CASE STUDY: FROZEN FISH FILLETS

Introduction

In June, 2002, the coalition Catfish Farmers of America (CFA) and eight individual U.S. catfish processors filed an antidumping petition with the Department of Commerce (DOC) and International Trade Commission (ITC) claiming that producers from Vietnam were selling frozen fish fillets in the United States at less than fair value, and these imports were causing material injury or threatening to cause material injury to the domestic industry.1 The ITC determined that the catfish fillet industry in the United States was materially injured by imports from Vietnam, which were found by the DOC to be sold in the United States at less than fair value. Antidumping duties have been imposed on U.S. imports of certain frozen fish fillets from Vietnam since that time.

Background: The U.S. Catfish Industry

The farm-raised catfish industry is the largest aquaculture industry in the United States, accounting for more than 80 percent by volume and 60 percent by value of total U.S. aquaculture production of fish in 1999.2 In 1970, U.S. catfish farmers produced only 5.7 million pounds of catfish; however, by 2001 the production output reached 597 million pounds.

There are more than 1,000 catfish farms in the United States, primarily located in the Southeastern states such as Mississippi, Alabama, Arkansas, and Louisiana. Catfish farmers sell over 90 percent of their live catfish to processors, while the rest is sold to local fresh seafood markets. There are approximately 25 domestic processors of catfish; these firms process only catfish and thus completely depend on catfish farmers for their input.3 Hence, catfish farmers and processors are highly interdependent. Several of the processors are owned by catfish farms.

In the United States, catfish are raised in man-made, earthen ponds year-round and receive daily feedings. It takes approximately 10 weeks for catfish to reach between 0.75 pounds and 3 pounds; at this point the catfish are harvested and transported live in tank trucks to processors.4 To produce frozen fish fillets, the catfish are deheaded, eviscerated, skinned, and filleted in the processing plants. After chilling and sorting by weight, the fillets are typically individually quick frozen by reducing the temperature of the fish from 32 degrees Fahrenheit to 15 degrees Fahrenheit in less than 30 minutes; this process retains the original fresh fish quality. Finally, the fish fillets are packed

1 The Catfish Farmers of America is a trade association representing a number of catfish farmers and processors, primarily located in Mississippi, Louisiana, Alabama, and Arkansas. The other eight individual U.S. catfish processors who participated in the petition included America’s Catch, ConFish, Delta Pride, Harvest Select, Heartland Catfish, Pride of the Pond, Simmons, and Southern Pride.
2 ITC (2003).
3 Catfish products are not limited to frozen fillets; processors also process fresh fillets, fresh and frozen whole fish, dressed fish, steaks, and nuggets.
4 Some individual farms may harvest only 2 or 3 times annually.
according to size and then shipped. On average, frozen fish fillets account for 24 percent of the weight of the live catfish being processed, while other catfish products account for 26 percent and the remaining 50 percent is sold as byproduct that can be processed into fish meal, fertilizer, or fish oil.

In contrast, the frozen fish fillets imported from Vietnam belong to the Pangasius family and are usually called “basa” and “tra” fillets by Vietnamese. Basa and tra are raised in cages in the Mekong River in Vietnam, particularly concentrated in the Delta region. At harvest, they are transported downriver in cage boats to processing facilities to produce frozen fish fillets. Unlike U.S. catfish processors, Vietnamese processors also process other types of fish and seafood other than frozen basa and tra fillets.

Basa, tra and domestic catfish are all freshwater white fish, and the fish fillets are typically individually quick frozen. When frozen, they all have similar appearance, texture, a neutral or mild flavor, and prices. Domestic catfish fillets and imported basa and tra fillets are viewed as comparable products and can be used interchangeably. In the period leading up to the antidumping petition, frozen basa and tra fillets from Vietnam were even labeled as “catfish” and sold in the U.S. market until a new labeling law was instituted in January 2002. Frozen fish fillets are primarily distributed to the food service industry and restaurants.

Catfish was the fifth most popular seafood consumed in the United States in 2000. Farm-raised catfish are low in fat, cholesterol, and calories but high in protein, vitamins, and minerals. They also have no fishy smell, no small bones, and can be cooked in many different recipes. U.S. demand for frozen fillets of catfish, basa and tra has increased over time. U.S. consumption rose 24.1 percent, from 148.1 million pounds to 184.2 million pounds, between 2000 and 2002 alone. To meet the growing U.S. demand, domestic catfish processors expanded capacity by 12.8 percent between 2000 and 2002, from 150.6 million pounds to 169.9 million pounds.

As the only country exporting frozen basa and tra fillets, Vietnam has been able to increase the quantity of its exports to the United States rapidly and significantly since 2000. Prior to the antidumping petition, the quantity of frozen fish fillets imported from Vietnam rose from 12.5 million pounds in 2000 to 36.0 million pounds in 2002, an increased of 187.4 percent, as illustrated in Figure [1]. The value of Vietnamese imports increased 127.5 percent during this same period, from $23.5 million to $53.3 million. Consequently, Vietnam’s share of the U.S. market for frozen fish fillets increased from 8.4 percent to 19.6 percent while domestic producers’ market share decreased from 90.7 to 80.1 percent between 2000 and 2002. This rapid increase in imports of fish fillets from Vietnam may be due in part to the implementation of a bilateral trade agreement between Vietnam and the United States in 2000. The agreement eliminated the import tariff on Vietnamese frozen fish fillets.

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5 Vietnam was subject to a trade embargo by the United States from 1975 until 1994, therefore U.S. trade with Vietnam was limited prior to 1994. Vietnam began to export frozen basa and tra fillets to the United States in 1996 following normalization in relation between the two countries.
As illustrated in Figure [2], despite increasing demand in the United States the average import price of frozen fish fillets from Vietnam decreased from $3.45 per kilogram in 2000 to $2.83 per kilogram in 2001, and then increased slightly to $2.97 per kilogram in 2002. Average prices for the domestic frozen catfish fillets also declined in the period leading up to the antidumping petition, from $2.88 per pound in March and April of 2000 to $2.37 per pound over the same period in 2002. The ITC noted during the investigation that Vietnam’s producers were able to remain profitable at these lower prices because labor and other input costs are much less expensive in Vietnam when compared to U.S. production costs.

Figure 1

Imports of Certain Frozen Fish Fillets

Source: U.S. Census Bureau.

Although the domestic catfish industry’s processing capacity expanded in the period leading up to the antidumping petition, the domestic industry’s output had a net increase of only 0.2 percent between 2000 and 2002, rising from 108.3 million pounds to 108.5 million pounds; the quantity of U.S. shipments grew only 3.6 percent during this period. As a result, the domestic industry’s capacity utilization rate decreased significantly. As average prices for the domestic frozen catfish fillets fell and production stagnated, net sales values declined as well, from $274.7 million in 2000 to $223.6 million in 2002, a decrease of 18.6 percent. Although catfish processors were able to reduce their whole fish input cost, which is about two-thirds of the total production costs, lower costs were insufficient to compensate for declining prices.6 Consequently, the ratio of domestic

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6 The average price of whole catfish declined between 2000 and 2002 due to an increase in the catfish production prompted by the declining price of feed.
industry’s operating income to net sales declined from 2.3 percent in 2000 to 0.1 percent in 2002. In addition, the domestic industry’s employment levels fell. Between 2000 and 2002, the number of production and related workers declined by 13.3 percent.

**Figure 2**

Average Import Price of Frozen Fish Fillets from Vietnam
(Calculated Unit Price per Kilogram)

![Average Import Price of Frozen Fish Fillets from Vietnam](image)

Source: U.S. Census Bureau.

**The Antidumping Petition**

On June 28, 2002, the coalition Catfish Farmers of America (CFA) and a number of individual U.S. catfish processors filed an antidumping petition claiming that producers from Vietnam were selling certain frozen fish fillets in the United States at less than fair value, and these imports were causing or threatening to cause material injury to the domestic industry.

As noted in the ITC investigation report, the petition requested that antidumping duties be imposed on “frozen fish fillets, including regular, shank, and strip fillets and portions thereof, whether or not breaded or marinated, of the species *Pangasius Bocourti*, *Pangasius Hypophthalmus* (also known as *Pangasius Pangasius*), and *Pangasius Micronemus*.” As noted above, these products are more commonly referred to as frozen basa and tra fillets. The ITC defined the domestic industry as domestic processors of frozen catfish fillets, whether or not breaded or marinated; catfish farmers were not included in the definition of domestic industry.

On January 31, 2003, the DOC released its preliminary determination that certain frozen fish fillets from Vietnam were being sold in the United States at less than fair value.
Temporary antidumping tariffs ranging from 37.94 percent to 63.88 percent were imposed through June 23, 2003, when the DOC released its final affirmative determination. The final weighted-average dumping margins, which ranged from 36.84 to 63.88 percent, are presented in Table I.

Table I
Weighted-Average Dumping Margin

<table>
<thead>
<tr>
<th>Producer/Exporter</th>
<th>Weighted-Average Margin (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agifish</td>
<td>44.76</td>
</tr>
<tr>
<td>Vinh Hoan</td>
<td>36.84</td>
</tr>
<tr>
<td>Nam Viet</td>
<td>52.90</td>
</tr>
<tr>
<td>CATA CO</td>
<td>45.55</td>
</tr>
<tr>
<td>Afiex</td>
<td>44.66</td>
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<tr>
<td>CAFATEX</td>
<td>44.66</td>
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<tr>
<td>Da Dang</td>
<td>44.66</td>
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<tr>
<td>Mekonimex</td>
<td>44.66</td>
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<tr>
<td>QVD</td>
<td>44.66</td>
</tr>
<tr>
<td>Viet Hai</td>
<td>44.66</td>
</tr>
<tr>
<td>Vinh Long</td>
<td>44.66</td>
</tr>
<tr>
<td>Vietnam-Wide (all others)</td>
<td>63.88</td>
</tr>
</tbody>
</table>

The DOC typically calculates the dumping margin as the average difference between the average normal value over the investigation period and export prices associated with individual transactions. The DOC determined during their investigation that Vietnam should be treated as a non-market economy under U.S. antidumping law. Under these non-market economy procedures, normal value is calculated based on the cost of production in Vietnam but the factors of production used by the Vietnamese producers are valued in an appropriate surrogate market economy that produces the product in question and is at similar level of development to Vietnam. The DOC chose Bangladesh as the primary surrogate economy to evaluate the cost of frozen fish fillets production, which is primarily the cost of live fish input in Vietnam. Hence, Vietnam’s normal value was calculated using the cost of Vietnamese producer’s factors of production valued at the prices for these factors in Bangladesh. When Bangladesh values were not available the DOC used data from India instead.

In August, 2003, after considering the volume of the dumped imports, the effect of imports on domestic prices, and the total impact on the domestic catfish fillet producers, the ITC determined that the domestic processors of frozen catfish fillets were materially injured by imports of frozen fish fillets from Vietnam. As a result more permanent antidumping duties were imposed on Vietnamese imports of frozen fish fillets, thus eliminating the free trade advantage that resulted from the bilateral trade agreement with the United States.

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7 The period of investigation is from October 1, 2001, through March 31, 2002.
The Case Outcome

U.S. antidumping investigation had a devastating effect on Vietnamese frozen fish fillet exports to the United States; the volume of imports from Vietnam dropped considerably from 6.6 million pounds in the first quarter of 2002 to 2.3 million pounds in the first quarter of 2003. The decrease in imports benefited the domestic industry. The quantity sold, net sales value, and unit net sales value of domestic frozen catfish fillets increased in the first quarter of 2003 compared to the same period in 2002. The operating income of domestic industry also rose slightly.

According to U.S. trade statistics, despite the imposition of antidumping duties, the United States has remained the main export market for Vietnamese frozen basa and tra fillets. Although imports from Vietnam declined in 2003, they rose rapidly in 2004 and exceeded 2002 levels, as seen in Figure [1]. With the imposition of the dumping duties, the average unit import price increased, from $2.89 per kilogram in 2003 to $3.21 in 2004, as illustrated in Figure [2].

References

http://www.networkideas.org/themes/trade/s.ep2003/tp04_Catfish.htm