)	***
Unit value (*dollars per pound*)								
Commercial sales	***	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***	***
Transfers to related firms	***	***	***	***	***	***	***	***
Total net sales	2.20	2.19	1.50	1.49	1.69	1.71	1.72	***
Total COGS	1.80	1.58	1.81	1.55	1.81	1.80	1.51	***
Gross profit or (loss)	0.41	0.60	(0.32)	(0.07)	(0.12)	(0.09)	0.22	***
SG&A expenses	0.13	0.13	0.14	0.14	0.14	0.13	0.09	***
Operating income or (loss)[5]	0.27	0.47	(0.45)	(0.21)	(0.27)	(0.22)	0.12	***
Net income or (loss)[5]	0.19	0.42	(0.51)	(0.42)	(0.99)	(0.24)	(0.09)	***
Number of firms reporting								
Operating losses	***	***	5	4	6	6	***	4
Data	6	6	7	5	6	6	6	6

[1] Accounted for by ***.
[2] Accounted for by ***.
[3] Accounted for by ***.
[4] Accounted for mostly by ***.

Note–Average unit values are calculated from data provided for both numerator and denominator. *** and *** did not report data for sales quantity but did report cost data in January-June 2005. This results in an apparent discrepancy between the value of operating income and net income in January-June 2005 and the AUVs of those two items, in particular, a higher AUV for operating income and a positive AUV for net income.

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

Table III-7
Fresh Atlantic salmon: Sales by size of fish, fiscal years 1999-2004, January June 2004, and January-June 2005

* * * * * * *

U.S. producers also were requested to provide a breakdown of their COGS and their selling, general, and administrative ("SG&A") costs. Because of the limitations imposed by changes in ownership and differences in recordkeeping (the classification of costs differed between firms), these data are not presented. The reported data are consistently lower than total COGS or total SG&A in table III-6. There are two major cost categories within COGS, "hatchery and farming," and "harvesting and processing." These two categories accounted for over 90 percent of the reported data broken out within total COGS in most years, with the costs of hatchery and farming operations accounting for most of that percentage; in 2002 and 2003, the two categories together accounted for only 79 percent and 83 percent of the reported breakout of total COGS, which were due to the ***, the much-reduced production and sales of ***, and the zero production and sales reported by ***. In their written responses ASM and Heritage provided a breakout of their major costs that are shown in the tabulation earlier in Part III.

Those numbers are in line with costs reported by ASM and Heritage in ***. Hatchery and farming costs averaged $*** per pound of sales of ASM and $*** per pound of sales of Heritage ***. These AUVs also are in line with AUVs calculated for the components based on total sales quantities for all reporting producers in table III-6, with the AUV falling below the estimated average cost in 2002 and 2003 due to harvest problems noted earlier. It should be noted that the questionnaire asked firms to report their harvesting and processing costs together, and the calculated AUVs are in line with the estimates in the tabulation. Other components of COGS include plant fixed costs and packaging.

*** processing U.S.-raised Atlantic salmon in Canada. These operations are chiefly eviscerating and packing the fish and shipping it to market. In the case of ***, such processing occurred in each period reviewed and accounted for *** percent to *** percent of total COGS in 1999-2001, but processing costs accounted for by costs in Canada increased when processing was transferred to Canada in 2003, and the percentage of COGS accounted for by processing in Canada rose to *** percent in 2003-04 and from *** percent to *** percent between January-June 2004 and the same period in 2005. In the case of ***, such processing occurred only in ***, and accounted for *** percent of total COGS reported in *** and *** percent in ***. SG&A expenses include ***. *** reported *** while ***.

The byproducts of processing a salmon are blood and viscera, which are either disposed of or used in the production of fishmeal or fertilizer. Domestic interested parties provided the byproduct recovery rate by weight in pounds of ASM and Heritage,[35] but stated that byproducts are given away and that the value of byproducts is zero.[36] Staff has estimated that the value of such byproducts is not material to the results of operations of ASM/Heritage or the industry as a whole.[37]

Table III-8 provides firm-by-firm data on the results of operations on Atlantic salmon.

Table III-8
Fresh Atlantic salmon: Results of operations of U.S. firms, by firm, fiscal years 1999-2004, January-June 2004, and January-June 2005

* * * * * * *

[35] Domestic interested parties' posthearing brief, exh. 1, p. 38.

[36] E-mail from ***, November 23, 2005.

[37] Note to file by Charles Yost, December 2, 2005.

Variance Analysis

The variance analysis showing the effects of prices and volume on U.S. producers' net sales of Atlantic salmon, and of costs and volume on their total expenses, is presented in table III-9. The information for this variance analysis is derived from table III-6, but differs in that only total net sales are shown. The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume.

Table III-9
Fresh Atlantic salmon: Variance analysis on U.S. firms' operations, fiscal years 1999-2004, and January-June 2004-05

Item	Fiscal year						January-June
	1999-2004	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
	Value (*$1,000*)						
Total net sales:							
Price variance	(14,542)	(737)	(30,962)	(287)	6,948	694	***
Volume variance	(6,573)	21,789	5,208	(26,376)	10,190	(7,582)	***
Total net sales variance	(21,115)	21,052	(25,754)	(26,663)	17,138	(6,888)	***
Cost of sales:							
Cost variance	(213)	9,106	(10,290)	7,072	(8,925)	299	***
Volume variance	5,360	(17,768)	(3,770)	31,929	(10,646)	8,140	***
Total cost variance	5,147	(8,662)	(14,060)	39,001	(19,571)	8,439	***
Gross profit variance	(15,968)	12,390	(39,814)	12,338	(2,433)	1,551	***
SG&A expenses:							
Expense variance	192	68	(364)	(92)	(35)	516	***
Volume variance	395	(1,310)	(312)	2,449	(976)	643	***
Total SG&A variance	587	(1,242)	(676)	2,357	(1,011)	1,159	***
Operating income variance	(15,381)	11,148	(40,490)	14,695	(3,444)	2,710	***
Summarized as:							
Price variance	(14,542)	(737)	(30,962)	(287)	6,948	694	***
Net cost/expense variance	(21)	9,174	(10,654)	6,979	(8,960)	814	***
Net volume variance	(818)	2,711	1,126	8,002	(1,432)	1,202	***

Note: Unfavorable variances are shown in parentheses; all others are favorable. The data are compiled from firms reporting both numerator and denominator data (see earlier note in table III-6) and changes in operating income will differ slightly from the data presented in table III-6.

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

The variance analysis is summarized at the bottom of the table and shows that the decrease in operating income from 1999 to 2004 is attributable to the combined effects of very large unfavorable variances of price (lower unit prices), net volume, and net cost/expense reflecting slightly higher unit costs between the two periods. The price and net cost/expense variances were most unfavorable between 2000 and 2001 when average sales unit values fell the most and the average unit value of COGS

increased, leading to a large drop in operating income between the two years. Between 2002 and 2003, the combined unfavorable variances on net cost/expense and volume were greater than the effect of increasing average unit prices (a favorable price variance), leading to a decrease in operating income between the two years. Between 2003 and 2004 each of the variances was positive.

Assets and Return on Investment

The Commission's questionnaire requested data on assets used in the production, warehousing, and sale of Atlantic salmon to compute return on investment ("ROI") for 1999 to 2004 (table III-10). The data for total net sales and operating profit or (losses) are from table III-6. Operating income was divided by total net sales, resulting in the operating income ratio. Total net sales was divided by total assets, resulting in the asset turnover ratio. The operating income ratio was then multiplied by the asset turnover ratio, resulting in ROI; the expanded form of this equation shows how the profit margin and total assets turnover ratio interact to determine the return on investment. Although total assets showed some variability during the periods reviewed, ROI generally followed operating income (discussed earlier in connection with table III-6).

Table III-10
Fresh Atlantic salmon: Value of assets used in production, warehousing, and sales, and return on investment, fiscal years 1999-2004

Item	Fiscal year					
	1999	2000	2001	2002	2003	2004
	Value (*$1,000*)					
Current assets:						
Cash and equivalent	***	***	***	***	***	***
Accounts receivable, net	***	***	***	***	***	***
Inventories	***	***	***	***	***	***
All other current assets	***	***	***	***	***	***
Subtotal, current assets	65,893	73,676	53,475	63,968	57,465	28,412
Noncurrent assets:						
Original cost of property, plant, and equipment	47,820	54,602	56,267	54,253	51,913	30,990
Accumulated depreciation	27,195	29,464	28,049	29,513	38,952	26,093
Book value of property, plant, and equipment	20,625	25,138	28,218	24,740	12,961	4,897
Other noncurrent assets	4,728	6,756	5,830	5,427	4,931	4,585
Subtotal, noncurrent assets	25,353	31,894	34,048	30,167	17,892	9,482
Total assets	91,246	105,570	87,523	94,135	75,357	37,894
Total net sales	71,920	92,972	67,218	40,555	57,693	50,805
Operating income or (loss)	8,947	20,097	(20,393)	(5,698)	(9,142)	(6,432)
	Return on investment ratio (*percent*)					
Return on investment[1]	9.8	19.0	(23.3)	(6.1)	(12.1)	(17.0)

[1] Calculated by multiplying the operating income ratio times the asset turnover ratio (discussed earlier), or dividing operating income by total assets.

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

Capital Expenditures and Research and Development Expenses

U.S. producers' data on their capital expenditures and research and development ("R&D") expenses for their operations on Atlantic salmon are shown in table III-11.

Table III-11
Fresh Atlantic salmon: U.S. firms' capital expenditures and research and development expenses, fiscal years 1999-2004, January-June 2004, and January-June 2005

* * * * * * *

Reportedly, the thrust of capital expenditures has been to improve the productivity of processing, and the repair of hatcheries and sea pens. These capitalized expenditures differ from the costs of acquisition incurred by Cooke Aquaculture when it purchased ASM and Heritage.[38] As stated at the hearing, total projected investment by Cooke in Maine is on the order of approximately $60 million.[39] These funds are slated to go to hatcheries, farming, and the processing plant at Machiasport, ME.[40]

Research on salmon health and disease reportedly is conducted by agencies of the States of Maine and Washington that are funded in part by agencies of the federal government. State agencies include the Maine Department of Inland Fish Wildlife and the Maine Department of Agriculture.[41] For example, the University of Maine has an extension veterinarian that conducts research on salmon diseases; there is a private pathology and diagnostic laboratory in Richmond, ME that specializes in research on salmon health and provides research services to private companies and the USDA.[42] USDA reportedly is investing over $***.[43] As noted by both domestic and foreign interested parties, several agencies of the federal government, including NOAA Fisheries,[44] the U.S. Fish and Wildlife Service, and four branches of USDA[45] also provide grants through local universities and researchers to aid research and the development of U.S. fisheries. These programs have focused on ways to increase yields, such as by reducing seal predation, the development of vaccines to combat infectious diseases or viruses, and investigating the genetic signature of the Atlantic salmon.[46]

---

[38] Cooke Aquaculture purchased ***. These costs are not reflected in table III-11 because the direct costs of acquisition are reflected in the purchaser's records rather than those of the acquired companies. Domestic interested parties' posthearing brief, exh. 1, p. 16. Also, *see* hearing transcript, p. 24 (Cooke), including *** together in describing Cooke's total capital investment in ASM and Heritage at "around $25 million."

[39] Hearing transcript, p. 30 (Cooke). Much of the business plan is dependent upon stable pricing, supply, and demand. *See*, ***.

[40] Future investment is broken down as $*** in Atlantic salmon ***, $*** in ***, and $*** in ***. E-mails from ***, November 29 and December 1, 2005.

[41] Domestic interested parties' posthearing brief, exh .1, p. 22.

[42] Domestic interested parties' posthearing brief, exh .1, p. 22.

[43] ***. Reportedly, this is a $***.

[44] NOAA Fisheries is NOAA's National Marine Fisheries Service. The Commerce Department through NOAA Fisheries and NOAA's National Sea Grant College Program is responsible primarily for research and development in marine, estuarine, and anadromous species. NOAA Fisheries administers the annual Saltonstall-Kennedy Grant Program that funds fisheries research.

[45] USDA's Agricultural Research Service; Animal and Plant Health Inspection Service; Small Business Innovation Research program; and Cooperative State Research, Education, and Extension Service.

[46] Norwegian posthearing brief, attach. 7.

PART IV: U.S. IMPORTS, WORLD PRODUCTION AND CONSUMPTION, AND THE FOREIGN INDUSTRY

U.S. IMPORTS

Data regarding U.S. imports of fresh whole Atlantic salmon are presented in table IV-1 and are compiled from official Commerce statistics, adjusted. A significant amount of U.S.-grown salmon is sent to Canada for processing, then returned to the United States. In the case of Heritage and ASM, some of these salmon were reported to Customs as the product of Canada, rather than the product of the United States. Official Commerce statistics have been adjusted, using questionnaire responses, to eliminate those misreported imports. Figure IV-1 shows U.S. imports from the four major sources from 1991 through 2004. Importer questionnaires were sent to 15 firms, and 6 firms (***) reported imports of fresh Atlantic salmon.[1]

Total U.S. imports of fresh Atlantic salmon rose from 113.3 million pounds in 1999 to 146.1 million pounds in 2002, then fell to 120.2 million pounds in 2004. The value of imports also rose and fell during the period of review, rising from $288.0 million in 1999 to $308.1 million in 2002, then declining to $266.9 million in 2004. The average unit value fluctuated during the period as well, from a high in 1999 of $2.54 per pound to a low of $2.11 in 2002, ending up at $2.22 in 2004. Imports during January-June 2005 showed an increase of 20 percent in both quantity and value over imports during January-June 2004, while the unit value remained steady at $2.23.

U.S. imports from Norway during the period of review also fluctuated, never accounting for more than 1.4 percent of the quantity or more than 1.7 percent of the value. Imports from Norway peaked in 2003, both in absolute terms and in shares of total imports. The unit value of Norwegian imports was always higher than the average unit value of all imports, by 11 to 40 percent.

As noted earlier, Canada has been the most significant source of subject imports during the period of review, accounting for about three-quarters of U.S. imports of fresh whole Atlantic salmon by both value and weight.

Data regarding imports of fresh whole Atlantic salmon from Norway by Customs region are presented in table IV-2 and figure IV-2. U.S. imports of fresh whole Atlantic salmon from Norway were entered principally through East Coast districts during the early part of the period of review (97 percent of total imports from Norway during 1999). During 2004, imports from Norway were entered nationally: 44 percent through Eastern Customs districts, 35 percent through the Mid-West, and 21 percent through the West.

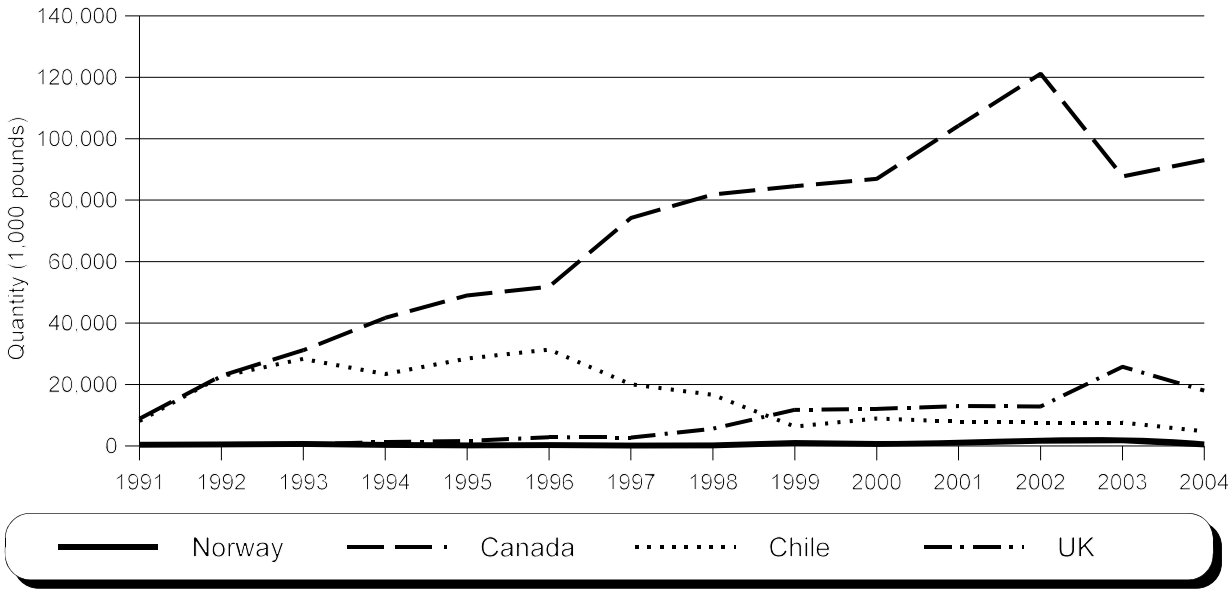
[1] Importers' questionnaire responses accounted for 134 percent of the quantity and 108 percent of the value of imports of fresh Atlantic salmon from Norway in 2004.

Table IV-1
Fresh whole Atlantic salmon: U.S. imports, by sources, 1999-2004, January-June 2004, and January-June 2005

Source	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity *(1,000 pounds)*							
Norway	980	651	1,067	1,691	1,817	469	317	234
Canada	84,576	86,933	104,271	121,174	87,788	93,078	43,499	62,675
Chile	6,363	8,923	7,974	7,652	7,646	4,755	2,540	1,380
United Kingdom	11,763	12,054	12,988	12,815	25,766	17,990	10,101	4,491
Other sources	9,577	8,409	3,133	2,785	8,131	3,877	2,121	1,359
Total (nonsubject)	112,280	116,319	128,366	144,425	129,331	119,699	58,261	69,905
Total	113,259	116,970	129,433	146,116	131,148	120,169	58,578	70,139
	Value; landed, duty-paid *($1,000)*							
Norway	2,977	1,776	2,943	4,316	5,082	1,456	839	711
Canada	219,106	214,559	239,533	257,686	205,974	198,682	94,728	130,298
Chile	15,370	21,525	15,750	14,571	16,937	11,054	6,165	3,191
United Kingdom	31,436	31,738	24,916	26,504	60,761	48,371	24,960	18,942
Other sources	19,070	17,607	5,181	4,998	13,503	7,329	3,967	3,085
Total (nonsubject)	284,982	285,428	285,381	303,759	297,174	265,436	129,821	155,516
Total	287,959	287,204	288,323	308,076	302,256	266,892	130,660	156,227
	Unit value *(dollars per pound)*							
Norway	3.04	2.73	2.76	2.55	2.80	3.10	2.65	3.04
Canada	2.59	2.47	2.30	2.13	2.35	2.13	2.18	2.08
Chile	2.42	2.41	1.98	1.90	2.22	2.32	2.43	2.31
United Kingdom	2.67	2.63	1.92	2.07	2.36	2.69	2.47	4.22
Other sources	1.99	2.09	1.65	1.79	1.66	1.89	1.87	2.27
Average (nonsubject)	2.54	2.45	2.22	2.10	2.30	2.22	2.23	2.22
Average	2.54	2.46	2.23	2.11	2.30	2.22	2.23	2.23
	Share of quantity *(percent)*							
Norway	0.9	0.6	0.8	1.2	1.4	0.4	0.5	0.3
Canada	74.7	74.3	80.6	82.9	66.9	77.5	74.3	89.4
Chile	5.6	7.6	6.2	5.2	5.8	4.0	4.3	2.0
United Kingdom	10.4	10.3	10.0	8.8	19.6	15.0	17.2	6.4
Other sources	8.5	7.2	2.4	1.9	6.2	3.2	3.6	1.9
Total (nonsubject)	99.1	99.4	99.2	98.8	98.6	99.6	99.5	99.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Share of value *(percent)*							
Norway	1.0	0.6	1.0	1.4	1.7	0.5	0.6	0.5
Canada	76.1	74.7	83.1	83.6	68.1	74.4	72.5	83.4
Chile	5.3	7.5	5.5	4.7	5.6	4.1	4.7	2.0
United Kingdom	10.9	11.1	8.6	8.6	20.1	18.1	19.1	12.1
Other sources	6.6	6.1	1.8	1.6	4.5	2.7	3.0	2.0
Total (nonsubject)	99.0	99.4	99.0	98.6	98.3	99.5	99.4	99.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official Commerce statistics (HTS statistical reporting numbers 0302.12.0003 and .0004) adjusted for Canada.

Figure IV-1
Fresh whole Atlantic salmon: U.S. imports from Canada, United Kingdom, Chile, and Norway, 1991–2004



Source: Official Commerce statistics (data for Canada adjusted for the 1999-2004 periods).

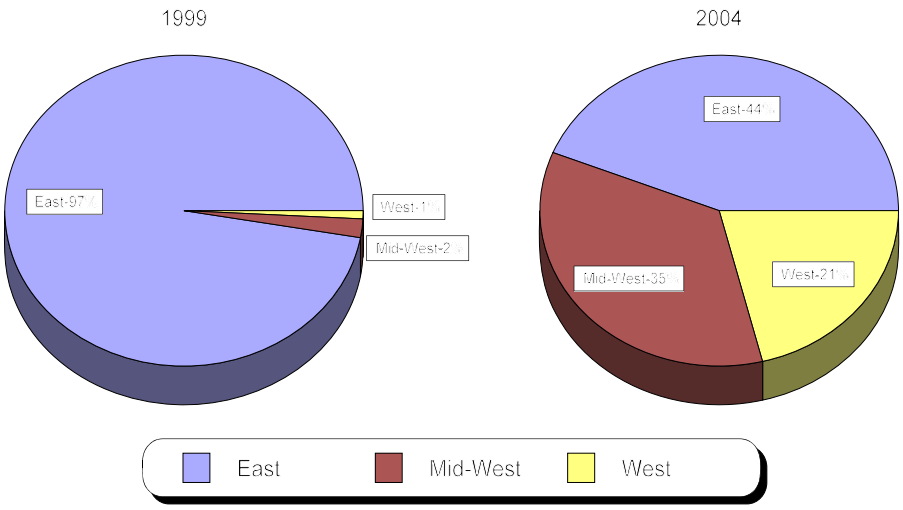
Table IV-2
Fresh whole Atlantic salmon: U.S. imports from Norway, by Customs region, 1999-2004, January-September 2004, and January-September 2005

Region	Calendar year						January-September	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity (*1,000 pounds*)							
East[1]	954	489	616	1,122	1,162	206	173	275
Mid-West[2]	20	110	352	420	504	164	154	50
West[3]	7	52	99	149	151	99	92	35
Total	980	651	1,067	1,691	1,817	469	419	360
	Value[4] (*$ 1,000*)							
East[1]	2,897	1,297	1,600	2,818	3,339	682	466	833
Mid-West[2]	57	361	1,151	1,158	1,295	482	443	204
West[3]	23	118	192	341	448	292	274	124
Total	2,977	1,776	2,943	4,316	5,082	1,456	1,183	1,161
	Unit value							
East[1]	$3.04	$2.65	$2.60	$2.51	$2.87	$3.30	$2.69	$3.03
Mid-West[2]	2.92	3.27	3.27	2.76	2.57	2.93	2.87	4.05
West[3]	3.52	2.27	1.94	2.29	2.96	2.96	3.00	3.53
Average	3.04	2.73	2.76	2.55	2.80	3.10	2.82	3.22
	Share of quantity (*percent*)							
East[1]	97.3	75.1	57.8	66.4	64.0	44.0	41.3	76.2
Mid-West[2]	2.0	16.9	33.0	24.8	27.7	35.0	36.9	14.0
West[3]	0.7	8.0	9.3	8.8	8.3	21.0	21.9	9.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] The East includes Boston, Washington DC, Miami, New York, Philadelphia, Savannah, Tampa, and the Virgin Islands.
[2] The Mid-West includes Chicago, Cleveland, Dallas, and Houston.
[3] The West includes Great Falls, MT, Los Angeles, San Francisco, and Seattle.
[4] Landed, duty-paid.

Source: Compiled from official Commerce statistics for HTS statistical reporting numbers 0302.12.0003 and 0302.12.0004.

Figure IV-2
Fresh whole Atlantic salmon: U.S. imports from Norway, by Customs region, 1999 and 2004



Source: Table IV-2.

U.S. IMPORTERS' INVENTORIES

No importer inventory data were reported as fresh whole Atlantic salmon is a perishable product.

WORLD PRODUCTION AND CONSUMPTION

Although it accounts for a tiny share of U.S. imports of the subject product (0.4 percent by quantity in 2004), Norway is by far the world's largest producer of fresh whole Atlantic salmon. During 2003, according to the Food and Agriculture Organization of the United Nations ("FAO"), Norway's share of world output of farmed Atlantic salmon (45 percent) was that of the next three largest producing countries (Chile, the United Kingdom, and Canada) combined. Table IV-3 presents available data regarding world production of fresh whole Atlantic salmon during 1999-2003.

Available information regarding world consumption of fresh whole salmon is presented in table IV-4. World consumption of fresh whole salmon increased from 482.1 million pounds in 1990 to 2.3 billion pounds in 2003. The greatest rate of increase was during 1992-95, when consumption increased at an average annual rate of over 23 percent.

As consumption of fresh whole salmon increased, more of the demand was satisfied by domestic production. Exports accounted for 76.1 percent of world production in 1990, but only 64.3 percent of production in 2003. Although Norway remained the largest exporter, its significance declined during 1990-2003. While in 1990, Norway accounted for 54.1 percent of the world's exports of whole salmon, by 2003, Norway accounted for only 43.8 percent.

Imports' share of consumption decreased at the same time, from 75.4 percent in 1990 to 61.2 percent in 2003. The United States declined in importance as a market for foreign produced salmon, as its share of world imports declined from 23.5 percent in 1990 to 10.5 percent in 2003.

Table IV-3
Fresh whole Atlantic salmon: World production, 1999-2003

Source	1999	2000	2001	2002	2003
	Quantity[1] (*1,000 pounds*)				
Norway	937,304	971,833	961,443	1,019,627	1,123,352
Chile	287,135	367,945	559,644	585,826	618,355
United Kingdom	136,665	159,824	210,775	250,712	198,747
Canada	279,295	284,306	305,382	321,013	321,013
United States	39,108	49,373	45,788	28,074	35,968
Other	92,651	138,653	193,709	177,719	201,225
Total	1,772,158	1,971,934	2,276,741	2,382,970	2,498,660
	Share (*percent*)				
Norway	52.9	49.3	42.2	42.8	45.0
Chile	16.2	18.7	24.6	24.6	24.7
United Kingdom	7.7	8.1	9.3	10.5	8.0
Canada	15.8	14.4	13.4	13.5	12.8
United States	2.2	2.5	2.0	1.2	1.4
Other	5.2	7.0	8.5	7.5	8.1
Total	100.0	100.0	100.0	100.0	100.0

[1] Quantity data are whole-fish equivalent.

Source: FAO Yearbook, Fisheries Statistics, Commodities 2003, Vol. 97.

Table IV-4
Fresh whole salmon: World consumption, 1990-2003

Period	Production[1]	Exports[2]	Imports[2]	Apparent consumption	Exports/ production	Imports/ consumption	Norway's share of exports	U.S. share of imports
	Quantity (*1,000 pounds*)				*Percent*			
1990	497,456	378,763	363,445	482,138	76.1	75.4	54.1	23.5
1991	587,054	402,910	400,728	584,871	68.6	68.5	50.0	23.5
1992	545,706	441,302	439,430	543,834	80.9	80.8	54.0	20.2
1993	673,755	588,149	578,279	663,885	87.3	87.1	44.4	16.7
1994	826,582	671,475	717,905	873,011	81.2	82.2	46.2	13.9
1995	1,025,690	815,115	823,235	1,033,809	79.5	79.6	45.8	13.7
1996	1,216,745	949,941	944,763	1,211,566	78.1	78.0	44.4	13.8
1997	1,425,324	1,020,158	925,743	1,330,909	71.6	69.6	44.4	14.7
1998	1,520,745	1,115,985	1,009,834	1,414,594	73.4	71.4	44.0	13.5
1999	1,772,158	1,266,329	1,170,342	1,676,170	71.5	69.8	44.3	11.7
2000	1,971,945	1,362,371	1,200,270	1,809,843	69.1	66.3	43.3	11.2
2001	2,276,741	1,383,123	1,238,207	2,131,824	60.8	58.1	41.7	11.8
2002	2,382,970	1,437,767	1,295,873	2,241,076	60.3	57.8	42.3	12.9
2003	2,493,960	1,602,470	1,408,662	2,300,152	64.3	61.2	43.8	10.5

[1] Production of farmed Atlantic salmon only.
[2] Includes trade in fresh whole salmon classified under HTS subheading 0302.12 (Atlantic salmon plus Danube and Pacific species).

Source: FAO Yearbook, Fisheries Statistics, Commodities 2003, Vol. 97.

THE INDUSTRY IN NORWAY

The largest Norwegian firms that produce Atlantic salmon (in Norway, Chile, Canada, and elsewhere) include: Marine Harvest (with the former assets of Stolt Sea Farm) (parents: Nutreco and Stolt-Nielsen); Pan Fish; Fjord Seafood; Leroy Seafood Group; and Cermaq (majority parent: the Government of Norway).[2] In July 2005, foreign producers' questionnaires were sent to 35 members of the Norwegian Seafood Association and the Norwegian Seafood Federation,[3] and 21 companies responded that they had produced or exported salmon during the period of review. Eighteen additional producers in Norway were sent questionnaires in November 2005, after being included in a list provided by respondent interested parties as firms accounting for substantial amounts of fresh whole Atlantic

[2] "Cermaq seeks IPO and boosts Follalaks stake," Intrafish, August 22, 2005.

[3] Ex parte meeting notes, July 7, 2005.

salmon production in Norway.[4] In total, the Commission received 39 responses to its foreign producer questionnaire, and during 2004 the firms accounted for 68 percent of fresh whole Atlantic salmon production in Norway, and 85 percent of total exports from Norway during that period.

Norwegian Capacity, Production, and Capacity Utilization

During these five-year reviews, various data have been submitted regarding the capacity to produce fresh whole Atlantic salmon in Norway. Data submitted by 21 firms as presented in the prehearing staff report were questioned by Norwegian parties as "basically aberrational" and "theoretical."[5] Respondent interested parties subsequently resubmitted production, capacity, and shipments data, indicating that, in addition to distortions caused in the original questionnaire responses by the use of feed quotas,[6] a major distortion in the original data was caused by a series of acquisitions made by respondents during the period of review.[7] The resubmitted production, capacity, and shipments data included a separate data set for "consolidated" production, capacity, and shipments - that is, production, capacity, and shipments including those companies or licenses that were acquired during the period of review, as if the new acquisitions had been part of the reporting companies for the entire period. Respondent interested parties argued that there was no additional capacity created, but rather existing capacity passed from one owner to another.[8] In addition, the resubmitted production and capacity information were based on smolt release, adjusted for anticipated harvest weight and mortality, reportedly as a better indication of production capacity than the feed quota methodology.[9]

Domestic interested parties argued that the revised data, whether based on feed quota or smolt, are inconsistent with the manner in which capacity is calculated for this industry, and are flawed and reflect artificially adjusted figures for production and capacity (e.g., during the interim periods of 2004 and 2005, capacity utilization was 100 percent because capacity (smolt) was set equal to production (salmon)).[10]

Available data under alternative methods of determining capacity and capacity utilization are presented in table IV-5. By any measure, capacity and production of fresh whole Atlantic salmon in Norway increased over the period of review. Capacity utilization varied from a low of 66.9 percent during 2001 to a high of 100.4 percent during 2004, depending on the methodology used.

Norwegian Domestic Shipments, Export Shipments, and Inventories

Available data from public sources regarding shipments of fresh whole Atlantic salmon by producers in Norway are presented in table IV-6 and figure IV-3, and data from questionnaires are presented in table IV-7. Exports accounted for approximately 60 percent of production during the period.

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[4] Norwegian prehearing brief, exh. 10.

[5] Hearing transcript, p. 292 (Vakerics).

[6] For each year of the period of review, the Government of Norway granted a fixed quantity of feed per cubic meter (feed quota) of licensed volume. Explanation of methodology from Lars Liabo, attached to Norwegian respondents' revisions to questionnaires, December 2, 2005.

[7] Hearing transcript, p. 266 (Vakerics).

[8] Norwegian posthearing brief, exh. 14.

[9] Letter from Thomas Vakerics, counsel to Norwegian interested parties, November 18, 2005, explanatory appendix.

[10] Domestic interest parties comments on revised questionnaire responses, November 28, 2005, pp. 2-4.

Table IV-5
Fresh whole Atlantic salmon: Data for capacity and production in Norway, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar years						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
Questionnaire responses on a feed-quota basis:								
Capacity[1] (*1,000 pounds)*	681,001	740,591	796,889	812,051	838,169	860,680	220,363	216,080
Production (*1,000 pounds)*	675,065	706,539	704,123	732,229	823,298	845,097	220,362	216,079
Capacity utilization (*percent*)	99.1	95.4	88.4	90.2	98.2	98.2	100.0	100.0
Excess capacity (*1,000 pounds)*	5,936	34,052	92,766	79,822	14,871	15,583	1	1
Questionnaire responses on a smolt basis:								
Capacity[2] (*1,000 pounds)*	701,216	726,874	754,945	811,193	834,573	842,116	396,839	402,631
Production (*1,000 pounds)*	675,065	706,539	704,123	732,229	823,298	845,097	396,048	382,095
Capacity utilization[3] (*percent*)	96.3	97.2	93.3	90.3	98.6	100.4	99.8	94.9
Excess capacity (*1,000 pounds)*	26,151	20,335	50,822	78,964	11,275	(2,981)	791	20,536
Public data:								
No. licenses[4]	770	785	784	784	805	863	([5])	([5])
Production[6] (*1,000 pounds)*	937,304	971,833	961,443	1,019,627	1,118,652	1,243,000	([5])	([5])
Capacity (**MTB**)[7] (*1,000 pounds)*	1,324,097	1,349,891	1,348,171	1,348,171	1,384,283	1,484,020	([5])	([5])
Capacity utilization (*percent*)	70.8	72.0	71.3	75.6	80.8	83.8	([5])	([5])
Excess capacity (*1,000 pounds)*	386,792	378,058	386,728	328,544	265,631	241,020	([5])	([5])
Capacity (**feed quota**)[8] (*1,000 pounds)*	1,155,770	1,299,960	1,436,288	1,453,536	1,514,205	1,623,303	([5])	([5])
Capacity utilization (*percent*)	81.1	74.8	66.9	70.1	73.9	76.6	([5])	([5])
Excess capacity (*1,000 pounds)*	218,466	328,127	474,845	433,909	395,553	380,303	([5])	([5])

[1] Calculated by Norwegian respondents based on the following methodology: The standard license volume for the period of review was 12,000 cubic meters. For each year, the Government of Norway granted a fixed quantity of feed per cubic meter. The feed quota capacity for each company was calculated by multiplying the feed quota by the license volume. Explanation of methodology from Lars Liabo, attached to Norwegian respondents' revisions to questionnaires, December 2, 2005.

[2] Calculated by Norwegian respondents based on release of smolt for two preceding years, adjusted for anticipated harvest weight and mortality. Norwegian respondents' revisions to questionnaires, November 18, 2005, explanation appendix.

[3] Norwegian respondents reported that in some periods production exceeded capacity for a number of possible reasons: 1) production postponed from prior year, 2) part of future production harvested in current year, and 3) harvest weight higher than normal. Norwegian revised questionnaire responses, November 23, 2005, p. 2.

[4] License data reported by Norway's Ministry of Fisheries and Coastal Affairs. Norwegian respondents' revised questionnaire memorandum, November 28, 2005, attachment.

[5] Not available.

[6] Production data reported by Norway's Ministry of Fisheries and Coastal Affairs. Norwegian respondents' posthearing brief, exh. 36.

[7] Calculated from the maximum permissible biomass ("MTB") of live fish per license of 780 metric tons (1.7 million pounds). Norwegian respondents' prehearing brief, exh. 28.

[8] Calculated from feed quota data provided by Norway's Ministry of Fisheries and Coastal Affairs. Attachment to e-mail from Kristen Smith, counsel to Norwegian interested parties, December 12, 2005.

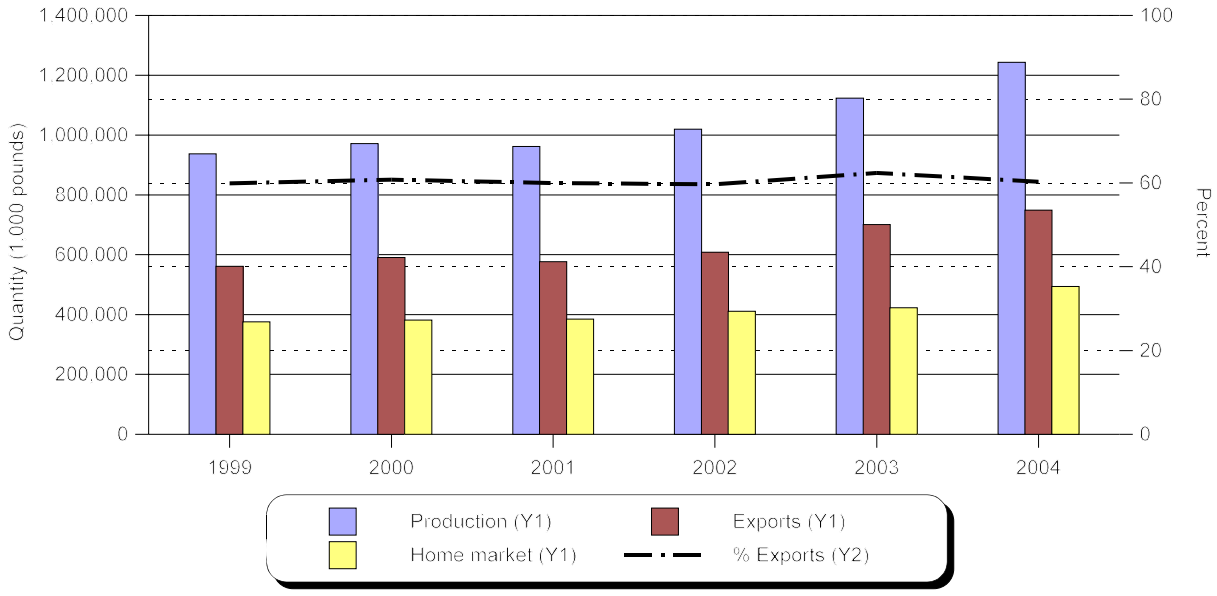
Source: Compiled from data submitted in response to Commission questionnaires and in briefs.

Table IV-6
Fresh whole Atlantic salmon: Norwegian production, exports, and home market shipments, 1999-2004

Item	1999	2000	2001	2002	2003	2004
	Quantity (*1,000 pounds*)					
Production	937,304	971,833	961,443	1,019,627	1,123,352	1,243,000
Exports	561,165	590,493	576,796	608,584	700,788	749,294
Home market sales	376,140	381,340	384,647	411,043	422,564	493,705
	Share of production (*percent*)					
Exports	59.9	60.8	60.0	59.7	62.4	60.3
Home market	40.1	39.2	40.0	40.3	37.6	39.7

Source: Norwegian posthearing brief, exh. 36 (production), and GTIS Global Trade Atlas, Statistics Norway (exports).

Figure IV-3
Fresh whole Atlantic salmon: Norwegian production, exports, and home market shipments, 1999-2004



Source: Table IV-6.

Table IV-7
Fresh whole Atlantic salmon: Shipments by producers in Norway, 1999-2004, January-June 2004, and January-June 2005

Item	Calendar year						January-June	
	1999	2000	2001	2002	2003	2004	2004	2005
	Quantity (*1,000 pounds*)							
Internal consumption/ transfers	38,254	38,848	61,030	63,852	54,323	53,036	25,178	21,234
Home market	423,295	476,546	430,816	476,921	467,884	460,339	220,253	205,613
Exports to:								
United States	884	1,158	1,863	2,012	5,426	1,123	538	203
European Union	241,911	269,146	337,963	331,058	414,517	454,725	204,734	220,326
Asia	53,096	65,329	84,641	93,179	104,493	99,285	48,513	40,322
All other markets	25,413	29,979	29,281	39,295	70,682	83,013	36,591	47,750
Total exports	321,304	365,612	453,748	465,544	595,118	638,146	290,376	308,601
Total shipments	782,853	881,006	945,594	1,006,317	1,117,325	1,151,521	535,807	535,448
	Share of total *(percent)*							
Internal consumption/ transfers	4.9	4.4	6.5	6.4	4.9	4.6	4.7	4.0
Home market	54.1	54.1	45.6	47.4	41.9	40.0	41.1	38.4
Exports to:								
United States	0.1	0.1	0.2	0.2	0.5	0.1	0.1	0.0
European Union	30.9	30.6	35.7	32.9	37.1	39.5	38.2	41.2
Asia	6.8	7.4	9.0	9.3	9.4	8.6	9.1	7.5
All other markets	3.3	3.4	3.1	3.9	6.3	7.2	6.8	8.9
Total exports	41.0	41.5	48.0	46.3	53.3	55.4	54.2	57.6
	Value *($1,000)*							
Home market	520,504	611,462	397,052	455,340	467,619	559,409	270,644	293,690
Exports to:								
United States	1,990	2,538	3,446	3,973	11,554	2,526	1,207	449
European Union	367,842	410,377	387,729	382,086	518,791	644,728	291,471	368,836
Asia	115,594	154,446	155,971	181,785	206,563	213,128	100,117	90,570
All other markets	31,999	38,290	29,752	46,556	95,495	118,968	52,010	61,482
Total exports	517,425	605,651	576,898	614,400	832,403	979,350	444,805	521,337
Total shipments	1,037,929	1,217,113	973,950	1,069,740	1,300,022	1,538,759	715,449	815,027
	Unit value *(dollars per pound)*							
Home market	1.23	1.28	0.92	0.95	1.00	1.22	1.23	1.43
Exports to:								
United States	2.25	2.19	1.85	1.97	2.13	2.25	2.24	2.21
European Union	1.52	1.52	1.15	1.15	1.25	1.42	1.42	1.67
Asia	2.18	2.36	1.84	1.95	1.98	2.15	2.06	2.25
All other markets	1.26	1.277	1.02	1.18	1.35	1.43	1.42	1.29
Total exports	1.61	1.66	1.27	1.32	1.4	1.54	1.53	1.69
Total shipments	1.33	1.38	1.03	1.06	1.16	1.34	1.34	1.52

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

Table IV-8 and figure IV-4 present data from Statistics Norway and shows Norwegian exports of fresh salmon (assumed all Atlantic) to the world. Norway's largest export markets are the EU (France, Germany, and Denmark), Eastern Europe (Poland, the Baltic states, and Russia), and China.[11] Norway faces significant competition from EU competitors, particularly in Ireland and Scotland, which in recent years have filed unfair competition petitions against Norway with the European Commission. Production and export growth in Norway is limited by the same factors limiting U.S. supply: available coastline facilities and environmental concerns and regulations.

Table IV-9 and figure IV-5 present data regarding imports of fresh whole Atlantic salmon from Norway by its major trading partners. Again, the EU-15 countries accounted for the majority of product from Norway, and accounted for a low of 74.4 percent of total world imports in 2001 and 84.5 percent in 2004.

[11] Recent news articles reported that Russia has suspended salmon imports from a number of Norwegian fish farms after tests of samples yielded excessive amounts of heavy metals, including lead and cadmium. Russia suspends imports from Norwegian fish farms amidst metals levels claims, November 30, 2005, retrieved at http://www.fishupdate.com/news/printpage.php/aid/3435/Russia_suspends_imports_from_Norwegian_fish_farms__amidst__metals__levels_claims.html, December 2, 2005. Norway's Food Safety Authority issued a statement that they have notified Russian authorities and contested the findings. Aftenposten Multimedia A/S, "Russia threatens salmon boycott," November 30, 2005, retrieved at http://www.aftenposten.no/english/business/article1168532.ece, December 2, 2005.

Table IV-8
Fresh whole Atlantic salmon: Norwegian exports, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
	Quantity (*1,000 pounds*)					
Denmark	130,646	164,258	133,576	133,739	153,036	144,235
France	105,771	104,933	100,718	108,831	119,189	115,948
Germany	43,605	40,040	41,178	43,418	47,929	55,186
Poland	6,314	7,161	13,946	24,573	39,785	50,164
Spain	39,381	33,288	33,878	39,888	48,398	49,236
Japan	47,754	55,054	58,989	52,472	46,947	49,093
Russia	809	3,358	5,672	8,737	19,290	37,371
Netherlands	30,040	29,443	27,567	29,926	35,768	35,565
Finland	15,723	15,373	18,768	18,393	26,927	35,197
Italy	20,959	21,429	22,132	21,574	25,342	31,262
Sweden	30,342	30,466	30,823	28,056	29,866	30,799
United Kingdom	31,841	24,670	21,601	24,599	26,782	26,153
Hong Kong	10,708	11,740	13,281	14,096	14,149	14,085
Belgium	13,951	13,984	11,444	10,053	10,172	10,496
China	3,862	4,526	4,008	4,782	5,752	9,727
United States	1,576	1,556	1,832	2,824	5,902	3,351
All other	27,880	29,216	37,382	42,622	45,554	51,427
Total	561,165	590,493	576,796	608,584	700,788	749,294
EU-10	7,194	8,940	18,206	30,865	51,427	68,381
EU-15	470,564	486,104	449,637	463,641	531,405	543,188

Continued on next page.

Table IV-8--*Continued*
Fresh whole Atlantic salmon: Norwegian exports, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
	Share of total (*percent*)					
Denmark	23.3	27.8	23.2	22.0	21.8	19.2
France	18.8	17.8	17.5	17.9	17.0	15.5
Germany	7.8	6.8	7.1	7.1	6.8	7.4
Poland	1.1	1.2	2.4	4.0	5.7	6.7
Spain	7.0	5.6	5.9	6.6	6.9	6.6
Japan	8.5	9.3	10.2	8.6	6.7	6.6
Russia	0.1	0.6	1.0	1.4	2.8	5.0
Netherlands	5.4	5.0	4.8	4.9	5.1	4.7
Finland	2.8	2.6	3.3	3.0	3.8	4.7
Italy	3.7	3.6	3.8	3.5	3.6	4.2
Sweden	5.4	5.2	5.3	4.6	4.3	4.1
United Kingdom	5.7	4.2	3.7	4.0	3.8	3.5
Hong Kong	1.9	2.0	2.3	2.3	2.0	1.9
Belgium	2.5	2.4	2.0	1.7	1.5	1.4
China	0.7	0.8	0.7	0.8	0.8	1.3
United States	0.3	0.3	0.3	0.5	0.8	0.4
All other	5.0	4.9	6.5	7.0	6.5	6.9
Total	100.0	100.0	100.0	100.0	100.0	100.0
EU-10	1.3	1.5	3.2	5.1	7.3	9.1
EU-15	83.9	82.3	78.0	76.2	75.8	72.5

Continued on next page.

Table IV-8--*Continued*
Fresh whole Atlantic salmon: Norwegian exports, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
	Unit value (*f.o.b. dollars per pound*)					
Denmark	1.55	1.51	1.24	1.27	1.27	1.44
France	1.67	1.63	1.34	1.40	1.45	1.57
Germany	1.65	1.66	1.32	1.37	1.40	1.56
Poland	1.53	1.58	1.08	1.14	1.26	1.52
Spain	1.62	1.60	1.27	1.38	1.34	1.52
Japan	1.64	1.81	1.48	1.42	1.46	1.57
Russia	1.69	1.72	1.16	1.34	1.31	1.51
Netherlands	1.64	1.62	1.32	1.35	1.32	1.52
Finland	1.58	1.57	1.23	1.33	1.26	1.41
Italy	1.63	1.62	1.36	1.42	1.36	1.52
Sweden	1.64	1.66	1.31	1.38	1.39	1.55
United Kingdom	1.61	1.59	1.31	1.36	1.35	1.57
Hong Kong	1.58	1.69	1.32	1.45	1.39	1.48
Belgium	1.66	1.69	1.32	1.33	1.37	1.55
China	1.56	1.79	1.37	1.41	1.47	1.56
United States	1.82	1.85	1.50	1.48	1.21	1.54
All other	1.65	1.73	1.26	1.32	1.38	1.55
Total	1.62	1.62	1.31	1.35	1.35	1.52
EU-10	1.54	1.58	1.10	1.18	1.28	1.51
EU-15	1.62	1.59	1.29	1.35	1.35	1.51

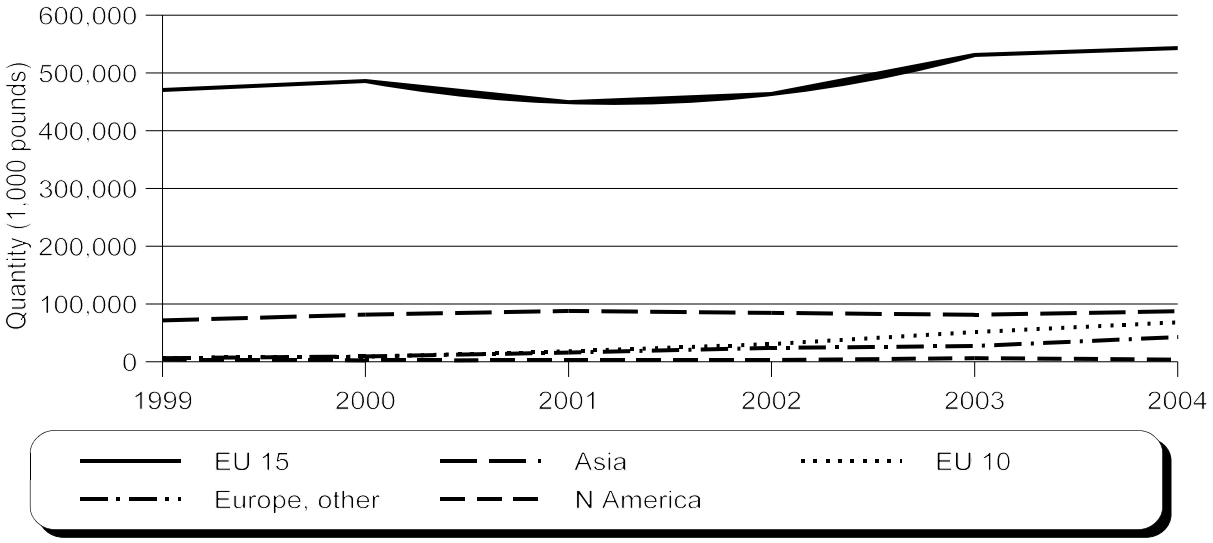
Source: GTIS, Global Trade Atlas for HTS 0302.12.

Table IV-9
Fresh whole Atlantic salmon: Imports from Norway, by destination, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
	Quantity (*1,000 pounds*)					
Denmark	86,736	105,681	101,834	115,497	128,346.26	107,675.76
France	106,474	93,757	82,815	86,804	97,184.63	88,283.25
Germany	96,017	83,548	80,332	88,238	67,430.16	76,060.37
Poland	9,480	10,946	16,325	24,261	39,940.43	48,226.49
Japan	47,458	54,645	58,756	51,668	46,791.13	49,283.53
Russia	754	2,422	3,967	8,769	22,933.16	43,611.03
Finland	14,779	14,473	17,560	18,840	26,507.64	33,587.94
Sweden	107,711	125,880	126,402	131,806	187,701.60	245,072.51
United Kingdom	28,221	10,441	5,623	6,518	10,010.73	15,654.73
China	1,385	2,312	1,862	2,821	4,002.08	8,733.75
United States	1,029	765	1,105	1,707	1,830.25	469.34
All other	41,672	49,534	56,788	66,772	73,811.80	45,674.99
Total	541,716	554,403	553,370	603,700	706,489.87	762,333.68
EU-10	10,099	12,493	19,982	29,452	51,487.00	61,833.00
EU-15	457,630	454,133	440,328	479,527	547,246.00	567,227.00
	Unit value (*c.i.f. dollars per pound*)					
Denmark	1.58	1.56	1.29	1.30	1.32	1.46
France	1.72	1.75	1.40	1.51	1.65	1.64
Germany	1.66	1.69	1.40	1.39	1.53	1.64
Poland	1.64	1.66	1.18	1.19	1.31	1.57
Japan	2.60	2.66	2.19	2.35	2.54	2.65
Russia	0.38	0.21	0.53	0.74	0.90	1.06
Finland	1.61	1.60	1.28	1.35	1.32	1.47
Sweden	1.69	1.70	1.36	1.44	1.47	1.61
United Kingdom	1.13	1.72	1.41	1.45	1.44	1.68
China	1.39	2.22	2.19	1.65	1.88	2.04
United States	3.06	3.01	2.76	2.55	2.80	3.10
All other	2.10	2.08	1.74	1.76	1.80	2.02
Total	1.75	1.81	1.48	1.51	1.55	1.65
EU-10	1.65	1.66	1.20	1.22	1.34	1.57
EU-15	1.64	1.68	1.36	1.41	1.47	1.58

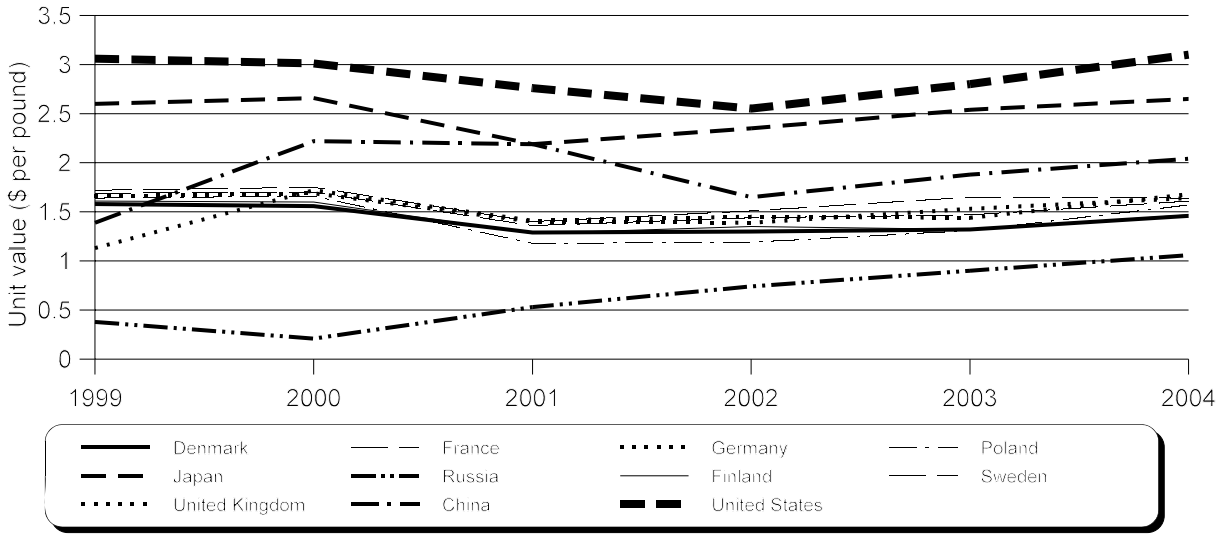
Source: UN Comtrade for HTS 0302.12.

Figure IV-4
Fresh whole Atlantic salmon: Exports from Norway, 1999-2004



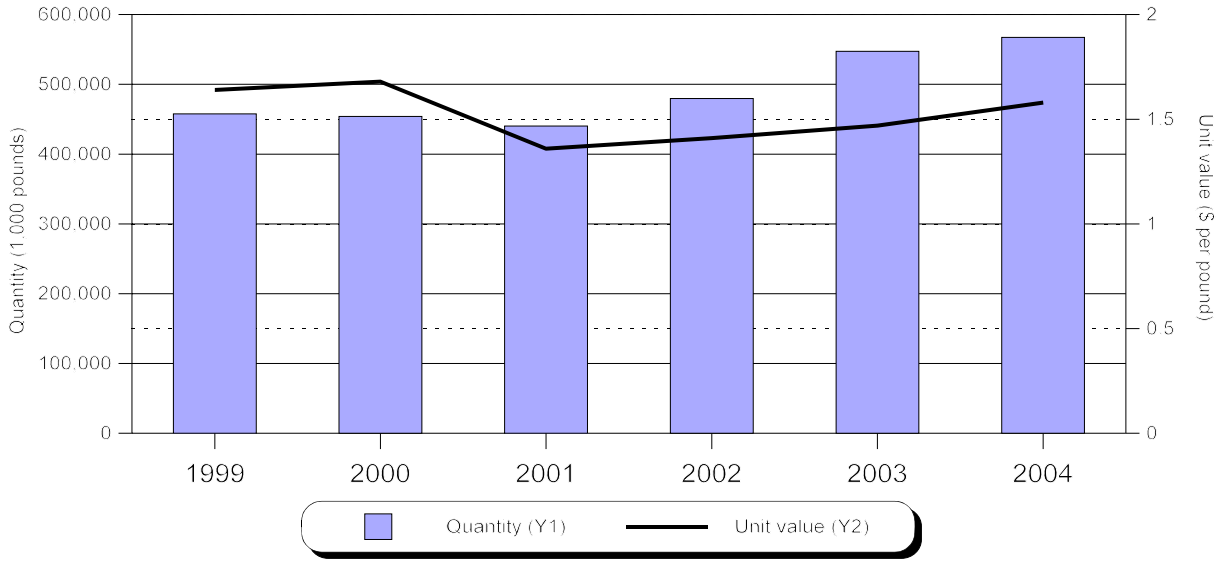
Source: Compiled from data presented in table IV-8.

Figure IV-5
Fresh whole Atlantic Salmon: Average unit values of imports from Norway in major markets, 1999-2004



Source: Table IV-9.

Figure IV-6
Fresh whole Atlantic salmon: EU-15 imports from Norway, 1999-2004



Source: Table IV-9.

EU Actions Against Norwegian Salmon

The EU has a history of taking actions against imports of fresh Atlantic salmon from Norway beginning in the early 1990s, as shown in the following tabulation:

December 1989	Irish and Scottish industries complain to EC about salmon imports from Norway.
March 1991	An investigation is begun but terminated in March 1991 after Norwegian Government and industry take steps to reduce exports to EU.[12]
November 1991	EC establishes Minimum Import Prices (MIPs) on Atlantic salmon from Norway, apply until February 1992.[13]
March 1992	MIPs extended until June 1992.[14]
November 1993-December 1995	MIPs imposed.[15]
1994	EC establishes MIPs on farmed Atlantic salmon from Norway. EC establishes volume restrictions on Atlantic salmon from Norway.

Tabulation continued on next page.

[12] 91/142/EEC: Commission Decision of March 1991 terminating the antidumping proceeding concerning imports of atlantic salmon originating in Norway, 1991 OJ L 69.

[13] Council Regulation (EEC) No 3270/91.

[14] European Report, Restrictions on Salmon Imports Extended, March 7, 1992.

[15] Council Regulation (EC) No 1891/97 of September 26, 1997 imposed a countervailing duty of 3.8 percent *ad valorem* applicable to the net free-at-Community-frontier price, before duties. 1997 OJ L 267.

June 1997	EC imposes antidumping and countervailing duties on Atlantic salmon from Norway that would apply if MIPs were broken.[16] EU and Norway enter 5-year agreement to establish volume and price restrictions.
March 1999	EC imposed MIPs. Antidumping and countervailing duties are again assessed on Norwegian salmon.[17]
May 2003	Five-year agreement between EU and Norway expires. Antidumping and countervailing duty proceedings terminated and antidumping and countervailing duties shall be allowed to expire.[18]
2004	EC imposes temporary safeguard measures: import quotas, with tariffs imposed above the fixed quotas.
February 2005	EC imposes "definitive" safeguard measures consisting of MIPs and tariff rate quotas for farmed salmon from countries outside of the EU. Both Chile and Norway brought the measures to the WTO.[19]
April 2005	EC imposes provisional antidumping duties and revokes the safeguards of February 2005. Provisional antidumping duties are applied.[20]
June 2005	EC replaces antidumping duties with provisional MIPs and extends provisional measures until January 2006.[21]

A complaint was filed with the European Commission ("EC") in December 1989 from the Scottish Salmon Board and the Irish Salmon Growers' Association, acting for producers accounting for almost the entire EC production of fresh and chilled Atlantic salmon. The complaint included sufficient evidence of dumping and material injury to justify initiating an antidumping proceeding.[22] Investigation yielded a weighted-average dumping margin for all the firms investigated of 11.3 percent.

In 1989, the Norwegian Government adopted a series of measures aimed at restricting the volume of salmon supplied to the EC market. In addition, the Norwegian industry assumed the management of a freezing program aimed at preventing saturation of the market by channeling supply. As a result of these efforts, the EC determined that the antidumping proceeding should be terminated.[23]

Imports from Norway again were found to have increased at dumped prices, and the EC established minimum import prices ("MIPs") for Atlantic salmon in 1991 and for farmed Atlantic salmon in 1994.[24] Companies that undertook to sell above the MIPs were not subject to the antidumping duties.

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[16] Council Regulation (EC) No 1890/97 of September 26, 1997 imposed an antidumping duty of EUR 032 per kilo net product weight. Council Regulation (EC) No 1891/97. 1997 OJ L 267.

[17] Council Regulation (EC) No 772/199, March 30, 1999, imposing definitive anti-dumping and countervailiing duties on imports of farmed Atlantic salmon originating in Norway and repealing Regulations (EC) No 1890/97 and (EC) No 1891/97.

[18] Council Regulation (EC) No 930/2003, May 26, 2003, 2003 OJ L 133.

[19] Commission Regulation (EC) No 206/2005, February 4, 2005, 2005 OJ L 66.

[20] Commission Regulation (EC) No 628/2005, April 22, 2005, 2005 OJ L 104.

[21] Commission Regulation (EC) No 1010/2005, June 30, 2005, 2005 OJ L 170.

[22] EC Commission, 91/142/EEC: Commission Decision of 15 March 1991 terminating the anti-dumping proceeding concerning imports of Atlantic salmon originating in Norway, 1991 OJ No. L 069 (March 16, 1991), p. 32.

[23] Ibid.

[24] EEC Regulation No. 3270/91

Later in 1994, the EC established volume restrictions on such imports into the EU for the period January 1, 1995 to December 31, 1998.[25]

In 1997, the EC imposed definitive antidumping and countervailing duties against Norwegian salmon.[26] In a parallel decision, the EC accepted undertakings, including a MIP, from a large number of Norwegian exporters/producers and thus terminated the investigations with respect to those companies that offered undertakings.[27] Also in 1997, the EC and Norway entered into a five-year agreement to solve the Norwegian salmon problem, resulting in both volume and price restrictions on salmon imported into the EU.[28] That agreement allowed the EC to immediately impose duties on those Norwegian companies that violated the MIP.

In March 1999, the EC revised its measure by allowing the antidumping duty to be replaced with a MIP and become a variable duty if the existing duties were insufficient to ensure a non-injurious import price.[29] Despite these measures, violations by Norwegian exporters continued and antidumping and countervailing duties were again assessed on the violating companies.[30]

In 2003, the salmon agreement between the EU and Norway expired and the EU also terminated the antidumping and anti-subsidy proceedings after conducting an interim review of the existing measures.[31] The EU determined that the repeal of the measures would not lead to the continuation or recurrence of dumping or subsidization. However, shortly thereafter, salmon prices in the EU dropped again.

In August 2004, temporary safeguard measures were implemented to forestall imports of Norwegian and other non-EU salmon.[32] In February 2005, the EU imposed definitive safeguard measures against imports of farmed salmon, including fresh, chilled, or frozen farmed Atlantic salmon, whether or not filleted.[33] The safeguard action imposed a tariff rate quota ("TRQ") combined with a MIP for the period of February 6, 2005, to August 13, 2008.

On April 22, 2005, the EU imposed provisional antidumping duties against Norwegian farmed salmon and at the same time revoked the definitive safeguard measures imposed in February 2005.[34] Effective April 27, antidumping duties were imposed on all Norwegian producers of farmed salmon, ranging from 6.8 percent to 24.5 percent.

On June 30, 2005, the EU replaced the antidumping duties with a MIP and extended the provisional measures until January 22, 2006.[35] The EU warned that "if the minimum import price is manipulated, absorbed or circumvented," it would further amend the measures in order to ensure their effectiveness.[36] Reportedly, prices of Norwegian salmon into the EU have been declining and are close to

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[25] Council Regulation (EC) No. 2905/94, 1994 OJ L 307.

[26] Council Regulation (EC) No. 1890/97 and No. 1891/97.

[27] Commission Decision 97/634/EC, September 26, 1997, 1997 OJ C 253.

[28] RAPID, "Commission agrees measures to curb Norwegian salmon dumping," June 2, 1997; and European Report, "Commission Agrees Salmon Import Curbs," June 4, 1997.

[29] Council Regulation (EC) No. 772/1999.

[30] Ibid.

[31] Council Regulation (EC) No. 930/2003.

[32] IntraFish Media, "Norway could see duties on EU salmon exports by February," December 14, 2004.

[33] Commission Regulation (EC) No. 206/2005, February 4, 2005, 2005 OJ L 33, p. 8-29.

[34] Commission Regulation (EC) No. 628/2005, April 22, 2005, 2005 OJ L 104; Commission Regulation (EC) No. 627/2005, April 22, 2005, 2005 OJ L 104.

[35] Commission Regulation No. 1010/2005.

[36] Ibid.

breaching the MIP.[37] Table IV-10 presents information relating to the specific EU provisions concerning imports of Atlantic salmon from Norway from 1997 to 2005.

Table IV-10
Atlantic salmon: Summary of EU import measures concerning product from Norway

Period	Measure
September 30, 1997- May 30, 2003[1]	***Antidumping duty:*** $0.16/lb.[2]
March 30, 1999- February 17, 2003[3]	***MIP:*** $1.44/lb -Whole, fresh or chilled $1.60/lb. -Gutted, head-on, fresh or chilled $1.80/lb.-Gutted, headless, fresh or chilled $1.80/lb.-Other, fresh or chilled, including 'steaks' $1.44/lb -Whole fish, frozen $1.60/lb. -Gutted, head-on, frozen $1.80/lb.-Gutted, headless, frozen $2.56/lb.-Whole fish fillets, more than 300g each, fresh or chilled $3.23/lb-Other fish fillets or fillet portions, 300g or less each, fresh or chilled $2.56/lb.-Whole fish fillets, more than 300g each, frozen $3.23/lb. -Other fish fillets or fillet portions, weighing 300g or less each, frozen
February 22, 2003- February 5, 2005[4]	***MIP:*** $1.61/lb.-Whole fish, frozen, fresh or chilled
August 15, 2004- February 6, 2005[5]	***Tariff rate quota:*** 361.6 million pounds + $.29/lb above
February 6, 2005- April 27, 2005[6]	***Tariff rate quota:*** 2/6/05-8/13/05 – 360.8 million pounds + $.22/lb. above 8/14/05-8/13/06 – 813.6 million pounds + $.21/lb. above 8/14/06-8/13/07 – 895.0 million pounds + $.19/lb. above 8/14/07-8/13/08 – 984.5 million pounds + $.19/lb. above ***MIP:*** $1.77/lb. (2/6/05-4/15/05) $1.87/lb (4/16/05-8/13/08)
April 27, 2005- June 29, 2005[7]	***Antidumping duties*** by company: 6.8 - 24.5 percent
June 30, 2005- January 22, 2006[8]	***MIP:*** $1.55/lb.-Whole $1.72/lb.-Gutted, head-on $1.94/lb.-Gutted, head-off

[1] Council Regulation (EC) No. 1890/97, Official Journal of the European Union, L267/16, 30/9/1997 and Council Regulation (EC) No. 930/2003, Official Journal of the European Union, L133/1, 5/29/2003.
[2] Exchange rates from International Monetary Fund, International Financial Statistics, various editions.
[3] Council Regulation (EC) No 772/1999, Official Journal of the European Union, L101/1, 4/16/1999.
[4] Council Regulation (EC) No 321/2003, Official Journal of the European Union, L47/3, 2/21/2003.
[5] Council Regulation (EC) No. 1447/2004, Official Journal of the European Union, L267/28, 14/8/2004.
[6] Council Regulation (EC) No. 206/2005, Official Journal of the European Union, L33/8, 2/5/2005.
[7] Council Regulation (EC) No. 627/2005, Official Journal of the European Union, L104/5, 4/2/2005.
[8] Council Regulation (EC) No. 628/2005, Official Journal of the European Union, L170/34, 7/1/2005.

Source: Cited EU Journal notices.

[37] Intrafish, "Norway salmon price dropping toward MIP level," November 14, 2005.

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICING

Transportation Costs to the U.S. Market

Transportation costs for fresh Atlantic salmon from Norway to the United States (excluding U.S. inland costs) are estimated to be approximately 29.8 percent of the total landed U.S. cost for fresh Atlantic salmon from Norway.[1] Norwegian producers/exporters reported that their transportation methods are usually air freight to the U.S. market.[2] They added that transportation costs from the nonsubject United Kingdom are about 30 percent lower as there are many more direct flights from London to the United States than from Norway to the United States.[3]

U.S. Inland Transportation Costs

Two producers and three importers[4] estimated U.S. inland transportation costs as between one and five percent of the total delivered cost of fresh Atlantic salmon. However, importer *** reported higher inland transportation costs of 10 percent.[5] Three producers described their parent or an affiliate company as arranging transportation, while importing firms arranged transportation themselves.[6] Salmon may be shipped by truck or, in the case of ***, by air as well. Importer *** noted that increased fuel costs and increased airplane security have increased the cost of airborne fresh product.

U.S. Price Levels

According to data from the Bureau of Labor Statistics, the consumer price index rose 17.8 percent from January-March 1999 to April-June 2005 while the producer price index rose 17.0 percent over the same period.[7]

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[1] These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value, for the period July 2004 through June 2005.

[2] However, several Norwegian producers/exporters added that shipments to Russia and the EU may be in trucks.

[3] Hearing transcript, p. 240 (Rygg) and Norwegian posthearing brief, exh. 10, pp. 1-2.

[4] Four firms submitted both producers' and importers' questionnaires for the same or related companies: ***. In all of these cases except for ***, the questionnaires were submitted by the same individuals. For the purposes of Part V, and to avoid double counting responses, questionnaire responses from *** are included with producer totals and responses from *** with importer totals because *** have imported from Norway while *** have not. ***, its producer questionnaire responses are footnoted in Part V, but are not compiled with the other producers. ***.

[5] ***.

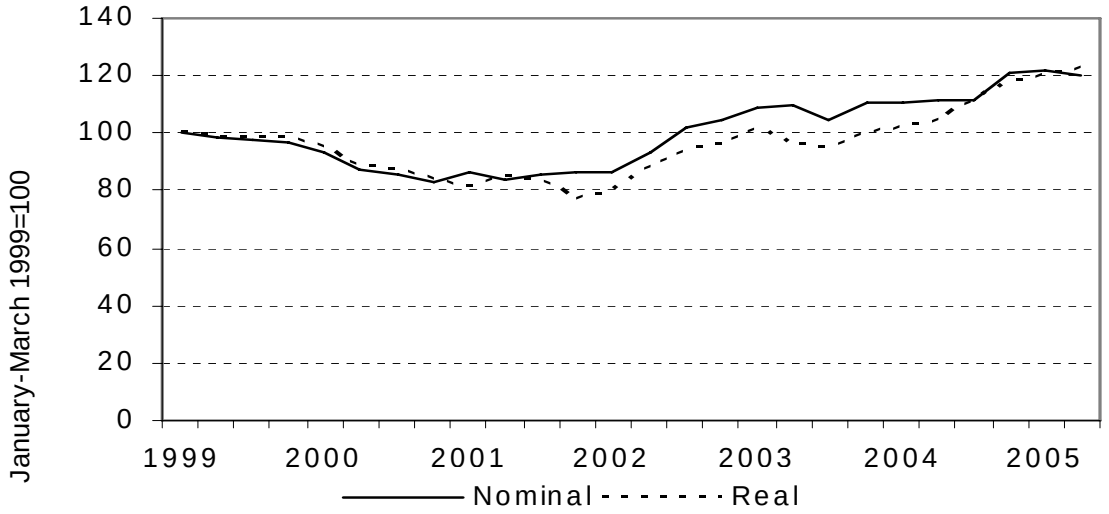
[6] ***.

[7] The consumer price index and producer price index for each quarter was constructed by taking an average of the seasonally adjusted price index for each month of the quarter. The consumer price index and producer price index for all products were used.

Exchange Rates

The nominal and real values of the Norwegian Krone are presented in figure V-1. Both the nominal and real values of the Norwegian Krone dipped against the U.S. Dollar after 1999 but began rising in 2002.[8]

Figure V-1
Exchange rates: Indices of the nominal and real exchange rates between the Norwegian Krone and the U.S. Dollar, by quarters, January 1999-June 2005



Note.– A rising trend indicates the krone is appreciating against the dollar.

Source: International Monetary Fund, *International Financial Statistics*, November 2005 (downloaded from imfstatistics.org).

PRICING PRACTICES

Pricing Methods

Producers and importers agreed that fresh Atlantic salmon is usually sold in the spot market with prices based on publicly available data sets, especially the popular Urner Barry report.[9] Norwegian producers added that larger fresh Atlantic salmon sell at a premium to smaller fresh Atlantic salmon; that premium may be up to 30 percent.[10] U.S. producers generally remove salmon from their pens before being priced in the market, while Norwegian producers generally negotiate price with Norwegian exporters or U.S. importers before removing salmon from pens.[11]

*** described fresh Atlantic salmon as being marketed throughout the year, based on negotiations with repeated buyers who generally have a relationship with the producers. Both *** reported setting price lists on a weekly basis, although both said they could change prices if market conditions dictated.

[8] Additional information on exchange rates can be found in appendix E.

[9] Hearing transcript p. 129 (Craig).

[10] Hearing transcript, pp. 266-267 (Rygg).

[11] E-mail from Gina Beck, economic consultant to ASM and Heritage, November 28, 2005, and staff telephone interview with Tom Vakerics counsel for Norwegian parties, November 28, 2005.

*** stated that it sold all of its fresh Atlantic salmon to one purchaser, ***, at a flat rate, contract price per pound of dressed and boxed whole salmon. *** then sells the product to its customers. Similarly, *** sells entirely to ***, which pays *** based on the quality and size of the fresh Atlantic salmon received. Among importers, *** described their pricing methods as involving transaction-by-transaction negotiations, usually on a day-to-day basis, over the telephone, throughout the year. *** indicated that its pricing is based on biweekly Urner Barry pricing data and its own inventory quantities.[12] In addition, pricing data are available from the National Marine Fisheries Service ("NMFS"), a government agency. No U.S. producers or importers reported any discounts.

U.S. producers and importers sell primarily on a spot basis,[13] with *** selling at least 95 percent of their fresh Atlantic salmon this way. However, *** sells 100 percent of its product to *** under a long-term contract. For their contracts, *** indicated that such contracts were six weeks in duration, could be renegotiated, and set upper limits on price.[14] Importer *** reported its contracts were one week in duration, did allow renegotiation, and did not fix price or quantity.

Three producers described prices as being set by the supply of fresh Atlantic salmon in the market, and not by changes in the costs of raw materials.[15] *** posited that the fresh Atlantic salmon market is primarily a commodity market where no seller's price can be too different than the rest of the market's. However, it added that energy, labor, employee health care, transportation, and feed costs have all increased since 1999 while selling prices in the U.S. market have decreased due to increased investment in foreign, low-cost producers with access to the U.S. market. *** expressed concern that low-priced Norwegian product would significantly reduce selling prices in the U.S. market.

Twelve purchasers purchase daily or two-three times weekly while three purchase weekly. Twelve purchasers did not expect their purchasing pattern to change in the next two years, but *** anticipated increased purchases. Purchasers reported contacting one to ten suppliers before making a purchase, with most purchasers indicating they contacted two to four suppliers. Nine purchasers indicated they had not changed suppliers in the last five years, but six said that they had, citing price and availability.

Twelve purchasers described their purchases of fresh Atlantic salmon as involving negotiations with their suppliers, but four indicated they did not. In describing these negotiations, purchasers generally described compromises on volume and delivery date and discussions of market conditions. Nine purchasers stated that they did vary purchases from a given supplier based on the offered price, but seven said that they did not.

Four purchasers reported that the price of fresh Atlantic salmon changes weekly, one said that it changes frequently, one said that it changes "not too often," one said it does not change except seasonally, and four said that it changes daily, although one of those four added that such changes were minimal. *** added that through January to June of 2005 there had been no price change, but in July to September, prices had been increasing. Purchasers named a variety of firms as their major competitors, including salmon farms in Canada as well as other processors, wholesalers, and distributors. When asked who the price leaders in the market are, purchasers named Aqua Gold, Coast Seafood, Heritage, Slade Gorton, Stolt, and True North. These firms allegedly led with competitive pricing and by keeping customers aware of impending price and supply changes. However, four purchasers saw no price leaders and seven did not answer the question.

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[12] Urner Barry is a private company that publishes pricing data for seafood products. *** also described its pricing as being based on Urner Barry price data.

[13] Two Norwegian producers/exporters indicated that they sell on a spot basis; the others did not answer the question.

[14] *** said that its contracts with *** do not fix quantity or price and set price based on the market price in the week of the sale.

[15] Importer *** also did not see any effect of raw materials costs on its firm, but *** did.

General Price Trends

Domestic parties described historical prices of fresh Atlantic salmon as being cyclical, with price increases restrained by increased production responses to those higher prices.[16] They also described prices as being volatile and changing frequently.[17] In addition, Norwegian parties described prices for Norwegian fresh Atlantic salmon as generally being at their lowest point of a year in November due to larger harvests near the December holidays.[18]

When asked how relative prices have changed, two purchasers answered that U.S. prices were now relatively higher than Norwegian prices, and four indicated the reverse. However, one stated that U.S. and Norwegian prices had changed by the same amount. When asked to compare market prices of fresh Atlantic salmon in U.S. and non-U.S. markets, most producers and importers did not know or referred to Urner Barry data. However, *** said that fresh Atlantic salmon is a global commodity market and that prices in most markets are similar. At the hearing, Nordic Group described world prices as generally higher than U.S. prices.[19]

When asked to compare pricing in the U.S., Norwegian, and third country markets, Norwegian producers/exporters generally described the price of fresh Atlantic salmon as being set in the larger world market, with little room for individual producers to set different prices in different markets (except for cost differences due to transportation and exchange rates). However, nine Norwegian producers/exporters stated that there were exceptions to this principle for some premium products, such as organic salmon.

In the posthearing briefs, both parties presented AUV data from Statistics Norway. Using Norwegian parties' data and converting from price per kilogram to price per pound, Norwegian shipments to the EU, Japan, and Russia were at lower AUVs than U.S. producers' shipments to the U.S. market in 2004 (from table C-1), but Norwegian shipments to the EU, Japan, and Russia were at higher AUVs in January-October 2005 than U.S. shipments to U.S. producers in January-June 2005.[20] Domestic parties' data show that the price Norwegian producers received for exports to the United States over January-September 2005 was higher than for Norwegian exports to 18 other countries and lower than for Norwegian exports to four other countries.[21]

Norwegian producers generally did not seem concerned about increasing raw material costs in the short term, and described fresh Atlantic salmon as a world market where individual firms are price takers. However, several Norwegian producers did note that long-term changes in raw material costs would force price rises.

PRICE DATA

The Commission requested U.S. producers and importers of fresh Atlantic salmon to provide quarterly data for the total quantity and f.o.b. value of fresh Atlantic salmon that were shipped to unrelated customers in the U.S. market. Data for purchase prices were also requested of importers who then sold their imported fresh Atlantic salmon at retail. All data were requested for the period January 1999 through June 2005. The products for which pricing data were requested are as follows:

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[16] Hearing transcript, p. 129 (Craig).

[17] Hearing transcript, pp. 72-74 (Cannon and Craig).

[18] Hearing transcript, pp. 220-221 (Liabo and Vakerics).

[19] Hearing transcript, p. 206 (Korsnes).

[20] Table C-1 and Norwegian posthearing brief, exh. 18.

[21] Domestic posthearing brief, exh. 6.

***Product 1*.–Fresh and chilled Atlantic salmon, dressed (gutted and bled), head and tail on, Superior (or Premium/Superpremium or "A") grade, not over 8 pounds.**

***Product 2*.--Fresh and chilled Atlantic salmon, dressed (gutted and bled), head and tail on, Superior (or Premium/Superpremium or "A") grade, over 8 pounds but not over 10 pounds.**

***Product 3*.--Fresh and chilled Atlantic salmon, dressed (gutted and bled), head and tail on, Superior (or Premium/Superpremium or "A") grade, over 10 pounds.**

The Commission received usable data from two producers, ***,[22] and two importers, ***.[23] These data accounted for *** percent of reported U.S. shipments and *** percent of reported U.S. imports of Norwegian product in 2004. The data are summarized in tables V-1 to V-3 and figures V-2 to V-7. Additional price data by channel of distribution are summarized in appendix F.

U.S. prices for all three products show a decline over April-June 1999 to April-June 2005. This result is consistent with the supply and demand trends discussed in part II. However, U.S. products 2 and 3 show second quarter 2005 prices higher than any price in 2004. Data for Norwegian imports was not always available, but oversold U.S. product in 20 of 23 comparisons. It is not clear whether this overselling is indicative of the real competition in the U.S. market or the paucity of Norwegian pricing data available.

While Commission pricing data show prices for U.S. and Norwegian fresh Atlantic salmon, product from nonsubject countries accounts for the majority of the U.S. market, with Canada being the largest national source. The NMFS publishes daily pricing data for Atlantic salmon, with most of the data for "New Brunswick" (i.e., Canadian) fresh Atlantic salmon. These data, in quarterly form for 2004 and 2005, are presented in table V-4.[24] Data are presented for approximately the same size ranges as in Commission data; however, while the NMFS does have some price data for salmon less than six pounds and more than 12 pounds, these data are not presented in table V-4 but would be present in the Commission pricing data for products 1 and 3, respectively.

Overall, the NMFS data show similar trends as the Commission pricing data: declining prices in 2004 and early 2005 followed by a price rise in 2005. The NMFS data for 8-10 pound salmon also are at roughly the same levels as the Commission pricing data for product 2, as would be expected from a product with high interchangeability between national sources.

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[22] ***.

[23] Data with prices below $1.00 per pound or above $5.00 per pound were removed from the data set. Producer *** responded that it was not able to provide the pricing data requested. In addition, importer *** submitted data for product from Norway, but for all three products combined. These data were not included in the tables or figures.

[24] The reported price for New Brunswick salmon from the first report of each month was used to produce a monthly series. The monthly series was then averaged to produce a quarterly series. These data are primary wholesale selling prices at the New York Fulton Fish market. Quantities are not available.

Table V-1
Fresh Atlantic salmon: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 1, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-June 2005

* * * * * * *

Table V-2
Fresh Atlantic salmon: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 2, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-June 2005

* * * * * * *

Table V-3
Fresh Atlantic salmon: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 3, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-June 2005

* * * * * * *

Figure V-2
Fresh Atlantic salmon: Weighted-average prices, as reported by U.S. producers and importers of product 1, by quarters, January 1999-June 2005

* * * * * * *

Figure V-3
Fresh Atlantic salmon: Quantities, as reported by U.S. producers and importers of product 1, by quarters, January 1999-June 2005

* * * * * * *

Figure V-4
Fresh Atlantic salmon: Weighted-average prices, as reported by U.S. producers and importers of product 2, by quarters, January 1999-June 2005

* * * * * * *

Figure V-5
Fresh Atlantic salmon: Quantities, as reported by U.S. producers and importers of product 2, by quarters, January 1999-June 2005

* * * * * * *

Figure V-6
Fresh Atlantic salmon: Weighted-average prices, as reported by U.S. producers and importers of product 3, by quarters, January 1999-June 2005

* * * * * * *

Figure V-7
Fresh Atlantic salmon: Quantities, as reported by U.S. producers and importers of product 3, by quarters, January 1999-June 2005

* * * * * * *

Table V-4
Fresh Atlantic salmon: Primary wholesale selling prices of New Brunswick salmon on New York Fulton Fish Market, as reported by NMFS, by quarters, January 2004-September 2005

Period	Price of 6-8 pound salmon (per pound)	Price of 8-10 pound salmon (per pound)	Price of 10-12 pound salmon (per pound)
2004:			
January-March	$1.81	$2.02	$2.25
April-June	2.03	2.17	2.28
July-	1.73	1.97	2.18
October-	1.78	2.03	2.32
2005:			
January-March	1.63	1.80	2.10
April-June	1.90	2.08	2.32
July-	--	2.62	2.58

Note.– A '–' indicates that no prices were reported for this period.

Source: NMFS and staff calculations.

APPENDIX A

FEDERAL REGISTER NOTICES AND THE COMMISSION'S STATEMENT ON ADEQUACY

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701–TA–302 and 731–TA–454 (Second Review)]

Fresh and Chilled Atlantic Salmon From Norway

AGENCY: United States International Trade Commission.

ACTION: Institution of five-year reviews concerning the countervailing duty and antidumping duty orders on fresh and chilled Atlantic salmon from Norway.

SUMMARY: The Commission hereby gives notice that it has instituted reviews pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act) to determine whether revocation of the countervailing duty and antidumping duty orders on fresh and chilled Atlantic salmon from Norway would be likely to lead to continuation or recurrence of material injury. Pursuant to section 751(c)(2) of the Act, interested parties are requested to respond to this notice by submitting the information specified below to the Commission; [1] to be assured of consideration, the deadline for responses is March 23, 2005. Comments on the adequacy of responses may be filed with the Commission by April 18, 2005. For further information concerning the conduct of these reviews 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 207, subparts A, D, E, and F (19 CFR part 207).

EFFECTIVE DATES: February 2, 2005.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202–205–3193), 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 these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background.—On April 12, 1991, the Department of Commerce issued countervailing duty and antidumping duty orders on imports of fresh and chilled Atlantic salmon from Norway (56 FR 14920, 14921). Following five-year reviews by Commerce and the Commission, effective March 13, 2000, Commerce issued a continuation of the countervailing duty and antidumping duty orders on imports of fresh and chilled Atlantic salmon from Norway (65 FR 13358). The Commission is now conducting second reviews to determine whether revocation of the orders would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. It will assess the adequacy of interested party responses to this notice of institution to determine whether to conduct full reviews or expedited reviews. The Commission's determinations in any expedited reviews will be based on the facts available, which may include information provided in response to this notice.

Definitions.—The following definitions apply to these reviews:

(1) *Subject Merchandise* is the class or kind of merchandise that is within the scope of the five-year reviews, as defined by the Department of Commerce.

(2) The *Subject Country* in these reviews is Norway.

(3) The *Domestic Like Product* is the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the *Subject Merchandise.* In its original determinations and expedited five-year review determinations, the Commission defined the *Domestic Like Product* as fresh and chilled Atlantic salmon, including salmon smolts.

(4) The *Domestic Industry* is the U.S. producers as a whole of the *Domestic Like Product,* or those producers whose collective output of the *Domestic Like Product* constitutes a major proportion of the total domestic production of the product. In its original determinations and its expedited five-year review determinations, the Commission defined the *Domestic Industry* as all domestic producers of fresh and chilled Atlantic salmon, including salmon smolts.

(5) An *Importer* is any person or firm engaged, either directly or through a parent company or subsidiary, in importing the *Subject Merchandise* into the United States from a foreign manufacturer or through its selling agent.

Participation in the reviews and public service list.—Persons, including industrial users of the *Subject Merchandise* and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11(b)(4) of the Commission's rules, no later than 21 days after publication of this notice in the **Federal Register**. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Former Commission employees who are seeking to appear in Commission five-year reviews are reminded that they are required, pursuant to 19 CFR 201.15, to seek Commission approval if the matter in which they are seeking to appear was pending in any manner or form during their Commission employment. The Commission is seeking guidance as to whether a second transition five-year review is the ''same particular matter'' as the underlying original investigation for purposes of 19 CFR 201.15 and 18 U.S.C. 207, the post employment statute for Federal employees. Former employees may seek informal advice from Commission ethics officials with respect to this and the related issue of whether the employee's participation was ''personal and substantial.'' However, any informal consultation will not relieve former employees of the obligation to seek approval to appear from the Commission under its rule 201.15. For ethics advice, contact Carol McCue Verratti, Deputy Agency Ethics Official, at 202–205–3088.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and APO service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI submitted in these reviews available to authorized applicants under the APO

[1] No response to this request for information is required if a currently valid Office of Management and Budget (OMB) number is not displayed; the OMB number is 3117–0016/USITC No. 05–5–109, expiration date June 30, 2005. Public reporting burden for the request is estimated to average 7 hours per response. Please send comments regarding the accuracy of this burden estimate to the Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436.

issued in the reviews, provided that the application is made no later than 21 days after publication of this notice in the **Federal Register**. Authorized applicants must represent interested parties, as defined in 19 U.S.C. 1677(9), who are parties to the reviews. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Certification.—Pursuant to section 207.3 of the Commission's rules, any person submitting information to the Commission in connection with these reviews must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will be deemed to consent, unless otherwise specified, for the Commission, its employees, and contract personnel to use the information provided in any other reviews or investigations of the same or comparable products which the Commission conducts under Title VII of the Act, or in internal audits and investigations relating to the programs and operations of the Commission pursuant to 5 U.S.C. Appendix 3.

Written submissions.—Pursuant to section 207.61 of the Commission's rules, each interested party response to this notice must provide the information specified below. The deadline for filing such responses is March 23, 2005. Pursuant to section 207.62(b) of the Commission's rules, eligible parties (as specified in Commission rule 207.62(b)(1)) may also file comments concerning the adequacy of responses to the notice of institution and whether the Commission should conduct expedited or full reviews. The deadline for filing such comments is April 18, 2005. All written submissions must conform with the provisions of sections 201.8 and 207.3 of the Commission's rules and any submissions that contain BPI must also conform with the requirements of sections 201.6 and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Also, in accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or APO service list as appropriate), and a certificate of service must accompany the document (if you are not a party to the reviews you do not need to serve your response).

Inability to provide requested information.—Pursuant to section 207.61(c) of the Commission's rules, any interested party that cannot furnish the information requested by this notice in the requested form and manner shall notify the Commission at the earliest possible time, provide a full explanation of why it cannot provide the requested information, and indicate alternative forms in which it can provide equivalent information. If an interested party does not provide this notification (or the Commission finds the explanation provided in the notification inadequate) and fails to provide a complete response to this notice, the Commission may take an adverse inference against the party pursuant to section 776(b) of the Act in making its determinations in the reviews.

Information To Be Provided in Response to This Notice of Institution: As used below, the term ''firm'' includes any related firms.

(1) The name and address of your firm or entity (including World Wide Web address if available) and name, telephone number, fax number, and E-mail address of the certifying official.

(2) A statement indicating whether your firm/entity is a U.S. producer of the *Domestic Like Product,* a U.S. union or worker group, a U.S. importer of the *Subject Merchandise,* a foreign producer or exporter of the *Subject Merchandise,* a U.S. or foreign trade or business association, or another interested party (including an explanation). If you are a union/worker group or trade/business association, identify the firms in which your workers are employed or which are members of your association.

(3) A statement indicating whether your firm/entity is willing to participate in these reviews by providing information requested by the Commission.

(4) A statement of the likely effects of the revocation of the countervailing duty and antidumping duty orders on the *Domestic Industry* in general and/or your firm/entity specifically. In your response, please discuss the various factors specified in section 752(a) of the Act (19 U.S.C. 1675a(a)) including the likely volume of subject imports, likely price effects of subject imports, and likely impact of imports of *Subject Merchandise* on the *Domestic Industry*.

(5) A list of all known and currently operating U.S. producers of the *Domestic Like Product*. Identify any known related parties and the nature of the relationship as defined in section 771(4)(B) of the Act (19 U.S.C. 1677(4)(B)).

(6) A list of all known and currently operating U.S. importers of the *Subject Merchandise* and producers of the *Subject Merchandise* in the *Subject Country* that currently export or have exported *Subject Merchandise* to the United States or other countries after 1998.

(7) If you are a U.S. producer of the *Domestic Like Product*, provide the following information on your firm's operations on that product during calendar year 2004 (report quantity data in pounds and value data in U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the *Domestic Like Product* accounted for by your firm's(s') production;

(b) The quantity and value of U.S. commercial shipments of the *Domestic Like Product* produced in your U.S. plant(s); and

(c) The quantity and value of U.S. internal consumption/company transfers of the *Domestic Like Product* produced in your U.S. plant(s).

(8) If you are a U.S. importer or a trade/business association of U.S. importers of the *Subject Merchandise* from the *Subject Country,* provide the following information on your firm's*(s')* operations on that product during calendar year 2004 (report quantity data in pounds and value data in U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping or countervailing duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of *Subject Merchandise* from the *Subject Country* accounted for by your firm's(s') imports;

(b) The quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. commercial shipments of *Subject Merchandise* imported from the *Subject Country;* and

(c) The quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. internal consumption/company transfers of *Subject Merchandise* imported from the *Subject Country*.

(9) If you are a producer, an exporter, or a trade/business association of producers or exporters of the *Subject Merchandise* in the *Subject Country,* provide the following information on your firm's(s') operations on that

product during calendar year 2004 (report quantity data in pounds and value data in U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping or countervailing duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of *Subject Merchandise* in the *Subject Country* accounted for by your firm's(s') production; and

(b) The quantity and value of your firm's(s') exports to the United States of *Subject Merchandise* and, if known, an estimate of the percentage of total exports to the United States of *Subject Merchandise* from the *Subject Country* accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand conditions or business cycle for the *Domestic Like Product* that have occurred in the United States or in the market for the *Subject Merchandise* in the *Subject Country* after 1998, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the *Domestic Like Product* produced in the United States, *Subject Merchandise* produced in the *Subject Country,* and such merchandise from other countries.

(11) (Optional) A statement of whether you agree with the above definitions of the *Domestic Like Product* and *Domestic Industry*; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.61 of the Commission's rules.

Issued: January 21, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–1944 Filed 2–1–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701–TA–302 and 731–TA–454 (Second Review)]

Fresh and Chilled Atlantic Salmon From Norway

AGENCY: United States International Trade Commission.

ACTION: Notice of Commission determinations to conduct full five-year reviews concerning the countervailing duty and antidumping duty orders on fresh and chilled Atlantic salmon from Norway.

SUMMARY: The Commission hereby gives notice that it will proceed with full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) to determine whether revocation of the countervailing duty and antidumping duty orders on fresh and chilled Atlantic salmon from Norway would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. A schedule for the reviews will be established and announced at a later date. For further information concerning the conduct of these reviews 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 207, subparts A, D, E, and F (19 CFR part 207).

EFFECTIVE DATE: May 9, 2005.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202–205–3193), 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 these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION: On May 9, 2005, the Commission determined that it should proceed to full reviews in the subject five-year reviews pursuant to section 751(c)(5) of the Act. The Commission found that both the domestic and respondent interested party group responses to its notice of institution (70 FR 5471, February 2, 2005) were adequate. A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's Web site.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

By order of the Commission.

Issued: May 17, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–10103 Filed 5–19–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701–TA–302 and 731–TA–454 (Second Review)]

Fresh Atlantic Salmon From Norway

AGENCY: United States International Trade Commission.

ACTION: Scheduling of full five-year reviews concerning the countervailing duty and antidumping duty orders on fresh and chilled Atlantic salmon from Norway.

SUMMARY: The Commission hereby gives notice of the scheduling of full reviews pursuant to section 751(c)(5) of the

Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the countervailing duty and antidumping duty orders on fresh and chilled Atlantic salmon from Norway would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. For further information concerning the conduct of these reviews 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 207, subparts A, D, E, and F (19 CFR part 207).

EFFECTIVE DATE: June 20, 2005.

FOR FURTHER INFORMATION CONTACT: John Kitzmiller (202–205–3387), 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 these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background. On May 9, 2005, the Commission determined that responses to its notice of institution of the subject five-year reviews were such that full reviews pursuant to section 751(c)(5) of the Act should proceed (70 FR 29364, May 20, 2005). A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements are available from the Office of the Secretary and at the Commission's Web site.

Participation in the reviews and public service list. Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in these reviews 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, by 45 days after publication of this notice. A party that filed a notice of appearance following publication of the Commission's notice of institution of the reviews need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list. Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made by 45 days after publication of this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the reviews. A party granted access to BPI following publication of the Commission's notice of institution of the reviews need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report. The prehearing staff report in the reviews will be placed in the nonpublic record on September 14, 2005, and a public version will be issued thereafter, pursuant to section 207.64 of the Commission's rules.

Hearing. The Commission will hold a hearing in connection with the reviews beginning at 9:30 a.m. on October 4, 2005, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before September 26, 2005. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on September 28, 2005, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), 207.24, and 207.66 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 to the reviews may submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.65 of the Commission's rules; the deadline for filing is September 23, 2005. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.67 of the Commission's rules. The deadline for filing posthearing briefs is October 13, 2005; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the reviews may submit a written statement of information pertinent to the subject of the reviews on or before October 13, 2005. On November 8, 2005, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before November 10, 2005, but such final comments must not contain new factual information and must otherwise comply with section 207.68 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II (C) of the Commission's Handbook on Electronic Filing Procedures, 67 FR 68168, 68173 (November 8, 2002).

Additional written submissions to the Commission, including requests pursuant to section 201.12 of the Commission's rules, shall not be accepted unless good cause is shown for accepting such submissions, or unless the submission is pursuant to a specific request by a Commissioner or Commission staff.

In accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or BPI 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: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

Issued: June 21, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–12628 Filed 6–24–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701–TA–302 and 731–TA–454 (Second Review)]

Fresh and Chilled Atlantic Salmon From Norway

AGENCY: International Trade Commission.

ACTION: Revised schedule for the subject five-year reviews.

DATES: *Effective Date:* August 23, 2005.

FOR FURTHER INFORMATION CONTACT: John Kitzmiller (202–205–3387), 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.usitic.gov*). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitic.gov.*

SUPPLEMENTARY INFORMATION: On June 20, 2005, the Commission established a schedule for the conduct of the subject five-year reviews (70 FR 36947, June 27, 2005). The Commission hereby gives notice that it is revising the schedule for its final determinations in the subject five-year reviews.

The Commission's schedule is revised as follows: The prehearing staff report will be placed in the nonpublic record on September 29, 2005; the deadline for filing prehearing briefs is October 11, 2005; requests to appear at the hearing should be filed with the Secretary to the Commission on or before October 12, 2005; the prehearing conference will be held on October 14, 2005; the hearing will be held on October 20, 2005; posthearing briefs are due October 31, 2005; the closing of the record and final release of information is November 22, 2005; and final comments on this information are due on or before November 28, 2005. In addition, final party comments concerning only Commerce's final results on its sunset review of the antidumping duty order on fresh and chilled Atlantic salmon from Norway are due three business days after the issuance of Commerce's results.

For further information concerning these review investigations see the Commission's notice cited above and the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

Authority: These five-year reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

By order of the Commission.

Issued: August 24, 2005.

Marilyn R. Abbot,

Secretary to the Commission.

[FR Doc. 05–17164 Filed 8–29–05; 8:45 am]

BILLING CODE 7020–02–M

DEPARTMENT OF COMMERCE

International Trade Administration

(C–403–802)

Final Results of Expedited Sunset Review of Countervailing Duty Order: Fresh and Chilled Atlantic Salmon From Norway

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

SUMMARY: On February 2, 2005, the Department of Commerce (''the Department'') initiated a sunset review of the countervailing duty (''CVD'') order on fresh and chilled Atlantic salmon from Norway pursuant to section 751(c) of the Tariff Act of 1930, as amended (''the Act''). *See Initiation of Five-year (''Sunset'') Reviews*, 70 FR 5415 (February 2, 2005). On the basis of a notice of intent to participate and an adequate substantive response filed on behalf of the domestic interested parties, as well as inadequate response (in this case, no response) from respondent interested parties, the Department conducted an expedited sunset review of this CVD order pursuant to section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(B). As a result of this sunset review, the Department finds that revocation of the CVD order would be likely to lead to continuation or recurrence of a countervailable subsidy at the levels indicated in the ''Final Results of Review'' section of this notice.

EFFECTIVE DATE: September 8, 2005.

FOR FURTHER INFORMATION CONTACT: Tipten Troidl or David Goldberger, AD/CVD Operations, Office 3, Import Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue NW, Washington, DC 20230; telephone: (202) 482–1767 or (202) 482–4136, respectively.

SUPPLEMENTARY INFORMATION:

Background

On February 2, 2005, the Department initiated a sunset review of the countervailing duty order on fresh and chilled Atlantic salmon from Norway pursuant to section 751(c) of the Act. *See Initiation of Five-year (''Sunset'') Reviews*, 70 FR 5415 (February 2, 2005). On February 17, 2005, the Department received a notice of intent to participate on behalf of Heritage Salmon Company, Inc. and Atlantic Salmon of Maine within the deadline specified in 19 CFR 351.218(d)(1)(i). The domestic interested parties claimed interested party status as domestic producers of fresh and chilled Atlantic salmon pursuant to section 771(9)(C) of the Act. The Department received a complete substantive response from the domestic parties within the 30-day deadline specified in 19 CFR 351.218(d)(3)(i). The Department did not receive a substantive response from any respondent interested party to this proceeding. As a result, pursuant to section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2), the Department conducted an expedited sunset review of this CVD order.

The Department determined that the sunset review of the CVD order on fresh and chilled Atlantic salmon from Norway is extraordinarily complicated. In accordance with section 751(c)(5)(C)(v) of the Act, the Department may treat a review as extraordinarily complicated if it is a review of a transition order (*i.e.*, an order in effect on January 1, 1995). Therefore, on May 13, 2005, the Department extended the time limit for completion of the final results of this review until not later than August 31, 2005.[1]

Scope of the Order

The merchandise covered by this order is the species Atlantic salmon (Salmon Salar) marketed as specified herein; the order excludes all other species of salmon: Danube salmon, Chinook (also called ''king'' or ''quinnat''), Coho (''silver''), Sockeye (''redfish'' or ''blueback''), Humpback (''pink'') and Chum (''dog''). Atlantic salmon is a whole or nearly–whole fish, typically (but not necessarily) marketed gutted, bled, and cleaned, with the head on. The subject merchandise is typically packed in fresh–water ice (''chilled''). Excluded from the subject merchandise are fillets, steaks and other cuts of Atlantic salmon. Also excluded are frozen, canned, smoked or otherwise processed Atlantic salmon. Prior to January 1, 1990, Atlantic salmon was provided for under item numbers 0302.12.0060.8 and 0302.12.0065.3 of the Harmonized Tariff Schedule of the

[1] *See Extension of Time Limits for Preliminary Results and Final Results of the Full Sunset Review of the Antidumping Duty Order on Fresh and Chilled Atlantic Salmon from Norway and the Final Results of the Expedited Sunset Review of the Countervailing Duty Order on Fresh and Chilled Atlantic Salmon from Norway*, 70 FR 25537 (May 13, 2005).

United States (''HTSUS'') (56 FR 7678, February 25, 1991). At the time of the original investigation, it was provided for under HTSUS item number 0302.12.0002.9. Currently, it is provided for under HTSUS item numbers 0302.12.0003 and 0302.12.0004.[2] The subheadings above are provided for convenience and customs purposes. The written description remains dispositive.

There have been no scope rulings for the subject order.

Analysis of Comments Received

All issues raised in this review are addressed in the ''Issues and Decision Memorandum'' (''Decision Memorandum'') from Barbara E. Tillman, Acting Deputy Assistant Secretary for Import Administration, to Joseph A. Spetrini, Acting Assistant Secretary for Import Administration, dated August 30, 2005, which is hereby adopted by this notice. Parties can find a complete discussion of all issues raised in this review and the corresponding recommendation in this public memorandum which is on file in the Central Records Unit room B–099 of the main Commerce building. In addition, a complete version of the Decision Memorandum can be accessed directly on the Web at http://ia.ita.doc.gov/frn. The paper copy and electronic version of the Decision Memorandum are identical in content.

Final Results of Review

The Department determines that revocation of the CVD order on fresh and chilled Atlantic salmon would be likely to lead to continuation or recurrence of a countervailable subsidy at the rate listed below:

Manufacturer/exporters	Net Countervailable Subsidy (percent)
All producers/manufacturers/exporters	2.27

Notification Regarding Administrative Protective Order

This notice also serves as the only reminder to parties subject to administrative protective order (''APO'') of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305. Timely notification of the return or destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

We are issuing and publishing the results and notice in accordance with sections 751(c), 752, and 777(i)(1) of the Act.

Dated: August 30, 2005.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 05–17743 Filed 9–7–05; 8:45 am]

BILLING CODE 3510–DS–S

[2] *See* March 4, 2005, submission by domestic interested parties at 3.

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701–TA–302 and 731–TA–454 (Second Review)]

Fresh and Chilled Atlantic Salmon From Norway

AGENCY: International Trade Commission.

ACTION: Revised schedule for the subject five-year reviews.

DATES: Effective September 21, 2005.

FOR FURTHER INFORMATION CONTACT: John Kitzmiller (202–205–3387), 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 these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION: On June 20, 2005, the Commission established its schedule for the conduct of the subject five-year reviews (70 FR 36947, June 27, 2005) and subsequently revised its schedule (70 FR 51365, August 30, 2005). The Commission hereby gives notice that it is further revising the schedule for its final determinations in the subject five-year reviews.

The Commission's schedule is revised as follows: The prehearing staff report will be placed in the nonpublic record on October 21, 2005; the deadline for filing prehearing briefs is November 1, 2005; requests to appear at the hearing should be filed with the Secretary to the Commission on or before November 1, 2005; the prehearing conference will be held on November 4, 2005; the hearing will be held on November 10, 2005; posthearing briefs are due November 21, 2005; the closing of the record and final release of information is December 20, 2005; and final comments on this information are due on or before December 22, 2005.

For further information concerning these review investigations see the Commission's notices cited above and the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

Authority: These five-year reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

Issued: September 23, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–19402 Filed 9–28–05; 8:45 am]

BILLING CODE 7020–02–U

DEPARTMENT OF COMMERCE

International Trade Administration

[A–403–801]

Fresh and Chilled Atlantic Salmon From Norway: Final Results of the Full Sunset Review of Antidumping Duty Order

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

SUMMARY: On August 29, 2005, the Department of Commerce (the ''Department'') published a notice of preliminary results of the full sunset review of the antidumping duty order on fresh and chilled Atlantic salmon from Norway (''Salmon from Norway'') pursuant to section 751(c) of the Tariff Act of 1930, as amended (''the Act''). *See Fresh and Chilled Atlantic Salmon From Norway: Preliminary Results of the Full Sunset Review of Antidumping Duty Order*, 70 FR 51012 (August 29, 2005) (''*Preliminary Results*''). In those *Preliminary Results* we provided interested parties an opportunity to comment on our preliminary results. We received a case brief from the Norwegian Seafood Federation and the Norwegian Seafood Association (''respondents'') and a rebuttal brief from Heritage Salmon Company, Inc., and Atlantic Salmon of Maine (the ''domestic interested parties ''). A hearing, requested by respondents, was held on October 26, 2005 at the Department. As a result of this review, the Department finds that revocation of this order would be likely to lead to continuation or recurrence of dumping.

EFFECTIVE DATE: December 30, 2005.

FOR FURTHER INFORMATION CONTACT: Malcolm Burke or Zev Primor, AD/CVD Operations, Office 4, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue, NW., Washington, DC 20230; telephone: 202–482–3584 or 202–482–4114, respectively.

SUPPLEMENTARY INFORMATION:

Scope of the Order

The product covered by this order is the species Atlantic salmon (Salmon Salar) marketed as specified herein; the order excludes all other species of salmon: Danube salmon, Chinook (also called ''king'' or ''quinnat''), Coho (''silver''), Sockeye (''redfish'' or ''blueback''), Humpback (''pink'') and Chum (''dog''). Atlantic salmon is a whole or nearly–whole fish, typically (but not necessarily) marketed gutted, and cleaned, with the head on. The subject merchandise is typically packed in fresh–water ice (''chilled''). Excluded from the subject merchandise are fillets, steaks and other cuts of Atlantic salmon. Also excluded are frozen, canned, smoked or otherwise processed Atlantic salmon. Atlantic salmon was classifiable under item number 110.2045 of the Tariff Schedules of the United States Annotated (''TSUSA''). Atlantic salmon is currently provided for under the Harmonized Tariff Schedule of the United States (''HTSUS'') subheadings 0302.12.0003 and 0302.12.0004. The HTSUS subheadings are provided for convenience and customs purposes. The written description remains dispositive as to the scope of the product coverage.

Background

On August 29, 2005, the Department published in the **Federal Register** a notice of the *Preliminary Results* of the full sunset review of the antidumping duty order on Salmon from Norway. In those *Preliminary Results* we determined that revocation of the order would likely result in continuation or recurrence of dumping at the margins reported in the ''Final Results of Review'' section of this notice. On October 18, 2005, respondents submitted a case brief in response to the Department's *Preliminary Results*, and on October 24, 2005, the domestic interested parties submitted a rebuttal brief. A hearing, requested by respondents on August 29, 2005, was held at the Department on October 26, 2005.

Analysis of Comments Received

All issues raised in the case and rebuttal briefs by parties to this sunset review are addressed in the ''Issues and Decision Memorandum'' from Stephen J. Claeys, Deputy Assistant Secretary for Import Administration, to Joseph A. Spetrini, Acting Assistant Secretary for Import Administration, dated December 28, 2005, which is hereby adopted and incorporated by reference into this notice. The issues discussed in the Issues and Decision Memorandum include the likelihood of continuation or recurrence of dumping and the magnitude of the margin likely to prevail were the order revoked. Parties can find a complete discussion of all issues raised in this review and the corresponding recommendations in this public memorandum, which is on file in the Central Records Unit, room B–099, of the main Commerce building. Additionally, a complete version of the Issues and Decision Memorandum can be accessed on the internet at *http://ia.ita.doc.gov*. The paper copy and the electronic version of the Issues and Decision Memorandum are identical in content.

Final Results of Review

We determine that revocation of the antidumping duty order on salmon from Norway would be likely to lead to continuation or recurrence of dumping at the following weighted–average margins:

Manufacturer/Exporter	Margin (percent)
Salmonor A/S	18.39 percent
Sea Star International	24.61 percent
Skaarfish Mowi A/S	15.65 percent
Fremstad Group A/S	21.51 percent
Domstein and Co.	31.81 percent
Saga A/S	26.55 percent
Chr. Bjelland	19.96 percent
Hallvard Leroy A/S	31.81 percent
All Others	23.80 percent

This sunset review and notice are in accordance with sections 751(c), 752, and 777(i)(1) of the Act. This notice serves as a final reminder to parties subject to administrative protective order (''APO'') of their responsibility concerning the disposition of proprietary material disclosed under APO in accordance with 19 CFR 351.305. Timely notification of return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a sanctionable violation.

Dated: December 22, 2005.

Stephen J. Claeys,

Acting Assistant Secretaryfor Import Administration.

[FR Doc. E5–8136 Filed 12–29–05; 8:45 am]

BILLING CODE 3510–DS–S

EXPLANATION OF COMMISSION DETERMINATIONS ON ADEQUACY

in

Fresh and Chilled Atlantic Salmon from Norway,

Inv. Nos. 701-TA-302 & 731-TA-454 (Second Review)

On May 9, 2005, the Commission determined that it should proceed to a full review in the subject five-year reviews pursuant to section 751(c)(5) of the Tariff Act of 1930, as amended, 19 U.S.C. § 1675(c)(5).

In these reviews, the Commission determined that the domestic interested party group response to the notice of institution was adequate. The Commission received an adequate joint response containing company-specific data from two domestic producers, Heritage Salmon Co., Inc. and Atlantic Salmon of Maine. Because the Commission received an adequate response from domestic producers accounting for a substantial percentage of U.S. production, the Commission determined that the domestic interested party group response was adequate.

The Commission also determined that the respondent interested party group response to the notice of institution was adequate. The Commission received an adequate joint response from the Government of Norway, the Norwegian Seafood Federation ("NSF") and the Norwegian Seafood Association ("NSA"). Because this response contained data, in the aggregate, for producers accounting for a substantial percentage of subject production in Norway, the Commission determined that the respondent interested party group response was adequate.

Because the domestic and respondent interested party group responses to the notice of institution were adequate, the Commission determined to conduct full reviews in this proceeding.

A record of the Commissioners' votes is available from the Office of the Secretary and the Commission's web site (http://www.usitc.gov).

APPENDIX B

LIST OF WITNESSES AT THE COMMISSION'S NOVEMBER 10, 2005 HEARING

CALENDAR OF PUBLIC HEARING

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

Subject:	Fresh and Chilled Atlantic Salmon from Norway
Inv. Nos.:	701-TA-302 and 731-TA-454 (Second Review)
Date and Time:	November 10, 2005 - 9:30 a.m.

Sessions were held in connection with these review investigations in the Main Hearing Room (room 101), 500 E Street, SW, Washington, D.C.

EMBASSY APPEARANCE:

His Excellency Knut Vollebaek, Ambassador, Royal Norwegian Embassy

OPENING REMARKS:

In Support of Continuation of Orders (**Michael J. Coursey**, Collier Shannon Scott, PLLC)
In Opposition to Continuation of Orders (**Thomas V. Vakerics**, Sandler, Travis & Rosenberg, P.A.)

In Support of the Continuation of the Antidumping and Countervailing Duty Orders:

Collier Shannon Scott, PLLC
Washington, D.C.
on behalf of

Atlantic Salmon of Maine ("Atlantic Salmon")
Heritage Salmon Company, Inc. ("Heritage")

Glenn Cooke, Vice President, Atlantic Salmon and Heritage

Alan Craig, Vice President, Sales and Marketing, Atlantic Salmon and Heritage

David Morang, Manager, Eastport Operations, Atlantic Salmon and Heritage

Jack Cashman, Commissioner, Maine Department of Economic and Community Development

Gina Beck, Economist, Georgetown Economic Services

In Support of the Continuation of the Antidumping and Countervailing Duty Orders:

Michael J. Coursey)
) – OF COUNSEL
Kathleen W. Cannon)

In Opposition to the Continuation of the Antidumping and Countervailing Duty Orders:

Sandler, Travis & Rosenberg, P.A.
Washington, D.C.
on behalf of

The Government of Norway
The Norwegian Seafood Federation
The Norwegian Seafood Association

Otto Gregussen, Fisheries Councellor, Royal Norwegian Embassy

Svein Berg, Managing Director, Norwegian Seafood Export Council

Audun Bjelkaroy, Director, Purchasing, Fjord Seafood

Per Dag Iversen, Director, Norwegian Seafood Federation

Terje Korsnes, President, Nordic Group, Inc.

Lars Liabo, Chief Executive Officer, Kontali Analyses AS

Odd Atle Rygg, President, Coast Seafood USA

Sverre Soeraa, Chief Executive Officer, Coast Seafood AS

Paula Stern, Chairwoman, The Stern Group

Thomas V. Vakerics)
) – OF COUNSEL
Kristen S. Smith)

REBUTTAL/CLOSING REMARKS:

In Support of Continuation of Orders (**Michael J. Coursey**, Collier Shannon Scott, PLLC)
In Opposition to Continuation of Orders (**Thomas V. Vakerics**, Sandler, Travis & Rosenberg, P.A.)

APPENDIX C

SUMMARY TABLE

Table C-1
Fresh whole Atlantic salmon: Summary data concerning the U.S. market, 1999-2004, January-June 2004, and January-June 2005

(Quantity=1,000 pounds, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per pound; period changes=percent, except where noted)

	Reported data								Period changes						
							January-June								Jan.-June
Item	1999	2000	2001	2002	2003	2004	2004	2005	1999-2004	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
U.S. consumption quantity:															
Amount	144,100	158,571	172,205	170,298	163,744	149,104	74,579	81,575	3.5	10.0	8.6	-1.1	-3.8	-8.9	9.4
Producers' share (1)	21.4	26.2	24.8	14.2	19.9	19.4	21.5	14.0	-2.0	4.8	-1.4	-10.6	5.7	-0.5	-7.4
Importers' share (1):															
Norway	0.7	0.4	0.6	1.0	1.1	0.3	0.4	0.3	-0.4	-0.3	0.2	0.4	0.1	-0.8	-0.1
Other sources	77.9	73.4	74.5	84.8	79.0	80.3	78.1	85.7	2.4	-4.6	1.2	10.3	-5.8	1.3	7.6
Total imports	78.6	73.8	75.2	85.8	80.1	80.6	78.5	86.0	2.0	-4.8	1.4	10.6	-5.7	0.5	7.4
U.S. consumption value:															
Amount	355,511	378,239	351,679	343,324	357,476	316,493	158,149	176,062	-11.0	6.4	-7.0	-2.4	4.1	-11.5	11.3
Producers' share (1)	19.0	24.1	18.0	10.3	15.4	15.7	17.4	11.3	-3.3	5.1	-6.1	-7.7	5.2	0.2	-6.1
Importers' share (1):															
Norway	0.8	0.5	0.8	1.3	1.4	0.5	0.5	0.4	-0.4	-0.4	0.4	0.4	0.2	-1.0	-0.1
Other sources	80.2	75.5	81.1	88.5	83.1	83.9	82.1	88.3	3.7	-4.7	5.7	7.3	-5.3	0.7	6.2
Total imports	81.0	75.9	82.0	89.7	84.6	84.3	82.6	88.7	3.3	-5.1	6.1	7.7	-5.2	-0.2	6.1
U.S. imports from:															
Norway:															
Quantity	980	651	1,067	1,691	1,817	469	317	234	-52.1	-33.6	63.9	58.6	7.4	-74.2	-26.1
Value	2,977	1,776	2,943	4,316	5,082	1,456	839	711	-51.1	-40.3	65.7	46.7	17.7	-71.3	-15.3
Unit value	$3.04	$2.73	$2.76	$2.55	$2.80	$3.10	$2.65	$3.04	2.1	-10.2	1.1	-7.5	9.6	10.9	14.7
Ending inventory quantity	0	0	0	0	0	0	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Other sources:															
Quantity	112,280	116,319	128,366	144,425	129,331	119,699	58,261	69,905	6.6	3.6	10.4	12.5	-10.5	-7.4	20.0
Value	284,982	285,428	285,381	303,759	297,174	265,436	129,821	155,516	-6.9	0.2	-0.0	6.4	-2.2	-10.7	19.8
Unit value	$2.54	$2.45	$2.22	$2.10	$2.30	$2.22	$2.23	$2.22	-12.6	-3.3	-9.4	-5.4	9.2	-3.5	-0.2
Ending inventory quantity	0	0	0	0	0	0	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)
All sources:															
Quantity	113,259	116,970	129,433	146,116	131,148	120,169	58,578	70,139	6.1	3.3	10.7	12.9	-10.2	-8.4	19.7
Value	287,959	287,204	288,323	308,076	302,256	266,892	130,660	156,227	-7.3	-0.3	0.4	6.9	-1.9	-11.7	19.6
Unit value	$2.54	$2.46	$2.23	$2.11	$2.30	$2.22	$2.23	$2.23	-12.6	-3.4	-9.3	-5.3	9.3	-3.6	-0.1
Ending inventory quantity	0	0	0	0	0	0	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)
U.S. producers':															
Average capacity quantity	58,970	66,490	66,490	66,490	71,490	66,810	36,585	36,585	13.3	12.8	0.0	0.0	7.5	-6.5	0.0
Production quantity	30,879	41,962	41,323	30,628	28,376	28,865	15,094	11,436	-6.5	35.9	-1.5	-25.9	-7.4	1.7	-24.2
Capacity utilization (1)	52.4	63.1	62.1	46.1	39.7	43.2	41.3	31.3	-9.2	10.7	-1.0	-16.1	-6.4	3.5	-10.0
U.S. shipments:															
Quantity	30,841	41,601	42,772	24,182	32,596	28,935	16,001	11,436	-6.2	34.9	2.8	-43.5	34.8	-11.2	-28.5
Value	67,552	91,035	63,356	35,248	55,220	49,601	27,489	19,835	-26.6	34.8	-30.4	-44.4	56.7	-10.2	-27.8
Unit value	$2.19	$2.19	$1.48	$1.46	$1.69	$1.71	$1.72	$1.73	-21.7	-0.1	-32.3	-1.6	16.2	1.2	1.0
Export shipments:															
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	0	0	0	0	0	0	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Inventories/total shipments (1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Production workers (3)	533	499	490	317	290	234	233	121	-56.1	-6.4	-1.8	-35.3	-8.5	-19.3	-48.1
Hours worked (3) (1,000s)	823	788	690	557	505	398	199	128	-51.6	-4.3	-12.4	-19.3	-9.3	-21.2	-35.7
Wages paid (3) ($1,000s)	11,626	11,785	11,242	9,104	8,704	6,509	3,413	2,134	-44.0	1.4	-4.6	-19.0	-4.4	-25.2	-37.5
Hourly wages (3)	$14.13	$14.96	$16.29	$16.34	$17.24	$16.35	$17.15	$14.48	15.8	5.9	8.9	0.3	5.5	-5.1	-15.6
Productivity (pounds per hour)	61.6	67.6	66.4	65.9	64.2	114.5	102.0	99.3	85.7	9.7	-1.8	-0.8	-2.5	78.3	-2.7
Unit labor costs	$0.15	$0.12	$0.14	$0.12	$0.12	$0.06	$0.07	$0.15	-60.6	-16.4	11.0	-11.0	-0.8	-51.8	120.8
Net sales:															
Quantity	32,651	42,542	44,926	27,297	34,156	29,666	16,165	***	-9.1	30.3	5.6	-39.2	25.1	-13.1	***
Value	71,920	92,971	67,219	40,555	57,693	50,805	27,831	***	-29.4	29.3	-27.7	-39.7	42.3	-11.9	***
Unit value	$2.20	$2.19	$1.50	$1.49	$1.69	$1.71	$1.72	***	-22.3	-0.8	-31.5	-0.7	13.7	1.4	***
Cost of goods sold (COGS)	58,648	67,309	81,369	42,368	61,939	53,500	24,340	***	-8.8	14.8	20.9	-47.9	46.2	-13.6	***
Gross profit or (loss)	13,272	25,662	(14,150)	(1,813)	(4,246)	(2,695)	3,491	***	-120.3	93.4	-155.1	-87.2	134.2	-36.5	***
SG&A expenses	4,325	5,566	6,242	3,885	4,896	3,737	1,579	***	-13.6	28.7	12.1	-37.8	26.0	-23.7	***
Operating income or (loss)	8,947	20,096	(20,392)	(5,698)	(9,142)	(6,432)	1,912	***	-171.9	124.6	-201.5	-72.1	60.4	-29.6	***
Capital expenditures	4,052	7,617	7,994	656	4,633	1,906	757	***	-53.0	88.0	4.9	-91.8	606.3	-58.9	***
Unit COGS	$1.80	$1.58	$1.81	$1.55	$1.81	$1.80	$1.51	***	0.4	-11.9	14.5	-14.3	16.8	-0.6	***
Unit SG&A expenses	$0.13	$0.13	$0.14	$0.14	$0.14	$0.13	$0.10	***	-4.9	-1.2	6.2	2.4	0.7	-12.1	***
Unit operating income or (loss	$0.27	$0.47	($0.45)	($0.21)	($0.27)	($0.22)	$0.12	***	-179.1	72.4	-196.1	-54.0	28.2	-19.0	***
COGS/sales (1)	81.5	72.4	121.1	104.5	107.4	105.3	87.5	***	23.8	-9.1	48.7	-16.6	2.9	-2.1	***
Operating income or (loss)/ sales (1)	12.4	21.6	-30.3	-14.1	-15.8	-12.7	6.9	***	-25.1	9.2	-52.0	16.3	-1.8	3.2	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.
(3) Employment data represent farming and processing operations.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the to
Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

APPENDIX D

COMMENTS ON THE SIGNIFICANCE OF THE EXISTING ANTIDUMPING AND COUNTERVAILING DUTY ORDERS AND THE LIKELY EFFECTS OF REVOCATION

COMMENTS ON THE SIGNIFICANCE OF THE EXISTING ANTIDUMPING AND COUNTERVAILING DUTY ORDERS AND THE LIKELY EFFECTS OF REVOCATION

U.S. Producers

U.S. producers were asked about the significance of the antidumping and countervailing orders in terms of its effect on their firms' production capacity, production, home market shipments, exports to the United States and other markets, and inventories (question II-24). The following comments were received:

***

"No significant effect. Focus on *** markets."

***

"The effect of the order on the importation and therefore supply of whole Norwegian salmon on the U.S. market has been well documented. (NMFS Seafood Trade Information.) The reduction in Norwegian whole fish supplies led to two things in the U.S. seafood market that subsequently has affected this firm and its predecessor's business operations: 1) Generally stronger prices and demand for "like products" through the 1990s and 2) dramatic increases in the presence and quantities of Chilean salmon products in the U.S. market. Chilean salmon farms, having been financed mainly through Norwegian investments, capitalized on a growing U.S. seafood market. From 1999 to 2004 Chilean Atlantic salmon exports into the U.S. market grew by 263%. At the same time Norwegian salmon importation into the United States decreased by 43%. From 1999 to 2004, the total amount of farmed Atlantic salmon imported from all countries into the United States grew by 69,000 metric tonnes, of which 67,000 metric tonnes were from Chilean Atlantic salmon imports. In other words, while the strengthened prices brought on by the existing countervailing and antidumping duties probably offset some of the damages done to the marketplace by Norwegian dumping in the early 90s, it has also been a factor in the increased volume of Chilean salmon exports to the United States."

***

"As witnessed in the imports of U.S. salmon vs. the total production capacity of Norway, one can quickly surmise that if the duties were to be lifted it would only take one farmer in Norway to dump their excess capacity in the Eastern United States market for a complete meltdown of the U.S. salmon farming industry. In addition these duties allow *** to maintain high enough revenues for sustainable operations. This is an industry that has gone through some recent challenges, but is in a state of rebuilding and should flourish in the near future. It is in such a fragile state that any decrease in the duties would decimate not only *** but also the industry."

***

"Norway represents very significant threat to price stability/improvement. They fight dumping charges every year in EU."

***

"Insignificant."

U.S. producers were asked about the likely effects on their firms' production capacity, production, home market shipments, exports to the United States and other markets, and inventories if the antidumping and countervailing orders were revoked (question II-25). The following comments were received:

***

No effect.

***

"The fresh and chilled Atlantic salmon market could see a significant increase in the supply of fish coming from Norway which would increase the total supply of whole fish in the U.S. market. That increased quantity could negatively impact the prices of these fish on the wholesale markets. The U.S. demand and relative market share for fresh and chilled Atlantic salmon (whole fish) has dropped significantly since 1999 in comparison to the rise in market share and demand for fresh and frozen Atlantic salmon fillets. The Salmon Market Information Service reports that imports of salmon fillets grew by 350% between 1997 and 2003. Domestic producers have lost market share in the fillet market to the point of non-existence in comparison to the imports from Chile, and Norway. The whole fish niche market has primarily been supplied by domestic producers because of the slight advantage in reduced transportation costs for like products. If the duty orders are remanded, it is highly likely that Norwegian salmon whole fish importers would attempt to regain market share by lowering prices to their product. Norwegian and Chilean salmon producers have some of the lowest production costs in the industry. Some of these advantages are due to regional factors and to the efficiencies that benefit large, conglomerated industries. However, some of these benefits may have been achieved by the Norwegian industry through the early developmental aid given by the Norwegian government. It is likely that the Norwegian and Chilean producers would directly compete with each other for U.S. market share of whole fish, and that would lead to severe downward pressure on market prices."

***

"As stated above the revocation of any duties would likely decimate the company, which is currently in a very fragile state. Any revocation of these duties would cause seriously decline to ***'s revenue and pricing levels and therefore profit. Historical trade practices of Norwegian producers in Europe and North America have been predatory and as such, they have been penalized for unfair trade actions in Europe and antidumping CVD duties in the United States. These practices have not stopped and recent cases (2003) show that their attitude toward trade continues."

***

"As stated above the revocation of any duties would likely decimate the company, which is currently in a very fragile state. Any revocation of these duties would cause seriously decline to Heritage's revenue and pricing levels and therefore profit. Historical trade practices of Norwegian producers in Europe and North America have been predatory and as such, they have been penalized for unfair trade actions in Europe and antidumping CVD duties in the United States. These practices have not stopped and recent cases (2003) show that their attitude toward trade continues."

***

"We would exit the salmon industry. Removing duty will result in more dumping eventually Recent headlines in Intrafish claim they are finally making a profit after years of losses. This is short lived and dumping will occur."

***

No effect.

U.S. producers were asked about the likely effects on their firms' operations or organization if the antidumping and countervailing orders were revoked (question II-5). The following comments were received:

***

"Would not be relevant, particularly for whole fish markets on west coast."

***

"The fresh and chilled Atlantic salmon market could see a significant increase in the supply of fish coming from Norway which would increase the total supply of whole fish in the U.S. market. That increased quantity could negatively impact the prices of these fish on the wholesale markets. The U.S. demand and relative market share for fresh and chilled Atlantic salmon (whole fish) has dropped significantly since 1999 in comparison to the rise in market share and demand for fresh and frozen Atlantic salmon fillets. The Salmon Market Information Service reports that imports of salmon fillets grew by 350% between 1997 and 2003. Domestic producers have lost market share in the fillet market to the point of non-existence in comparison to the imports from Chile, and Norway. The whole fish niche market has primarily been supplied by domestic producers because of the slight advantage in reduced transportation costs for like products. If the duty orders are remanded, it is highly likely that Norwegian salmon whole fish importers would attempt to regain market share by lowering prices to their product. Norwegian and Chilean salmon producers have some of the lowest production costs in the industry. Some of these advantages are due to regional factors and to the efficiencies that benefit large, conglomerated industries. However, some of these benefits may have been achieved by the Norwegian industry through the early developmental aid given by the Norwegian government. It is likely that the Norwegian and Chilean producers would directly compete with each other for U.S. market share of whole fish, and that would lead to severe downward pressure on market prices."

***

"The quantity available from Norwegian producers to export into the U.S. would be large enough that it would kill the U.S. salmon industry. The price of salmon has decreased between 2001-2004; an influx of salmon would decrease the price to devastatingly low levels."

***

"The quantity available from Norwegian producers to export into the U.S. would be large enough that it would kill the U.S. salmon industry. The price of salmon has decreased between 2001-2004; an influx of salmon would decrease the price to devastatingly low levels."

***

"*** is a small family owned and operated aquaculture firm. We operate one farm on a single year class basis."

***

No effect.

U.S. Importers

U.S. importers were asked about the significance of the antidumping and countervailing orders in terms of its effect on their firms' imports, U.S. shipments of imports, and inventories (question II-8). The following comments were received:

***

"Insignificant, because we import very little Norwegian salmon."

***

"Restricts most of our purchases to Canada."

***

"It seems that it does not have too much effect. The Norwegian salmon is too expensive to be sold in competition with other salmon, but we sell to some premium markets."

***

"The removal of the duty would allow additional Norwegian salmon when supplies are down from U.S. and Canadian production. It would be a benefit for many U.S. companies."

***

"As witnessed in the imports of U.S. salmon vs. the total production capacity of Norway, one can quickly surmise that if the duties were to be lifted it would only take one farmer in Norway to dump their excess capacity in the Eastern United States market for a complete meltdown of the U.S. salmon farming industry. In addition these duties allow *** to maintain high enough revenues for sustainable operations. This is an industry that has gone through some recent challenges, but is in a state of rebuilding and should flourish in the near future. It is in such a fragile state that any decrease in the duties would decimate not only *** but also the industry."

***

"As witnessed in the imports of U.S. salmon vs. the total production capacity of Norway, one can quickly surmise that if the duties were to be lifted it would only take one farmer in Norway to dump their excess capacity in the Eastern United States market for a complete meltdown of the U.S. salmon farming industry. In addition these duties allow *** to maintain high enough revenues for sustainable operations. This is an industry that has gone through some recent challenges, but is in a state of rebuilding and should flourish in the near future. It is in such a fragile state that any decrease in the duties would decimate not only *** but also the industry."

U.S. importers were asked about the likely effects of the revocation of the antidumping and countervailing orders in terms of its effect on their firms' imports, U.S. shipments of imports, and inventories (question II-9). The following comments were received:

***

"No significant impact even if countervailing and/or antidumping duties are withdrawn."

***

No effect.

***

No effect.

***

"The removal of the duty would allow additional Norwegian salmon when supplies are down from U.S. and Canadian production. It would be a benefit for many U.S. companies."

***

"We would plan to farm our own salmon."

***

"We would plan to farm our own salmon."

U.S. importers were asked about the likely effects of the revocation of the antidumping and countervailing orders on their operations or organization(question II-4). The following comments were received:

***

No effect.

***

No effect.

***

No effect.

***

"It would give us an opportunity from time to time when the market was short on supply to bring in Norwegian Atlantic salmon at a competitive price."

***

"The quantity available from Norwegian producers to export into the U.S. would be very large and would kill the U.S. salmon industry."

***

"The quantity available from Norwegian producers to export into the U.S. would be large enough that it would kill the U.S. salmon industry. The price of salmon has decreased between 2001-2004; an influx of salmon would decrease the price to devastatingly low levels."

U.S. PURCHASERS' COMMENTS REGARDING THE EFFECTS OF REVOCATION

The Commission's questionnaires in this review requested comments from U.S. purchasers (question III-35) regarding the effects of revocation of the antidumping duty order on (1) the future activities of their firms and (2) the U.S. market as a whole. The following comments were received:

***

(1) Activities of firm.--"It would provide access to additional supply."

(2) Entire U.S. market.– "Allow free market forces to direct the market, ultimately benefitting all consumers."

***

(1) Activities of firm.--"None."

(2) Entire U.S. market.– "Unknown."

***

(1) Activities of firm.--"Salmon is a commodity, and will be bought and sold based on the world market. "

(2) Entire U.S. market.– "Salmon is a commodity, and will be bought and sold based on the world market."

***

(1) Activities of firm.--"We would probably sell more if the price was not so high"

(2) Entire U.S. market.– no answer

***

(1) Activities of firm.--"We will buy more Norwegian as certain suppliers don't use chemicals."

(2) Entire U.S. market.– "No idea."

***

(1) Activities of firm.--"No purchases of Norwegian salmon."

(2) Entire U.S. market.– "Unable to answer."

***

(1) Activities of firm.--"Purchases will be based on price competitiveness."

(2) Entire U.S. market.– no answer.

***

(1) Activities of firm.--"It will restrict the access to a very high quality product, and therefore, diminish the quality of culinary culture."

(2) Entire U.S. market.– "The same as above!"

***

(1) Activities of firm.--"If the pricing becomes competitive, we will purchase."

(2) Entire U.S. market.– "If the price becomes competitive, more will enter the U.S."

***

(1) Activities of firm.--"Create more competition among farmers and suppliers."

(2) Entire U.S. market.– "More competition."

In addition, the following companies filled out purchaser questionnaires, but did not respond to question III-35: ***.

Foreign Producers

Foreign producers were asked about the significance of the antidumping and countervailing orders in terms of its effect on their firms' production capacity, production, home market shipments, exports to the United States and other markets, and inventories (question II-15). The following comments were received:

***

"No significant change, except the U.S. market, where buyers changed from Norwegian to Canadian and Chilean suppliers."

***

"Since our company was established after the U.S. duty was imposed, it had no effect on our operations. The regulations from the EU with regards to minimum prices that was imposed in the period from 1997-2003 made the market more predictable and stable, however we saw no other effect. The present minimum price will have the same effect."

***

"The dumping order in the United States reduced our export of fresh salmon from *** to the United States to almost zero. The EU minimum export price undertakings in 1997-2003 did stabilize the market conditions for Europe, but had only small effects on the volume of fresh salmon."

***

"Dumping order in the United States led to a stop of our sales in this market. New markets were developed, and at present moment we do not see any possibility to sell whole fresh Atlantic salmon to the United States. The United States has become a market for more value added products such as filets and portions. The EU minimum price undertaking (1997-2003) did not harm our activity. It more stabilized the market condition in this area. The same goes for the present EU minimum import measure."

***

"The antidumping duty in the United States reduced the export from Norway to the United States considerably in 1992, and the market was taken over by Canada and Chile. Norway has built up export of salmon to other markets. The average increase in the U.S. market for salmon of approximately 15% per year from 1999 to 2005 has been covered by Chile and Canada."

***

"The restrictions regarding export of fresh Atlantic salmon from Norway to the United States resulted in less volumes being shipped from Norway to the United States in general at that time."

***

"Our company was established in ***, and not existing by the time of implementation of the current antidumping duties."

***

"Our company was founded in ***, i.e., after the imposition of the countervailing and AD duties. We are currently selling small quantities of fillets into the United States, and hope to continue to do so, to the high class/up market few customers we have."

***

"Our company was established after the antidumping duty was implemented. We have had very limited sales to the U.S. market."

***

"No significant change, except the U.S. market, where buyers changed from Norwegian to Canadian and Chilean suppliers."

***

"As mentioned, we do not export, no impact."

***

Not applicable.

***

No effect.

***

"No impact. We do not export."

***

"No impact for us."

***

"Really no impact for our company."

***

"The existing antidumping duty on Norwegian fresh and chilled Atlantic salmon has no effect on our company, as we only sell rarely and very limited volumes to the United States."

***

"We don't export."

***

No effect.

***

"As export statistics clearly shows, the export of fresh salmon to the United States decreased sharply in 1999. As to the trade sanctions implemented by the EU Commission, they had no other effect than stabilizing the EU market."

***

"After the dumping order in USA in 1991 all our sales of fresh salmon to USA stopped. The EU minimum price undertakings however have just stabilized the EU market."

Foreign producers were asked about the likely effects on their firms' production capacity, production, home market shipments, exports to the United States and other markets, and inventories if the

antidumping and countervailing orders were revoked (question II-16). The following comments were received:

***

"The main market for fresh salmon in the United States is in fresh fillets now. We therefore expect no change."

***

"The U.S. market is a high priced segment market for Norwegian Whole Salmon. Airfreight from Norway to the United States is higher than from Chile and Scotland. Producers in Chile, Canada, and Scotland are well established in the U.S. market with a lower cost product. Due to this there is a very limited market that is high priced for Norwegian Dressed Chilled Atlantic salmon."

***

No effect.

***

No effect.

***

"The American market for Atlantic salmon is dominated by Chilean and Canadian producers. Difference in freight costs give a big advantage to producers in Canada compared with Norway."

***

"No changes for the time being. Due to high freight cost, lack of continuity of required sizes, and tough competition from especially Chile and Canada makes it difficult for us to be competitive in the U.S. market. As the only Norwegian company *** is not subject to the countervailing and antidumping duty orders on fresh Atlantic salmon to the United States."

***

"No."

***

"The demand in the United States is currently covered by the Canadian and Chilean producers. In addition, our higher freight costs to the United States limit sales to that market, except for the small high-priced segment of the market."

***

"The freight cost from Norway to the United States is comparatively high. In addition, the U.S. market is dominated by salmon from Canada and Chile."

***

"The main market for fresh salmon in the United States is in fresh fillets now. We therefore expect no change."

***

No effect.

***

No effect.

***

No effect.

***

No effect.

***

"The U.S. market is far away and cost of transportation for fresh fish is high due to high oil prices."

***

No effect.

***

No effect.

***

No effect.

***

No effect.

***

"No basic changes are expected. The position of Norwegian Salmon in the United States was lost in 1999 and the brand "Norwegian Salmon" was soon changed to "Atlantic Salmon" which was produced by Chilean and Canadian companies."

***

No effect.

Foreign producers were asked about the likely effects on their firms' operations or organization if the antidumping and countervailing orders were revoked (question II-3). The following comments were received:

***

No effect.

***

No effect.

***

No effect.

***

No effect.

***

No effect.

***

"*** is not a producer, we are a marketing and sales company."

***

"None."

***

No effect.

***

No effect.

***

No effect.

***

No effect.

***

No effect.

***

No effect.

***

No effect.

***

"No changes. We will stick to salmon."

***

No effect.

***

No effect.

***

No effect.

***

No effect.

***

No effect.

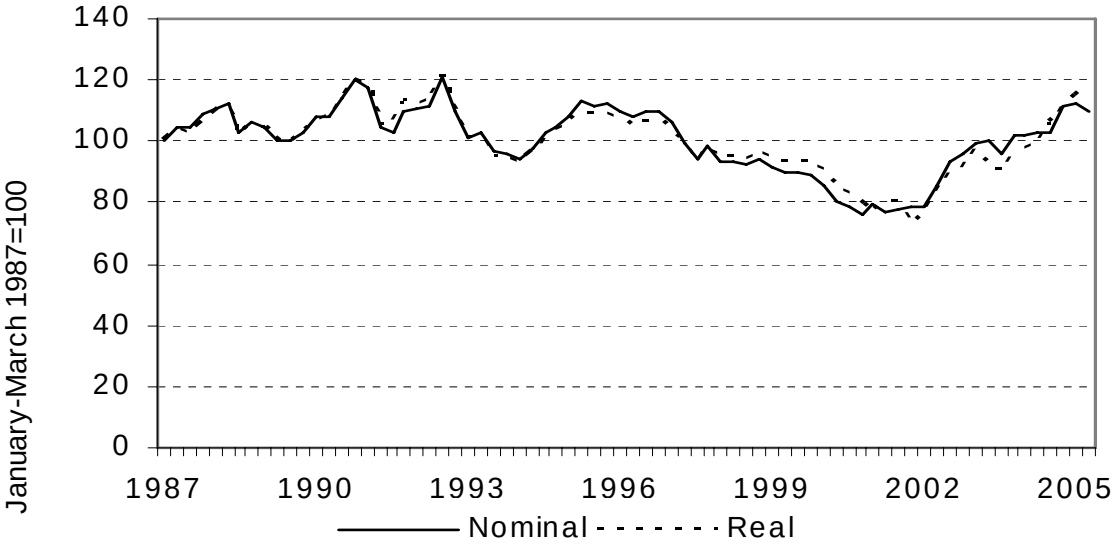
***

No effect.

APPENDIX E

ADDITIONAL EXCHANGE RATE GRAPHS

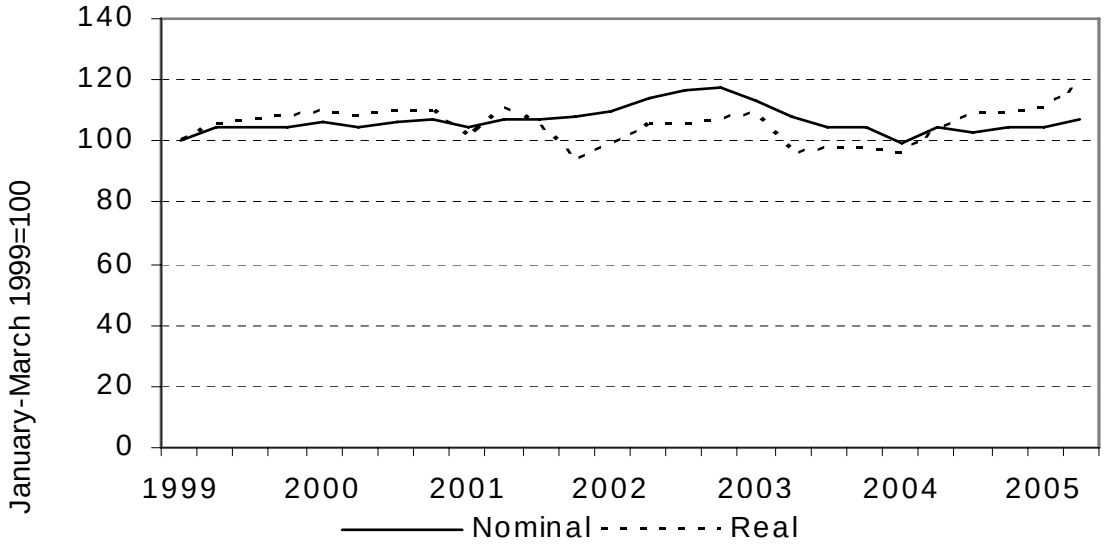
Figure E-1
Exchange rates: Indices of the nominal and real exchange rates between the Norwegian Krone and the U.S. Dollar, by quarters, January 1987-June 2005



Note.– A rising trend indicates the krone is appreciating against the dollar.

Source: International Monetary Fund, *International Financial Statistics*, November 2005 (downloaded from imfstatistics.org)**.**

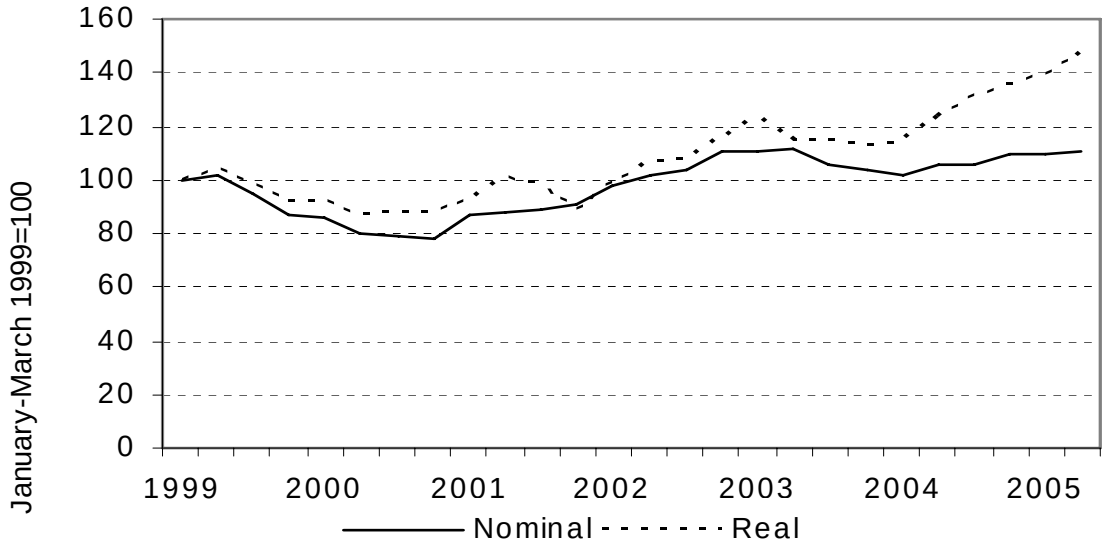
Figure E-2
Exchange rates: Indices of the nominal and real exchange rates between the Norwegian Krone and the Euro, by quarters, January 1999-June 2005



Note.– A rising trend indicates the krone is appreciating against the euro.

Source: International Monetary Fund, *International Financial Statistics*, November 2005 (downloaded from imfstatistics.org)**.**

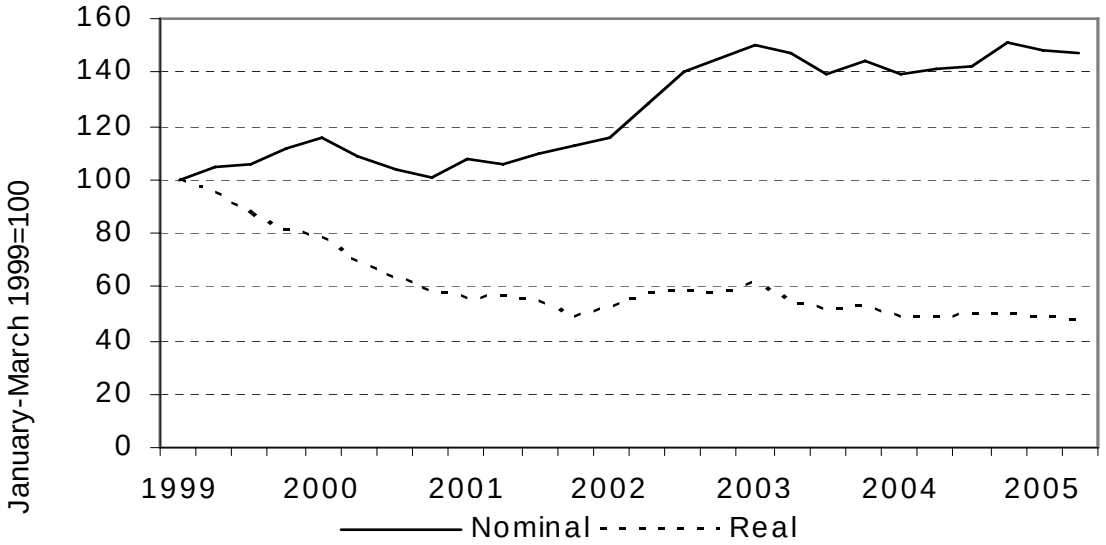
Figure E-3
Exchange rates: Indices of the nominal and real exchange rates between the Norwegian Krone and the Japanese Yen, by quarters, January 1999-June 2005



Note.– A rising trend indicates the krone is appreciating against the yen.

Source: International Monetary Fund, *International Financial Statistics*, November 2005 (downloaded from imfstatistics.org)**.**

Figure E-4
Exchange rates: Indices of the nominal and real exchange rates between the Norwegian Krone and the Russian Rouble, by quarters, January 1999-June 2005



Note.– A rising trend indicates the krone is appreciating against the rouble.

Source: International Monetary Fund, *International Financial Statistics*, November 2005 (downloaded from imfstatistics.org)**.**

APPENDIX F

PRICING DATA BY CHANNELS OF DISTRIBUTION

Table F-1
Atlantic salmon: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 1, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-June 2005

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Table F-2
Atlantic salmon: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 2, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-June 2005

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Table F-3
Atlantic salmon: Weighted-average f.o.b. prices and quantities as reported by U.S. producers and importers of product 3, with margins of underselling/(overselling) for sales prices, by quarters, January 1999-June 2005

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