

APPENDIX I
News Article on the Shrimp Industry
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Commercial Fishing

Repo man targeting more U.S. shrimp vessels

By Miami Herald

Apr. 19 2004 - *The Wave News Network* - "See that yellow boat over there?" asked Tony Herring, managing partner of Sea Market -- a Key West fishery, as he pointed out the window of his office at a forlorn-looking, mustard-colored shrimping trawler docked at the Stock Island harbor.

"It's two years old. The owner just left it. They're coming to repossess it and auction it off. In Alabama, Louisiana, Texas, you've got bunches like that -- seized boats because the owner can't make the payments. That's where the industry is heading."

It's a familiar tale that's been seen across many American industries from shrimping to apparel manufacturing to sugar refining. Cheap imports are deep-sixing U.S. producers who have to contend with higher operating costs and more stringent business rules than their counterparts in less developed corners of the world.

Shrimp from Asia and Latin America, which largely comes from low-cost shrimp farms rather than the sea, now feeds 88 percent of the American shrimp market. As imports have increased, the dockside prices paid to U.S. shrimpers have been cut in half over the past two years, shrimpers say.

In grocery stores, imported shrimp undercuts the local product by far. Publix last week was selling Key West pink shrimp for \$18.99 a pound, and farm-raised large white shrimp for \$7.99 a pound.

The low import prices have boosted shrimp's popularity to record levels. In 2001, shrimp surpassed canned tuna as America's favorite seafood.

But domestic shrimpers say they are reaping little from that burgeoning popularity.

A decade ago, nearly 5,000 shrimpers trawled the Gulf of Mexico. Today, that number stands at about 1,900, according to the Southeastern Fisheries Association in Tallahassee.

The shrimping fleet may shrink even more as the soaring price of diesel fuel tightens the net around fishermen further.

"We've seen some bad times, but nothing like this," said Quentin Creamer, a 64-year-old shrimper who runs two boats out of Stock Island, which lies about 30 miles from the harvesting grounds for Key West pink shrimp.

Last year, Creamer reaped a profit of just \$3,700. He had to drop the insurance on one boat after failing to come up with the \$20,000 premium and looked into selling the trawler. The boat that cost him \$650,000 in 1996 is now worth \$275,000.

"This next trip out we'll see whether we tie up [permanently] or not," said Creamer, of Apalachicola. "We're just trading shrimp for fuel."

With dilemmas such as Creamer's occurring with increasing frequency, U.S. shrimpers are now waging a trade war in Washington to avoid being priced out of the market altogether.

The Southern Shrimp Alliance -- a group of fishermen in eight states, including Florida -- accuses six nations in Asia and Latin America of violating fair-trade rules by selling their shrimp in the United States below the price in their home countries, a practice known as dumping.

The Alliance wants the government to slap tariffs, ranging from 30 percent to more than 200 percent, on imported shrimp to help shore up domestic prices. "We hope we get on a level playing field," said Bob Jones, executive director of the Southeastern Fisheries Association.

The move has ignited formidable opposition, not just from the affected countries -- China, Brazil, Vietnam, Thailand, India and Ecuador -- but also from American retailers, restaurateurs, distributors and other businesses involved in the shrimp processing chain.

With \$3.8 billion in imports in play, rhetoric from both sides is reaching fever pitch in the tug-of-war to influence public opinion.

Earlier this month associations representing those industries formed the Shrimp Task Force to defeat the petition. They contend tariffs will cause a price spike and thus crimp demand.

"It's going to cause higher prices in restaurants and grocery stores," said Paul Nathanson, spokesman for the Consuming Industries Trade Action Coalition, a lead member of the task force. "This threatens to again make shrimp a delicacy that only the wealthy can afford."

Tariffs would also impact the much larger U.S. business of processing shrimp, which provides many more jobs than the industry of getting shrimp, opponents say.

"Lower demand means less product movement," said Travis Larkin, president of Seafood Exchange, a Miami shrimp importer, in an e-mail.

"South Florida is directly in the cross-hairs. That means fewer containers arriving at Port Everglades and the Port of Miami, fewer deliveries made by local truckers and less product handled at local warehouses. This is a major warehousing location for imported shrimp."

Filed Dec. 31, the domestic shrimpers' petition has met with initial success. In February, the International Trade Commission ruled in the shrimpers' favor, finding that the U.S. industry has been harmed by imports from the countries in question.

The shrimpers' coalition faces several more hurdles before duties can be levied permanently. The next comes on June 8 when the U.S. Department of Commerce is expected to determine if dumping has occurred.

If so, it will then figure out the tariffs to be imposed on a preliminary basis.

ANOTHER PERSPECTIVE

Foreign producers see the issue as another instance of American protectionism that will ultimately backfire.

Other shrimp-producing countries, such as Indonesia, will ramp up output to fill the void left by tariffed countries or simply import shrimp from the targeted nations and re-export it, they say.

"We view the case as unjustifiable," said Tom Vakerics, a Washington lawyer hired by 28 South China shrimp producers and exporters. "The domestic industry has been in decline for some time, and this is their last resort."

Shrimpers say their objective is not to block imports, which they realize are needed to satiate American appetites. They just want to be able to compete, said Debbie Regan, spokeswoman for the Southern Shrimp Alliance.

Current on-the-dock prices averaging about \$1 a pound fall short by at least a dollar of the price U.S. shrimpers need to cover their expenses, Key West fishermen said.

The consumer, however, is not seeing much of a savings from the falling shrimp prices, the Alliance contends.

A survey of five restaurant chains from 2000 through the first half of 2003 showed that with few exceptions, prices of shrimp appetizers, entrees and salads went up, according to North Carolina research firm Food Beat.

Opponents say restaurants have to factor in many other costs, such overhead and marketing, when fixing menu prices.

Many say the shrimping fleet's plight is of its own making.

"Nobody denies that the domestic shrimp industry is suffering from hard times," said Erik Autor, vice president of the National Retail Federation, in a statement. "But these problems are largely a result of their own failure to modernize."

Foreign shrimp overwhelmingly come from shrimp farms, not from the sea, as domestic shrimp do.

BENEFITS OF FARMS

Pond farms are cost efficient, yield a consistent quality and size of shrimp and can easily be ramped up to meet increased demand, their proponents say.

Traditional fishing, on the other hand, requires boats, which are an expensive upfront investment and require costly fuel and maintenance. It is also subject to the vagaries of Mother Nature. Different fishing grounds yield shrimp of varying size and quality, for example, and there is a finite supply of shrimp in the wild.

"What has driven down prices is technology," said Nathanson. "The domestic industry is already catching as much shrimp as they can in the ocean."

But shrimpers note that "wild-caught" shrimp are "as close to organic as you can get," said Jones of the Southeastern Fisheries Association. "It's fresh; there's no chemicals."

In 2001, the European Union found traces of harmful antibiotics in some Asian farm shrimp and banned imports from China and Thailand. The prohibition was later lifted, but both the United States and European Union started stricter testing for the chemicals.

The difference in the origin of foreign and domestic shrimp may work in American shrimpers' favor.

Many say touting domestic shrimp as "wild-caught" could be an effective hook to market it as a premium product.

MARKETING CONCERNS

'When you see shrimp on the menu, it's just `shrimp.' 'Wild Gulf shrimp' has more cachet than just "shrimp'," said Fiona Robinson, editor in chief of Seafood Business in Maine. "They have to market themselves."

The Shrimp Alliance is now developing a large-scale campaign slated to be launched in late spring, Regan said. The group is working on a quality certification program that would be accompanied by an advertising push.

"It's another arrow in our quiver," she said. "But it doesn't remedy the fact that there's unfair trade."

Orlando-based Darden Restaurants, which offers both imported and domestic shrimp on menus at Red Lobster, Olive Garden, Bahamas Breeze and Smoky Bones, has started promoting U.S. shrimp as wild-caught in selected markets to test whether diners will fork out more to consume American seafood.

Spokesman Mike Bernstein said it's still too early to gauge results. "We're committed to finding ways to help domestic shrimp," he said.

Key West shrimpers say they need to find a solution -- fast. Last year, the federal government distributed a \$37 million bailout to U.S. shrimpers, based on the catch volume of each fisherman.

RISING COSTS

This year, with the cost of diesel fuel up about 60 percent, shrimpers say they'll need more than a subsidy that amounted to a few cents per pound.

Bill Howerin Jr., owner of the Captain Bill, said he had to cash in his life insurance policy last year to come up with \$22,000 to overhaul his boat.

He also had to refinance the loan on the trawler for the second time after he couldn't make the payments.

On top of that, his deckhands walked out. "On this last run, they made \$450 a piece for 15 days work. They all quit," he said. "I had to advance the captain \$2,000 -- he already owes me \$8,000. On this last trip, he only brought in \$1,000."

Merle Stanfill, who's been fishing around Key West for 30 years, said he's had it with shrimping in U.S. waters. He was at Stock Island readying his boat, the Renegade, for an eight-day trip to Nicaragua's Corn Islands, where he plans to stay and fish.

"There's no money in it here; you just can't do it," he said. "Everything's cheaper down there."

Another big plus: in U.S. waters shrimpers can only harvest shrimp and must throw back any fish that land in the net. In Nicaragua, anything that is caught is fair game.

Shrimpers lament the agonizing death of not only a business, but a way of life. Many have spent their lives on the sea, inheriting a tradition from their fathers.

"This is the only thing I've been doing for 30 years," said Sheppard A. Owens, a 50 year-old Key Wester who bought the Captain Bud two years ago and has since borrowed money from his dad to keep it going.

"It's the only thing I can do. I'd be lost without a boat. I love this place."

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