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The US Lamb Tariffs - Why they were imposed
and what action was taken to prevent them

S Lamb Tariffs



Why they were imposed and what action was taken to prevent them

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Executive Summary

The imposition of tariffs and quotas by the United States on lamb imports into that country in July 1999, was the culmination of strong lobbying and political pressure from an inefficient domestic industry seeking protection.

Claims by the US sheep industry that lamb imports – mainly from New Zealand and Australia – are threatening its survival are not realistic. Consumption of lamb in the US has been steadily declining for more than 50 years and the fortunes of its sheep industry have followed suit.

New Zealand and Australian lamb imports have not caused the decline in lamb consumption by the American consumer or the progressive demise of the US sheep industry.

In fact, New Zealand and Australian imports have stopped lamb from disappearing off US supermarket shelves completely. The success of lamb imports have probably kept the dwindling number of American sheep farmers in business, although they will never admit to this.

Despite strong support, technically and financially, over the years from both the New Zealand and Australian industry, US sheep farmers still blame lamb imports for the inevitable – most likely irreversible – decline in their livelihoods.

In an effort to prevent restrictions being imposed on lamb imports another offer of assistance was made to the US lamb industry by Australia and New Zealand. This proposal included an annual contribution of \$US1.5 million over four years to help promote and lift the profile of lamb to US consumers, Technical advice was also offered to the US sheep industry.

However, this offer was rejected by the US industry, which viewed it as an attempt to prevent it seeking governmental protection for their industry.

To this end, the US sheep industry applied an enormous amount of domestic political pressure to have restrictions imposed against lamb imports. These efforts have been fanned by a growing tide of protectionism sweeping across many industries in the US,

This prevailing protectionist attitude in the US and the way its political process is structured meant that -- in the end -- probably no amount of lobbying or political pressure exerted by New Zealand and Australia could have avoided the restrictions being put in place against lamb imports into the United States.

Introduction

This project looks at why the United States imposed sanctions against New Zealand and Australian lamb imports – despite strong and intense lobbying to prevent such action.

It will outline why US lamb producers wanted their Government to take action against competing New Zealand and Australian imports, and if they had justification to have the sanctions imposed.

It will also reveal what action and steps were taken – by Meat New Zealand, the Government and others – to prevent tariffs been imposed on our lamb exports to the US.

It also intends to show that, in the end, the decision to impose tariffs on Australasian imports was not based on any real – or even perceived – threat to US domestic lamb industry, but was nothing more than a political decision to curry favour with rural voters in America's mid west.

The structure of the report is broken down into four main areas:

- The US argument for sanctions – A rundown of the case and evidence provided by American lamb producers for imposing tariffs.
- New Zealand's lobbying effort – What action Meat New Zealand, the Government and others did to prevent trade sanctions being imposed on our lamb exports to the US, and why it – ultimately – failed.
- Reaction to the final outcome – The response to the restrictions placed on lamb exports to the US in New Zealand and the truth behind claims of dumping by New Zealand meat companies.
- Conclusions – A brief summary of US lamb safeguard case and what I discovered in completing this project.

The facts and information I have used to research this project have come from a wide variety of sources including – numerous newspaper articles, media releases, trade information, personal interviews and Meat New Zealand reports. While I have endeavoured to be as thorough as possible, Meat New Zealand provided much of the official information and therefore those reading this report should be aware of this fact.

I would like to acknowledge the assistance of Meat New Zealand staff and di-

rectors who helped with information, answered my queries and made themselves available for interviews in the completion of this project.

I would also like to thank the publishers of Rural News for allowing me to reproduce parts of articles that have appeared in that newspaper, as either references or information sources, in relation to this project.

I am also grateful to Rural News, as my employer, for allowing me the time off work to participate in the Kellogg Rural Leadership Programme and providing the company's resources at my disposal to help me complete this project.

-1- The US argument for sanctions

In July 1999, after more than a month's deliberation and delay, United States president Bill Clinton imposed a safe guard action on all lamb imports into that country.

He set a quota threshold at the 1998 level of imports (14,500 tonnes for New Zealand -- refer to graph on page 25), which incurred a nine per cent tariff (falling to three per cent over three years). He also imposed an above quota tariff of 40 per cent (declining to 24 per cent over three years).

While the tariff and quota applied all lamb imports into the US, in reality, New Zealand and Australia – with around 90 per cent of the imported lamb market into America – were the main targets for the sanctions.

-1a- The lead-up to the American action

As far back as July 1998, the American Sheep Industry Association (ASIA) was putting pressure on the US Agriculture Secretary Dan Glickman to initiate a safe guard action against sheepmeat imports (1). In its request to Glickman, the ASIA referred to a loss of market share for domestic producers and a 400 per cent increase in lamb imports over the last three years – primarily from New Zealand and Australia.

The US sheep producers' complaint never suggested dumping or subsidies, but that too much lamb was being imported into the US and this was causing serious injury to the domestic industry (2).

The US International Trade Commission (ITC), a quasi-judicial body charged with deliberating over such trade issues, was established to carry out this investigation. For an action to be taken against lamb imports, the ITC investigation would have to show there was a serious injury to the domestic sheep industry and establish a link between the damage and the imports.

The New Zealand Meat Board (Meat New Zealand), while taking the threat of action seriously, did not believe the Americans had a case. It argued that the US sheep industry had been in severe decline for decades and that imported lamb was helping to keep the product visible in the market. It pointed out that while New Zealand and Australia provided about one third of the lamb sold in the US market, domestic consumption of lamb was barely 0.5 kg per head of population a year.

Whereas, consumption of other meats – such as pork and chicken – exceeds 20 kg/head annually (3).

Despite its doubts over the ASIA's case, Meat New Zealand began assembling a team to prepare a submission to the ITC – should it accept that an investigation was warranted.

-1b - US Industry petition

On October 7, 1998, the ITC accepted ASIA's case for an investigation. The US sheep industry had presented a petition under Section 201 of the United States Trade Act 1974, claiming serious injury to the domestic industry as a result of increased imports of lamb (4).

The US industry did not allege dumping, as relief under Section 201 is not based on unfair trade practices. It is, however, a vehicle for providing temporary relief (for up to four years and extending to eight), to allow the domestic industry breathing space to become more competitive with fairly traded imports.

The filing of the petition was viewed as the culmination of a long-standing desire by sections of the US lamb industry, notably the ASIA, to restrict imports. In the past, the ASIA had succeeded in getting the ITC to review the impact of imports on the domestic market, most recently in 1995. However, it is believed the substantial increase in Australian and New Zealand imports from 1995-1998 [refer to the graph on page 25] led to the filing of the Section 201 petition.

Trade Minister Lockwood Smith said, at the time the petition was filed, that the New Zealand government would oppose any moves by the US to introduce quotas or additional tariffs on lamb imports (5).

-1c- The ITC Phase

Following the filing of the petition, the ITC had to hold a public hearing within 120 days. If it ruled that serious injury had been caused to the US domestic industry by lamb imports a second hearing was required to be held within another 30 days – where the ITC would decide what action it would take. The ITC would then recommend to the US President what steps should be taken against the offending lamb imports (6).

As required by US law, the ITC did hold the two hearings.

The first, to establish whether there had been any serious injury, took place on

February 12 1999. The second, to address remedy, was held on February 25 1999.

Prior to the first hearing, Meat New Zealand and its attorneys were involved in preparation of the ITC questionnaires that formed the basis of the injury investigation (7).

In addition, back in Wellington, the Meat Board liaised with the New Zealand companies, which had been asked to complete exporter questionnaires. It also prepared comprehensive pre-hearing and post hearing briefings for submission to the ITC hearings.

The New Zealand Government submitted a paper to the ITC, which provided an overview of this country's unsubsidised agricultural sector and free trade environment. In addition, New Zealand's Ambassador to the US, Jim Bolger (8) appeared in support of the main New Zealand presentation to the ITC – which was, in the main, co-ordinated and presented by the Meat New Zealand team.

Expert witnesses were also invited to participate at the hearings to further support the New Zealand case. These included representatives from major importers (the New Zealand Lamb Company), retailers (Sam's Club) and restaurant operators (Outback Steakhouse). A major retailer of New Zealand lamb also wrote to the chairman of the ITC in support of the imported lamb position (9).

In mid February, the six commissioners, making up the ITC panel, announced a unanimous finding of 'threat' of injury, but not 'actual' injury. However, commentators believed the commissioners' unanimity on the 'threat' finding was extraordinary.

The final decision was thought to have represented a compromise. Between those on the panel who favoured a positive finding on actual injury and at least one or two commissioners who would have preferred a negative finding, but were prepared to be a party to the 'threat' finding in order to retain the right to participate in formulating the remedy recommendation.

On March 26, following further submissions and a public hearing on what action (remedy) should be taken against lamb imports, the ITC announced divided recommendations to the President (10).

All agreed in supporting government funding assistance for the US domestic lamb industry.

Meanwhile, a majority of the ITC panel – three out of six commissioners – recommended imposing a tariff, reducing from 20 to 10 per cent on all lamb imports that exceeded 1998 calendar year levels (this became known as the plurality

recommendation).

However, the remaining three commissioners recommended much tougher action be imposed against lamb imports. Two of them wanted substantial tariffs on all trade, while the other favoured a simple, quantitative restriction that would have reduced the volume of lamb imports into the US by about a third.

-2- The New Zealand lobbying effort

“Once the ITC has made its recommendation, the debate then becomes a political one,” Gerry Thompson, trade policy manager Meat New Zealand (11).

2a – Defending the case

Meat New Zealand took the decision, even before the ASIA’s petition was formally filed with the ITC, to strongly contest the arguments of the petitioners and to defend the case with the ITC.

It figured that the strongest possible legal defence would provide the best way of deterring any possible trade sanctions.

The need for strong involvement from Meat New Zealand was further underlined, when New Zealand government officials advised that because the US industry, and not the US government was taking the action, the New Zealand industry would have to organise and pay for the costs of responding to it (12).

Accordingly, during August of 1998, Meat New Zealand assembled a team of trade attorneys and economic consultants with Section 201 experience to prepare detailed submissions to the ITC.

New Zealand’s lead attorney was Ed Farrell, a lawyer with 25 years experience in trade cases. Also, three firms of specialised trade economic consultants were retained – with the costs of two of these firms being shared with Meat and Livestock Australia (The Australian body representing its meat industry).

2b – Interagency committee process

The recommendations from the ITC then passed on to an interagency committee, whose task was to review the ITC recommendations and make a report to President Clinton – taking into account other economic and political considerations.

The interagency committee, known as the Trade Policy Staff Committee (TPSC) taskforce was chaired by the US Trade Representative and included representation from the National Economic Council, Treasury, State Department, as well as members from the Labor, Commerce and Agriculture (USDA) departments.

Also at this stage, the New Zealand Government committed itself to an active role in lobbying the US administration against a decision to restrict imports of

lamb (13). However, the resources at the New Zealand embassy in Washington were limited.

Meat New Zealand decided to bring in specialist trade policy lawyers and lobbyists to tackle the US Congress and the individual agencies represented on the TPSC. It hired Hogan and Hartson – one of the leading international trade lobbying specialist firms in Washington.

The Hogan and Hartson team included Ambassador Clayton Yeutter, a former US Secretary of Agriculture and trade representative, as well as two senior partners Bert Puna and Randy Miller.

Puna co-ordinated contacts with Congress, while Miller – in conjunction with Ed Farrell – co-ordinated contact with the administration.

2c – Co-operation with Australia

As the threat of trade sanctions against lamb imports into the US, primarily affected New Zealand and Australian product – close liaison was kept with the Australians throughout the case (14).

From the early stages of the case, Meat New Zealand's Washington office liaised with closely with Meat and Livestock Australia. Close contact was also maintained with other companies and organisations opposing the petition. There was also contact between Meat New Zealand in Wellington and Meat and Livestock Australia in Sydney.

While this co-operation continued throughout the case and even extended to issuing joint press releases, the New Zealand and Australian meat bodies did not, formally, run a joint campaign. It was decided that two, separate, strong protests from New Zealand and Australia would relay to US officials how seriously both countries viewed the threat of trade sanctions.

Meanwhile, on a government to government basis, New Zealand and Australia, again, worked closely together.

This extended to regular ministerial contact between Canberra and Wellington, as well as joint presentations at different levels in Washington and other ministerial and trade forums throughout the world (15).

2d – Meat New Zealand's activity at home

While the majority of Meat New Zealand's efforts were focussed on activities

'at the sharp end' in the US, it was also carrying out a considerable amount of activity at home.

This was mainly in three areas: liaison with the Government; liaison and information supply to the industry; and with the media.

The Government liaison was established quickly and a good working relationship developed (16). Meat New Zealand commented and contributed to a Government background paper on New Zealand agriculture and the meat industry that was presented at the TPSC.

While, from the outset, it says a good relationship was developed with the embassy in Washington – where Ambassador Bolger led the charge.

Once the ITC's recommendations were sent to the President, the case entered the political phase and officials became more active. In Wellington, as in Washington, there was close consultation between Meat New Zealand and officials on each developing step in the case.

Trade Minister Lockwood Smith, anticipating the possible need for World Trade Organisation (WTO) action, had officials examine the facts of the case and the terms of the ITC injury finding and recommendations. By the time President Clinton announced his decision, this work was well advanced and enabled the Government to move quickly once it decided to take WTO action.

Meat New Zealand also sought to keep the industry informed of developments. At key stages of the case, all exporters of sheepmeat to the US were faxed information about the action. In addition, companies were invited to attend two briefing meetings at Meat New Zealand, with the second meeting attended by the board's lead trade attorney Ed Farrell.

Meat New Zealand in Wellington also handled the majority of media enquiries about the case. A number of directors – mainly the chairman – and senior executives participated in interviews about the US action.

2e – The offer of co-operation to the US sheep industry

In an effort to dissuade the TPSC from recommending tariffs or quotas on lamb imports to President Clinton, Meat New Zealand suggested that a specified, quantified offer of assistance of market development be made to the US domestic industry.

However, this was not a new idea. As far back as the 1960s and 70s, New Zea-

land had been involved with the US lamb industry in helping promote sheepmeat to consumers in that country.

In the 1980s the Lamb Information Promotion Council – was a jointly funded NZ-US body promoting lamb to US consumers. However, this was disbanded when the American sheep industry unilaterally pulled out of funding the project.

In 1997, Meat New Zealand – along with others – helped fund a long-range plan for the US sheep industry. However, the American industry did not like the outcome of the study, which suggested – among other things – the urgent need for scrapie disease (which is prevalent in the US sheep flock) to be eliminated.

In January 1998, the president of the National Lamb Feeders Association (NLFA) was brought to New Zealand, where technical co-operation and advice in sheep management was offered to the US sheep industry.

The latest offer of assistance to the US industry was a joint Australian and New Zealand effort. The proposal included an annual contribution of \$US1.5 million over four years – to be jointly funded by Meat New Zealand and Meat and Livestock Australia – to help promote lamb to US consumers as a high value, consumer friendly product (17). Technical assistance was – again – also offered.

Both the New Zealand and Australian governments welcomed the concept and promoted the idea in their lobbying efforts at governmental level.

However, the offer was rejected by both the ASIA and NFLA, who claimed it was ‘a thinly veiled attempt to de-rail its trade case’ (18). Although, it was well received by all of the agencies making up the TPSC (19).

2f – Lobbying efforts

After the ITC had made its recommendations ‘an extensive lobbying’ effort began (21).

Meat New Zealand, its consultants, the New Zealand embassy in Washington, together with the Australians – engaged in an extensive programme of lobbying with individual senators and congressmen; government departments and agencies (20).

During this time Meat New Zealand chairman, John Acland and chief executive, Neil Taylor visited Washington on separate occasions, to lobby different political and industry figures.

Neil Taylor was also present at the TPSC meeting held with the New Zealand

and Australian industry. While John Acland lobbied Capitol Hill, calling on many members of the Senate Agricultural Committee.

Also, prior to President Clinton making his final ruling, Meat New Zealand agreed to fund a visit to the US by then Federated Farmers' national president, Malcolm Bailey. The purpose of this visit was for him to meet with US farming leaders and sound out the willingness of the American sheep industry to move on its insistence on import restrictions.

However, while US farm leaders were willing to meet, they were equally unwilling to be budged on the question of import restrictions (22).

Meanwhile, furious lobbying was also taking part at a political and governmental level – between both Australia and New Zealand and the US.

Trade Minister Lockwood Smith, Ambassador Jim Bolger and various government officials also spent a great deal of time and effort trying to convince various US trade, government and political leaders about the negative effects import restrictions would have on the US's international reputation.

Even prime minister Jenny Shipley – albeit reluctantly and after much cajoling from industry leaders – contacted President Clinton directly and highlighted New Zealand's concerns over any restrictions being imposed on our lamb exports to the US (23).

2g – Presidential decision

On July 5 1999, one month after he was supposed to make a ruling (unprecedented before in such a case), President Clinton bowed to domestic political pressure and imposed heavy tariffs on Australian and New Zealand lamb imports.

However, he ignored the majority recommendation of the ITC – which proposed a 20 per cent tariff on increases on imports over 1998 volumes (14,500 tonnes in New Zealand's case) – and imposed tariffs on all imports [refer to graph page 25]. The decision saw a 9 per cent tariff levied on all lamb imports up to 1998's volumes, with the rate falling to 6 per cent in the second year and 3 per cent in the third – of the three-year arrangement.

On imports above 1998's volumes, the tariff was set at 40 per cent for the first year (twice the level recommended by the ITC majority), declining to 32 per cent in year two and 24 per cent in year three. The President also offered a \$US100 million assistance package to the US lamb industry to fund productivity improvements, market promotion, animal health and domestic purchases.

-3- The final outcome and reaction to it

“We understand and agree with your argument, but there are no votes in it for us,” US Senators explaining to Neil Taylor the politics of the decision (24).

3a – Effectiveness of the lobbying effort

The lobbying efforts against the imposition of tariffs or quotas were part of a coordinated campaign – spearheaded by Meat New Zealand.

It also involved Meat and Livestock Australia, the New Zealand government, the Australian government and other importers and trade groups. Six Washington-based firms of trade lawyers together with three groups of economic consultants were also used in presenting the respondent’s case to the ITC, the US Congress and various trade and government departments.

Meat New Zealand spent \$US530,000 in defending the Section 201 action, which it paid out to the legal and economic consultants (25). It is believed the Australians spent a similar amount.

However, Meat NZ’s figure did not include the huge amount of time spent by its staff – both in Wellington and Washington – fighting this case.

Meat New Zealand says it took the decision to strongly contest the case because it believed that not only were the claims against our lamb imports unjustified, but also it felt that putting up the strongest legal defence would deter any future trade actions (26).

However, defending the case was always going to be difficult – especially when the politics of the issue took over. Despite the US administration’s strong support for the concept of freer world this is not a popular domestic issue. Many people spoken to throughout this project talked about the ‘increasingly’ insular attitude of the American public and their belief that liberalising world trade was only benefiting the US trade partners and not the United States.

The American Sheep Industry Association (ASIA) was especially determined to progress the action against lamb imports in an effort to divert attention for falling demand for US lamb and the domestic industry’s failure to address this problem.

During the lobbying of the interagency process of the TPCS, New Zealand’s

arguments for no restrictions whatsoever, in return for promotion and technical assistance was met with a favourable response from many agencies and politicians (27).

The State, Treasury, Commerce and Labor departments all believed that no restrictions should be applied to imports. While many individual staff members, from within these agencies, were also reported to have been impressed with the arguments put forward by Australia and New Zealand.

However, the USDA – believed to be under instructions from Secretary Dan Glickman – believed its role was to provide relief to US farmers and was very much on the side of the ASIA. Meanwhile, the US Trade Representative saw that import restrictions were necessary to demonstrate the effectiveness of safeguard actions at the US government's control and its willingness to use them.

“Despite this differing opinion among agencies,” explained Meat New Zealand's North American manager, Bill Joyce. “Unfortunately for us, in the current political climate in the US the protectionist approach proved more attractive.”

Former US Secretary of Agriculture and lobbyist employed by Meat New Zealand, Clayton Yeutter said: “I really do not know what more any of us could have done to alter the final decision” (28).

The fact the President Clinton's final decision was delayed by a month was unprecedented for a trade case. It is believed this delay reflected the extent of disagreement between the various agencies and senior staff within the White House.

“In the end, the president's decision was purely political. Sound economic rationale was ignored in favour of appeasing the US agriculture lobby,” Meat New Zealand chairman John Acland said (29).

Meanwhile, the decision was hardly an overwhelming victory for US lamb producers, as they did not obtain anywhere near the in-quota tariffs originally sought to reduce the level of lamb imports.

If the ASIA had succeeded in its claim, New Zealand lamb imports would have been limited to 8200 tonnes paying an in-quota tariff of 30 per cent and an out-of-quota tariff of 50 per cent in the first year.

Also the promise of \$100 million of assistance for the industry is dependent on the local industry meeting various criteria. Meanwhile the tariffs and duties imposed on lamb imports go to the US Treasury and not to domestic producers.

After the final decision was announced the ASIA president claimed victory and

stood down. It is believed the organisation has been saddled with a large legal bill that is still to be paid.

3b – New Zealand’s anger

Not surprisingly, the reaction to the imposition of tariffs was greeted with considerable anger and dismay in New Zealand.

“Domestic politics have trampled on the principle of genuine free and fair trade,” Meat NZ chair John Acland said. “I am shattered by this decision and it can only undermine the credibility of President Clinton’s call to other trading nations to join in a new round of multilateral negotiations, later this year, with a view to liberalising world trade.” (30)

The harsh restrictions imposed by President Clinton did come as a shock to the industry. Most were expecting that he would pump for the majority decision of the ITC – ie: a 20 per cent tariff on import volumes above the 1998 levels – 14,500 tonnes, in New Zealand’s case [refer to graph page 25].

Meat New Zealand estimated that the cost to the New Zealand industry over the three years of the restrictions would amount to \$24 million. However, the Meat Industry Association (the body representing meat companies) put the potential cost as high as \$45 million – given the rate New Zealand lamb imports into the US had been growing and how the restrictions would put an end to any further expansion over the next three years (31).

South Canterbury farmer Garth Hurst, who was taken to the US by the Assignment TV programme to talk to farmers one on one about the tariff issue – said US farmers were conned into calling for restrictions on lamb imports (32).

Hurst believed the US lamb industry’s poor infrastructure and huge predator problem were more at the heart of its woes than imports of Australasian product. He also pointed out the political reality of the situation with the strong sheep farming state of Wyoming – with a population of around half a million people – having two senators, the same as the more heavily populated state of New York.

“Wyoming does have a lot of political clout,” Hurst explained. “A lot of political back scratching goes on for support on different issues.”

Almost as soon as President Clinton announced his decision, there were immediate calls for New Zealand to lodge an appeal with the WTO. Work carried out by government officials during the US lamb case meant New Zealand was well advanced to prepare a WTO appeal.

In October 1999, both New Zealand and Australia announced they were lodging a request with the WTO to rule on the US lamb dispute. However, Meat NZ chief executive Neil Taylor admitted that this process could take up to a year before a final outcome is reached (33).

However, it is possible that before any WTO ruling is made the US may lift the restrictions on lamb imports. As the US administration has promised to review the case in 18-months. Also, a new president is due to be elected in November 2000, and there is a strong likelihood of a pro-free trade Republican candidate winning – meaning the new administration could lift the restrictions before the three-year timeframe is up.

3c – Dumping claims

Throughout the US lamb tariff case, allegations – which grew stronger and stronger during the process – were made that New Zealand meat companies (particularly PPCS) had been dumping product on to the US market.

NZ Farmer columnist Ron Clarke continued to allude to such allegations in his weekly columns, which fuelled these claims. This came to head in June 1999, when the NZ Farmer published advertising material from giant US supermarket outlet Win Dixie – to which PPCS had exclusive rights to supply NZ lamb – showing New Zealand lamb at below cost prices.

PPCS denied its had been selling lamb to the US at discounted prices, saying it was a short-term promotion run by one division of Win Dixie (which has 1100 stores throughout the US) to promote NZ lamb and had nothing to do with the company (34).

In a bid to clear PPCS's name, chairman Jim Pringle had invited the Meat Board to send in an independent auditor to review company's sales and prices in the US. He said no evidence of under selling had been found.

PPCS's denials were further backed up by Meat NZ chief executive Neil Taylor in August – when speculation was still being circulated about the dumping claims.

Taylor advised that, in June, Meat NZ had sent in an auditor from KPMG to investigate PPCS's accounts. And no evidence was found that PPCS had dumped or undersold product into the US (35).

He added that the US sheep industry had never, at any stage, claimed dumping by any New Zealand or Australian meat companies during its case for safeguard action.

It's clear the allegations of New Zealand companies dumping lamb into the US were both mischievous and unfounded. If there was any evidence, the US sheep industry would have pursued it – in a bid to get the very strict restrictions they wanted imposed against lamb imports.

In fact, the US sheep industry admitted there was never any accusation of dumping by Australasian exporters into the US. The ASIA's lead attorney told the ITC this when presenting its case for safeguard action (36).

It is understood that PPCS is now taking legal action against the publishers of the NZ Farmer – the Australian-based Rural Press Group – over the paper's continued allegations of the company dumping product into the US market.

- 4 - Conclusions

In the end, President Clinton's decision to impose tariffs on lamb imports into the US was more about bowing to internal domestic political pressure than any perceived damage to the US sheep industry by imports.

Both New Zealand and Australia presented compelling cases why punitive action should not be taken against their lamb imports. They also offered to jointly fund a generic promotion of lamb (including local product) to US consumers to grow the market and increase awareness of lamb, but this was rejected.

Also, at present, there appears to be a growing wave of protectionism in the US, which is finding favour with both its politicians and electorate. In recent times, the US while promoting freer world trade on the international stage has been imposing a raft of restrictions on a wide variety of imported goods – ranging from peanut butter, to sugar and steel (37).

The progressive demise of the American sheepmeat industry cannot be blamed on imports, but more is correctly of its own making.

This was outlined in the 1998 Pricewaterhouse Coopers study – 'Revitalizing the American Lamb Industry' – commissioned by the American Sheep industry and partly funded by Meat New Zealand (38).

The study notes that US sheepmeat production has been declining since the end of the Second World War – with lamb losing market share to pork and, in particular, chicken.

It also points out that growing consumer health concerns, which has hit all red meats hard, had taken its toll on the US lamb industry. However, while beef and pork producers fought back with strong research and marketing, US sheep producers did little, but demand government protection and subsidies.

A major blow was also dealt to the US sheep industry in 1996, when the Wool Act was repealed. Many sheep producers – including some hobby farmers – exited the industry when subsidies for sheep provided under this act were cut.

The number of players in the US sheep industry shrank from 112,290 in 1988 to 77,510 in 1996.

"Per capita consumption of lamb has fallen steadily over the past decade to 80 per cent of the levels of 1988," the report says.

“Today, only about 30 per cent of the population consumes lamb on a regular basis. This means the typical lamb consumer purchases lamb on average only once in 20 visits to a grocery store – compared to about eight times for beef.”

Per capita consumption of lamb in the US is currently only 0.8 pounds/head/year, whereas the average US consumer’s chicken consumption is greater than 20kg/head/year.

Over the past decade consumption of US domestic lamb has fallen by 21 per cent, while consumption of imported lamb has increased by 76 per cent.

Price does not appear to be a factor in the progressive demise of US lamb consumption. American lamb is expensive, fatty, poorly packaged and badly marketed. In New Zealand terms, it’s been described as been more akin to hogget than our lamb – and therefore no match for the Australasian product.

I believe US lamb producers are only too well aware of this fact. And therefore saw as the only way they could compete with the higher quality, imported product was to call on their government to restrict the supply of New Zealand and Australian lamb into the US market.

The irony is that while the tariffs and quotas will stifle the growth in the amount of lamb imported into the US for the short-term, both New Zealand and Australian lamb exporters are well placed to lift their levels of market share once the restrictions are lifted.

On the other hand, one gets the feeling that these temporary restrictions are only delaying the inevitable death of an inefficient and uneconomic US lamb producing industry, which will ultimately lead to the demise of the American sheep farmer.

Glossary of terms

ASIA – The American Sheep Industry Association

Australasia(n) – New Zealand and Australia

Dumping – offloading product, under the cost of production, into a market

ITC – The US International Trade Commission

Meat New Zealand (Meat NZ) – the operating name of the producer funded New Zealand meat body

Meat and Livestock Australia (MLA) – The Australian producer and industry funded meat body

National Lamb Feeders Association (NLFA) – a body representing US lamb producers

Section 201 – The provision under US trade laws which the US lamb industry challenged imports

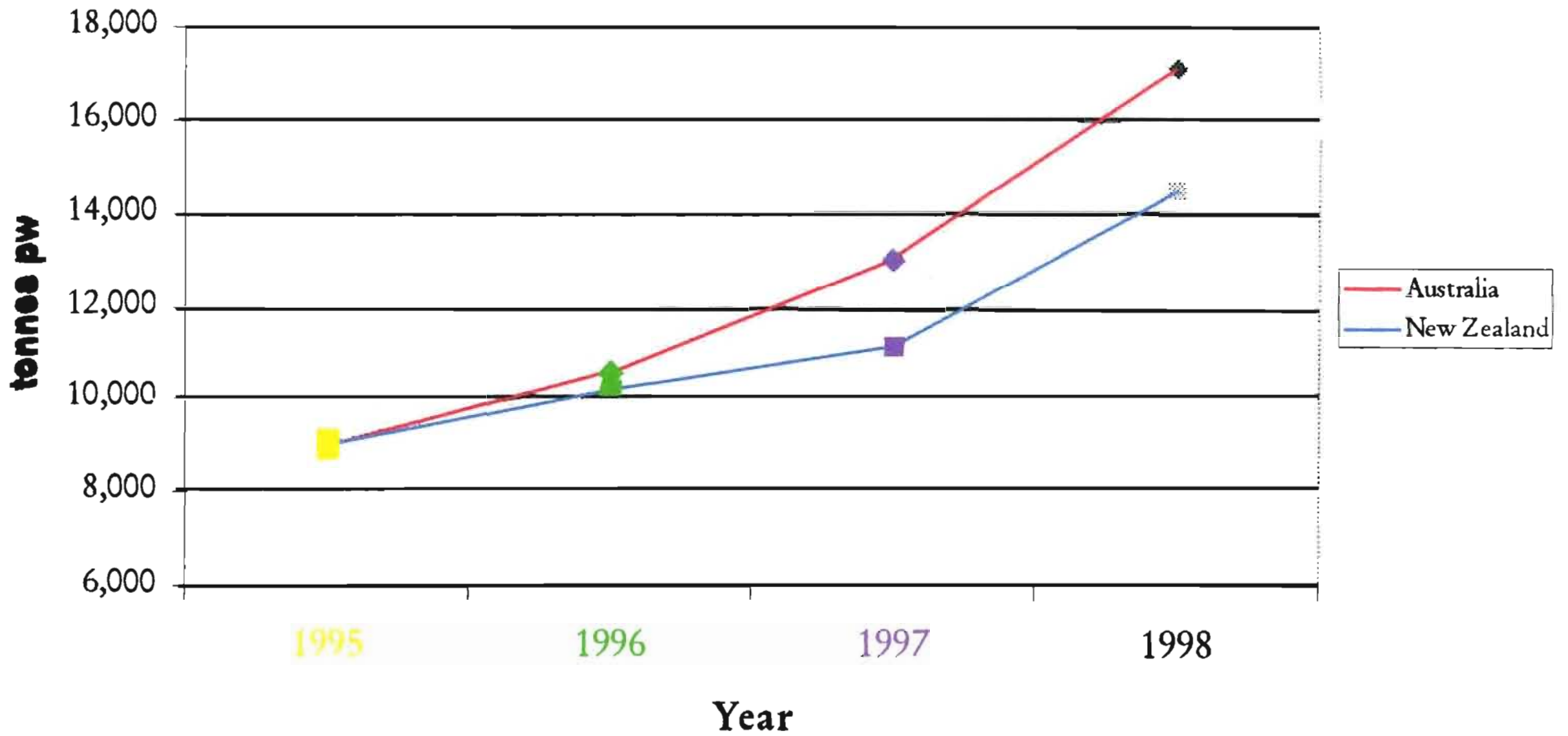
Secretary of Agriculture – the US equivalent to the New Zealand Minister of Agriculture

Trade Policy Staff Committee (TPSC) – a taskforce, consisting of various US Government department officials, established to review the case for imposing restrictions on lamb imports

United States Department of Agriculture (USDA) – the US equivalent to New Zealand's Ministry of Agriculture (MAF)

World Trade Organisation (WTO) – an international organisation aimed at further liberalising world trade

US Lamb Imports



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