CASE STUDY: MUSSELS

Introduction

In March of 2001, Great Eastern Mussel Farms filed an antidumping petition claiming that Canadian producers were exporting live, processed blue mussels at below normal values, and these imports were materially injuring the firm, which at the time claimed to be the only U.S. processor of blue mussels. Although the U.S. International Trade Commission (ITC) and Department of Commerce (DOC) made preliminary determinations that dumped imports were indeed injuring the industry, the firm withdrew its petition prior to the final imposition of antidumping duties citing improved market conditions.

Background: North American Mussel Industry

Blue mussels are similar to clams but dark blue or black in color. Although various species of mussels are found around the world, the blue mussel species consumed in the United States is produced primarily in the coastal areas of Northeastern United States and Eastern Canada. In the United States, production is concentrated in Maine and Massachusetts, while in Canada most production occurs on Prince Edward Island.

Mussels can be produced either through aquaculture (farming) or harvesting in the wild. Most wild mussels are harvested by commercial fisheries of various sizes. In the period leading up to the antidumping petition, U.S. wild mussel production was in a period of continuous decline and Canada had virtually no wild mussel production. The farming of mussels in both the United States and Canada began in the late 1970s. Great Eastern Mussel Farms produces mussels using a bottom culture technique; Canadian producers typically use a rope culture technique. Some argue that the former produces mussels with a thicker shell and a lower proportion of edible meat, or mussels of a lower quality.

The market share of wild, unprocessed mussels in the U.S. blue mussel market declined steadily in the 1990s from about 50 percent of all blue mussels sold in the U.S. market to about 20 percent. Therefore, once harvested most mussels are processed in a variety of ways. For example, water is channeled past the mussel to remove sand and grit from the body in a process known as purging. Mussels are often “debearded,” a process which involves the removal of a thread that mussels use to attach themselves to rocks, and picked through to remove any dead or broken mussels from the batch. At the time of the antidumping investigation, the ITC identified four U.S. processors of mussels. These firms processed both farmed mussels and those from Maine fishermen.

Expansion of the U.S. mussel industry has been constrained for a number of reasons. Firms face high costs of complying with regulations issued by various government entities and managing shellfish disease. Firms also face opposition to new lease sites for

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1 USITC, pg. III-1.
mussel aquaculture, while many potentially valuable shellfish harvesting sites have been closed by state regulating authorities.²

In the period leading up the antidumping petition, U.S. demand for mussels grew steadily due to increased popularity of seafood in general and the relative low price of mussels in particular. In fact, Canadian producers argued during the antidumping investigation that U.S. producers could not meet the growing demand for mussels. Nevertheless, Great Eastern found itself in a period of economic hardship in 2000. Although the quantity and value of shipments increased between 1998 and 1999, the quantity and value of shipments decreased between 1999 and 2000. As can be seen in Figure I, U.S. imports of mussels from Canada increased significantly between 1998 and 2000, up 31.8 percent in the two years.

![Figure I](image-url)

**Figure I**

U.S. Imports of Mussels

Note that New Zealand produces a different variety of mussels that were not subject to the antidumping petition. Source: U.S. Census Bureau.

Typically, Canadian mussels sell at a higher price than the mussels produced by Great Eastern because of quality differentials. In the fall of 2000, however, a price war between Prince Edward Island producers significantly reduced prices of Canadian mussels in both the Canadian and U.S. market, as illustrated in Figure II. Prices fell as low as 70 cents per pound in some cities, about the price of the bottom-cultured mussels

² USITC, pg. III-2.
produced by Great Eastern. Several U.S. mussel consumers claimed that they began to purchase Canadian mussels because of their superior quality rather than price differential, although it is likely that the lack of a price differential played a role in this decision.

Figure II

U.S. Imports of Mussels from Canada
Average Price per Kilogram

Source: U.S. Census Bureau

The Antidumping Case

On March 12, 2001, Great Eastern Mussel Farms, Inc. filed an antidumping petition claiming that live processed blue mussels from Canada were being sold, or were likely to be sold, in the United States at less than fair value. Moreover, these imports were causing material injury, or at least threatening to cause material injury, to the domestic mussel industry.

On April 25, 2001, the ITC made a preliminary determination that there was reasonable indication that the U.S. mussel industry was threatened with materially injury due to imports from Canada. In making this determination, the ITC considered a number of important, and in some cases controversial, factors. For example, the ITC must define a “domestic like product” for each petition, or the product that is most similar to the imported product. This definition affects a number of characteristics considered by the ITC in their injury determination, such as the market share of the country under investigation. Great Eastern argued that the “like” product should exclude wild, unprocessed mussels. However, Canadian producers balked at this request, noting that there are commercial fisheries in the United States that produce mussels that are
processed by both Great Eastern and others, although Canada has no such commercial fisheries.

The ITC agreed with the petitioner, and limited the scope of the investigation to processed mussels, thus the domestic industry was limited to mussel processors and did not include mussel fisheries. The ITC further found that due to Canada’s recent increased production and exports to the United States, there was a reasonable indication that the volume of U.S. imports would continue to rise and suppress U.S. prices. Therefore, the financial performance of the domestic industry would continue to decline and materially injure the domestic industry in the imminent future.

On October 17, 2001, the DOC released its preliminary determination that mussels were being sold in the United States at less than fair value. Dumping margins for specific Canadian producers are presented in Table I. Although Great Eastern alleged that Canadian firms were selling blue mussels at prices less than their cost of production, the DOC investigation revealed that only two companies had more than 20 percent of their sales at less than their cost of production. Therefore, the below cost sales for these two firms were excluded in calculating the normal value. The normal value in this case was determined based on the prices charged by the companies under investigation in the Canadian market, and this normal value was compared to an adjusted export price. Following the affirmative determination by the DOC, the DOC directed U.S. Customs to collect a cash deposit or posting of a bond equal to the amount of the dumping margin on all imports from all Canadian producers.

### Table I
Preliminary Antidumping Margin Determination

<table>
<thead>
<tr>
<th>Firm</th>
<th>Preliminary Antidumping Margin</th>
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<tbody>
<tr>
<td>Atlantic Aqua Farms, Inc.</td>
<td>0.00</td>
</tr>
<tr>
<td>Confederation Cove, Inc.</td>
<td>4.70</td>
</tr>
<tr>
<td>Prince Edward Aqua Farms, Inc.</td>
<td>3.48</td>
</tr>
<tr>
<td>PEI Mussel King, Inc.</td>
<td>0.00</td>
</tr>
<tr>
<td>All Others</td>
<td>4.33</td>
</tr>
</tbody>
</table>

Case Outcome

The price war in Prince Edward Island apparently ended in 2001. In May and October of 2001, Prince Edward Island producers initiated two price increases that brought the price of mussels back to 80 to 90 cents per pound. Moreover, following the ITC and DOC decisions in 2001, Great Eastern’s sales increased 18 percent over its sales in 2000. Prices continued to climb throughout 2002, as did sales by Great Eastern.

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3 Under U.S. antidumping law, if more than 20 percent of a firm’s home market sales are made at below the cost of production, than these sales must be excluded for the purpose of determining the product’s normal value.
On January 7, 2002, Great Eastern sent a letter to the Department of Commerce withdrawing its petition. The letter stated that due to improved market conditions, the antidumping investigation was no longer needed. The DOC notified all interested parties of its intent to terminate the investigation, and receiving no objection terminated the investigation on January 20, 2002. At the time officials at Great Eastern stated, “Why spend a lot of time and money when you already got what you wanted” in reference to the recent price increases.4

Producers from Prince Edward Island claimed that the price increase was unrelated to the antidumping petition. Instead, mussel production on the Island began to slow due to capacity constraints.5 Shortly after the termination of the antidumping petition, the Canadian mussel industry was hit with a shell fish disease that further repressed production and increased prices in 2002.

Press reports indicated that Great Eastern and Canadian mussel producers each prepared approximately $100,000 on the antidumping petition.6

References


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4 Hedlund.
5 Hedlund.
6 “Great Eastern withdraws its antidumping petition.”