CASE STUDY: CRAWFISH

Introduction

In September of 1996, the Crawfish Processors Alliance filed an antidumping petition claiming that Chinese producers were exporting crawfish tail meat at below normal values, and these imports were materially injuring the U.S. crawfish industry. One year later, the two agencies charged with administering U.S. antidumping law, the U.S. International Trade Commission (ITC) and Department of Commerce (DOC) agreed, and dumping duties were imposed on all imports of crawfish tail meat from China. The duties continue to this day.

Background: U.S. Crawfish Market

Over 90 percent of U.S. consumption and production of crawfish occurs in Louisiana. Approximately 1,500 producers operate crawfish aquaculture operations in the state; aquaculture operations produced between 16 to 28 thousand metric tons of crawfish per year during the 1990s. The remainder of U.S. crawfish production is produced by capture fisheries that rely on the seasonally flooded natural river systems. Variation in the capture supply can be traced to fluctuating water levels, while aquaculture producers alter production based on market conditions. Crawfish aquaculture is heavily tied to rice production; crawfish is often grown in rotation with rice or double cropped with rice.¹

U.S. crawfish are in-season between January and June, although some crawfish continues to be produced during the remainder of the year. As a result, U.S. producers sell primarily fresh crawfish during the in-season and frozen crawfish during the off-season, between July and December.

In the United States, about 13 percent of U.S. crawfish production is processed into tail meat by blanching whole crawfish and separating the tail meat into bags for distribution. At the time of the antidumping investigation there were approximately 47 crawfish processors in the United States, all but one located in Louisiana. These processors tended to be small, family-run operations with annual sales ranging between $350,000 and $500,000.² Until the mid-1990s, U.S. crawfish processors faced virtually no import competition. However, in 1994 China began exporting crawfish tail meat to the United States. Within one year China gained a 58 percent market share in the processed tail meat market. Within three years, China had gained an 87 percent market share.³ Crawfish from the two countries is similar but not identical; while most U.S. tail meat is sold fresh with the fat still on, Chinese tail meat typically enters the U.S. market frozen without fat.⁴

¹ Roberts, pg. 1.
² USITC (1997).
⁴ Crawfish “fat” is actually its hepatopancreas, a digestive organ that some consumers prefer because it imparts flavor to the crawfish.
Between 1994 and 1996, the period leading up to the antidumping investigation, domestically produced crawfish tail meat was typically sold between $3.75 to $8.91 per pound, while Chinese imports of frozen tail meat was much cheaper at anywhere from $2.43 to $4.25 per pound. During this time, apparent U.S. consumption of crawfish increased. Although typically consumers are willing to pay more for fresh, domestically-produced meat, the Crawfish Processors Alliance claimed in their antidumping petition that the low Chinese prices were putting downward pressure on domestic prices and, thus, profit margins. Rather than lower prices, domestic producers chose to decrease output in an effort to maintain profit margins. However, it should be noted that domestic producers were also hampered during this time period by adverse weather conditions which reduced the crawfish harvest of 1995 and 1996. As a result, the price of live crawfish increased.

As can be seen in Figure [1], Chinese imports of crawfish tail meat did increase dramatically between 1994 and 1996—up nearly 57 percent during the two years. And, as demonstrated in Figure [2], the average import price per kilogram fell over 50 percent between 1995 and 1996.

Figure I

U.S. Imports of Crawfish

Source: U.S. Census Bureau

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5 Crawfish tail meat processors stated during the investigation that their prices were primarily determined by cost considerations, or the cost of live crawfish, rather than demand conditions. Thus, they were unable to lower prices.
The Antidumping Case

The Crawfish Processors Alliance, a processor and distributor funded organization formed in 1996, evaluated a variety of trade remedies prior to filing the antidumping petition, including a petition requesting protection from a surge in imports known as a safeguard or Section 201 petition. However, the Alliance feared that the safeguard petition had less probability of success. Therefore the Alliance filed an antidumping petition on September 20, 1996 requesting that antidumping tariffs be imposed on imports of crawfish tail meat from China which were being sold at less than fair value and causing material injury to domestic producers.

The Department of Commerce released its preliminary estimates of dumping margins on March 26, 1997. Under U.S. antidumping law, all cases involving China are treated under special procedures governing non-market economies. Under these procedures, the factors of production used by the Chinese producers are valued in a surrogate market economy. The DOC chooses a surrogate economy at a similar level of development to China that produces the product in country. In this case, the DOC chose Spain as the surrogate economy to evaluate crawfish costs because it was one of the few countries that produced crawfish. It chose India to evaluate other costs because it had a significant

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6 Roberts, pg. 2.
processed seafood industry. The DOC analyzed costs of the six largest crawfish processors in China; normal values were calculated for the six largest producers by valuing the factors of production used by these firms using prices in the surrogate countries. These normal values were then compared to the U.S. export prices. On August 1, 1997, the DOC released the slightly revised final margins, which are presented in Table I.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Initial Dumping Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Everbright Trading Co.</td>
<td>156.77</td>
</tr>
<tr>
<td>Binzhou Prefecture Foodstuffs</td>
<td>119.39</td>
</tr>
<tr>
<td>Huaiyin Foreign Trade Corp.</td>
<td>91.50</td>
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<tr>
<td>Yancheng Foreign Trade Corp.</td>
<td>108.05</td>
</tr>
<tr>
<td>Jiangsu Cereals, Oils &amp; Foodstuffs</td>
<td>122.92</td>
</tr>
<tr>
<td>Yancheng Baolong Aquatic Foods</td>
<td>122.92</td>
</tr>
<tr>
<td>Anhui Cereals, Oils and Foodstuffs</td>
<td>122.92</td>
</tr>
<tr>
<td>Nantong Delu Aquatic Food Co.</td>
<td>122.92</td>
</tr>
<tr>
<td>China-wide Rate</td>
<td>201.63</td>
</tr>
</tbody>
</table>

On August 29, 1997, the ITC made its final determination that imports from China were causing material injury to the domestic industry, thus paving the way for the permanent imposition of the dumping margins set by the DOC.\(^7\) Note that in making this determination, the ITC defined the domestic industry only as crawfish processors and not crawfish producers.\(^8\) The final determination noted that ITC Commissioner’s were not persuaded that weather conditions had caused injury to the domestic industry. Instead, they found that low-price imports from China prohibited domestic producers from raising prices to compensate for the increasing price of live crawfish, thus forcing producers to reduce sales volume.

**Case Outcome**

Following the imposition of antidumping duties, there were a number of accusations that Chinese producers were avoiding the extra duties. Following the ruling, Singapore became a major exporter of an identical product despite the fact that there were no crawfish production facilities in Singapore. Following an investigation, the United States determined that the Singapore exporter should be subject to the same duty as the product was in fact coming from China. Even after this investigation, U.S. Customs reportedly had difficulty collecting the dumping duties from Chinese producers because of discrepancies between the U.S. sales price of the product and the average entry value.

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\(^7\) The ITC made a preliminary affirmative injury determination on November 7, 1996.

\(^8\) In agriculture cases, the ITC must decide whether to include growers of the raw agriculture input in the definition of the domestic industry. The growers are included if the processed product is produced from the raw product in a single continuous line of production and there is a “substantial coincidence” of economic interests between growers and processors.
reported to U.S. Customs. In 2002, the DOC directed Customs to collect the dumping
duties on a per kilogram basis in an effort to correct this problem.

Despite the duties, imports of crawfish tail meat from China have continued to grow, as
can be seen in Figure [1]. Imports fell in 1999 and 2000, which could have been caused
by a drought in China and investigations into contaminants in the Chinese product. Pre-
dumping duty import prices did not rise significantly until 2001. The plight of U.S.
crawfish processors did not seem to improve. By 2002, only 42 U.S. processors
responded to ITC requests for information regarding the health of the industry compared
to 47 in the original investigation. Although U.S. consumption reached its lowest point
in 1997 and peaked in 2001, U.S. producer’s market share peaked in 1997 and reached its
lowest point in 2001. This was in part due to extremely low crawfish harvest in the

However, domestic crawfish producers definitely benefited from the antidumping duties
even if they did not help the United States regain lost market share. Because of a new
U.S. statute known formally as the Continued Dumping and Subsidy Offset Act, or
informally as the Byrd Amendment, U.S. crawfish processors collected $7.5 million in
refunded antidumping duties in FY2002, $9.8 million in FY2003, and $8.2 million in
FY2004.9 To put this value in perspective, the ITC reported that U.S. shipments of
crawfish tail meat ranged from $2.6 to $10.8 million between 1997 and 2002. Because of
Byrd Amendment receipts, domestic crawfish producers posted a profit for the first time
in at least five years in 2002.

Between 1997 and 2002, the DOC periodically reviewed the duties in administrative and
new shipper reviews. During some of these reviews, DOC found that certain shippers
had absorbed the entire dumping margin, or raised prices, so that dumping duties no
longer had to be charged to these firms.10 On August 2, 2002, the International Trade
Commission initiated a five-year review of the crawfish antidumping duty, known as a
sunset review, as required under the World Trade Organization (WTO). On December 6,
2002, the DOC determined that revocation of the duties would lead to a recurrence of
dumping by Chinese producers, and recommended the same antidumping duties as the
initial investigation as reported in Table I. On July 15, 2003, the ITC determined that
revocation of the duties would lead to a recurrence of injury, thus the antidumping duties
remain in place today.

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9 The Byrd Amendment distributes antidumping duties collected due to a successful antidumping petition
to firms that supported the initial petition and continue to produce the product in question. The WTO has
ruled that the Byrd Amendment violates U.S. obligations under the WTO, therefore it is unclear what will
happen to this current source of revenue.

10 For example, in 1999 DOC found that Ningbo Nanlian Frozen Foods no longer had to pay the dumping
duties. This was followed by an additional Chinese firm in 2000, five firms in 2001, and one firm in 2002.
Other new shippers were assigned various dumping margins. During this time period, however, the China-
wide rate remained the same.
References

