

FAS-930
(10-30-09)

U.S. DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service

**TRADE ADJUSTMENT ASSISTANCE FOR FARMERS (TAAF)
PETITION FOR CERTIFICATION AND ELIGIBILITY FOR A GROUP OF PRODUCERS**

NOTE: *The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a - as amended). The authority for requesting the information identified on this form is 7 CFR Part 1580 and the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5). The information will be used to determine eligibility for benefits provided by the Trade Adjustment Assistance for Farmers program. The information collected on this form may be disclosed to other Federal, State, Local government agencies, Tribal agencies, and nongovernmental entities that have been authorized access to the information by statute or regulation and/or as described in applicable Routine Uses identified in the System of Records Notice for USDA/FAS/2. Providing the requested information is voluntary. However, failure to furnish the requested information will result in a determination of ineligibility for participation in the Trade Adjustment Assistance for Farmers Program.*

*According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0551-0040. The time required to complete this information collection is estimated to average 6 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. **Completed petition may be submitted by fax or emailed or delivered to addresses listed below.***

FAX: 202-720-0876 Or: EMAIL: tradeadjustment@USDA.gov	MAIL TO: TAAF Foreign Agricultural Service Stop 1021 USDA 1400 Independence Ave., S.W. Washington, DC 20250-1021	COURIER DELIVERY TAAF Foreign Agricultural Service Suite 400 USDA 1250 Maryland Avenue, S.W. Washington, DC 20024
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1. Name of Authorized Representative or Primary Contact	2. Name and Business Address (Including City, State, and Zip Code)
3. Telephone Number (Including Area Code)	
4. Fax Number (Including Area Code)	5. E-Mail Address

6. This petition is made on behalf of the following producers: *(Enter at least 3 names if filed by an individual. Organizations do not need to enter producer name.)*

A. Name of Producers	B. Mailing Address	C. Telephone No. (Including Area Code)	D. E-Mail Address

7. COMMODITY INFORMATION:

A. Description of the raw (excludes processed) agricultural commodity: <i>(e.g., fresh raspberries)</i>	B. Competing Imported Commodity's Harmonized Tariff Schedule (HTS) Number (HTS can be found at: http://www.usitc.gov/taffairs.htm)
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C. This petition is for the most recent marketing year for the commodity beginning in _____ and ending _____
(month/year) (month/year)

D. Check the production area of the commodity for which this petition is submitted (state, states, or national):

National
 State (Identify State or States (list): _____)

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8. Provide one of the following for the most recent marketing year and for each of the 3 preceding marketing years: the average annual price, production quantity, value of production, or cash receipts.

Note: Use Official data if available. The Department's National Agricultural Statistical Service (NASS) has national price data available for many raw agricultural commodities. The information can be found at: www.usda.gov/nass. You must state the source of your data. If you do not use official data, you must provide contact information for verification purposes and supporting documentation to show how your data was calculated or obtained.


(Check and complete only one)	(1) Most Recent Year	(2) 1 Year Ago	(3) 2 Years Ago	(4) 3 Years Ago
A. <input type="checkbox"/> Average Annual Price	\$	\$	\$	\$
B. <input checked="" type="checkbox"/> Production Quantity (All 10 shrimp species - Table 5)	212,016,135	246,307,853	311,051,892	232,335,009
C. <input type="checkbox"/> Value of Production	\$	\$	\$	\$
D. <input type="checkbox"/> Cash Receipts	\$	\$	\$	\$

9. Source of data entered in Items 8A – 8D: http://www.st.nmfs.noaa.gov/st1/commercial/landings/annual_landings.html (see attached documentation for use instructions)

10. Basis for request for adjustment assistance. Explain (or attach documentation) how imports have affected your commodity during the most recent marketing year based on at least one of the following measures: price, quantity of production, value of production, or cash receipts. Include any other factors that may also have contributed to lower producer prices below:

Please see the attached report entitled:

Documentation to Support a Regional Petition from Shrimp Producers
in the Gulf and South Atlantic States for Certification to Participate
Participate in the Trade Adjustment Assistance for Farmers
Program Offered by the U.S. Department of Agriculture

11A. SIGNATURE OF AUTHORIZED REPRESENTATIVE OR PRIMARY CONTACT 	11B. TITLE <i>EXECUTIVE DIRECTOR</i>	11C. DATE SIGNED (MM-DD-YYYY) <i>04-14-2010</i>
12A. SIGNATURE OF FAS REPRESENTATIVE	12B. TITLE	12C. DATE PETITION FILED (MM-DD-YYYY)



**Documentation to Support a Regional Petition from Shrimp
Producers in the Gulf and South Atlantic States for
Certification to Participate in the Trade
Adjustment Assistance for Farmers
Program Offered by the U.S.
Department of Agriculture**

Prepared for

The Foreign Agricultural Service, U.S. Department of Agriculture

**Prepared by Extension Specialists in the
Department of Agricultural Economics**

**Texas AgriLife Extension Service
Sea Grant College Program
The Texas A&M University System**

Documentation to Support a Regional Petition from Shrimp Producers in the Gulf and South Atlantic States for Certification to Participate in the Trade Adjustment Assistance for Farmers Program Offered by the U.S. Department of Agriculture

Prepared for

The Foreign Agricultural Service, U.S. Department of Agriculture

Washington, D.C.

April 12, 2010

Prepared by

Michael G. Haby,^a Nathaniel M. Rickard,^b and Lawrence L. Falconer^c

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 - b. Counsel – Picard, Kentz & Rowe LLP. Contact information: Picard Kentz & Rowe LLP, 1750 K St. NW – Suite 1200, Washington, DC 20006. Tel: 202/331-4040, Fax: 202/331-4011, E-mail: nrickard@pkrlp.com.
 - c. Professor & Extension Economist – Management, Department of Agricultural Economics, Texas AgriLife Extension Service, Texas A&M University System. Contact information: Texas AgriLife Research and Extension Center, 10345 State Hwy. 44, Corpus Christi, Tx 78406-1412. Tel: 361/265-9203, Fax: 361/265-9434, E-mail: l-falconer@tamu.edu.

Documentation to Support a Regional Petition from Shrimp Producers in the Gulf and South Atlantic States for Certification to Participate in the Trade Adjustment Assistance for Farmers Program Offered by the U.S. Department of Agriculture

Introduction, Background, and Purpose

Introduction

Shrimp are a short-lived species with a life span of 12 to 14 months. Nature has given shrimp an extremely high fecundity. A single gravid female may release as many as 300,000 eggs per spawn. Once they are spawned offshore, these eggs undergo several morphological changes, ultimately entering the coastal bays as post-larval shrimp where they grow rapidly to sub-adults. Cued by changing water temperatures and the lunar phase, these young shrimp migrate back offshore to mature, mate, and spawn; all in less than a year.

While the protective bay systems are ideal nursery areas, meteorological events can trigger dramatic ecological changes in these shallow water bodies. For example, late-season cold-fronts in the Spring tend to push water out of the back bays where emergent cord grasses and detrital material provide an ideal combination of protection from predators and food for juvenile shrimp. Likewise, heavy spring rains in upland watersheds impact juvenile shrimp in two ways. First, detrital material is flushed out of the back bays which reduces available food. Second, the salinity regime may be rapidly altered which stresses the shrimp. Because the size of the annual crop is primarily determined by meteorological and resulting ecological conditions, shrimp production tends to fluctuate from one year to the next, making annual variation in harvests the constant companion of shrimp fishermen.

Owing to their high fecundity and short life span, the wild shrimp resources are healthy. The National Marine Fisheries Service has reported that shrimp resources are not overfished or even approaching an overfished state – a concern in many of the world's other wild-harvest fisheries (NMFS, 2002). This makes the Southeastern shrimp fishery unique among North American fisheries by being one of the few, if not the only commercial resource that is not overfished. Additionally, the warm-water shrimp fishery spanning the Gulf and South Atlantic states was, historically, America's most valuable fishery.¹

While the shrimp resource is healthy, crushing operational circumstances over the last eight-plus years have taken their toll on producers. Even before the current crisis, Gulf and South Atlantic shrimp fishermen have historically been caught in a unique set of operating conditions best characterized as "*landing a high-dollar product that provided a low profit margin.*" In essence, the old adage of "*too many boats chasing too little product*" typically chiseled away at producers' bottom lines and their net worth in all but those years where "bumper" harvests were experienced². A Standardized Performance Analysis (SPA) of the offshore Texas shrimp fleet using cooperating producers' financial statements, settlement sheets, pack-out data etc. for the twelve-year interval 1986 through 1997 indicated a median value of \$0.95 necessary to land a dollar's worth of shrimp, leaving little room to weather declines in prices received for shrimp and/or increases in prices paid for inputs (Haby, et al., 2000). Importantly, the twelve-year span for the SPA included seven years when harvests were below the 42-year Texas average production level and five years above the 36 million pound Texas harvest, with only two of those above-average years exceeding the long-term average by 20 to 22

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1. Brownsville / Port Isabel fishermen landed \$88.6 million worth of seafood (virtually all offshore shrimp) in 2000, making it the most valuable fish port south of New Bedford, Massachusetts and Dutch Harbor, Alaska (NMFS, 2001).
 2. Between 1965 and 2006 producers experienced several extremely favorable annual harvests when production exceeded the 42-year average by more than 30 percent (i.e., 1967 which was 50% above the long term average, 1981 up 42%, and 2000 up 32%). In years with above-average harvests, most offshore operators sharply boost their net worth.

percent. Despite the health of the shrimp resource, since 2001 shrimp producers have been reeling from relatively low ex-vessel prices brought about by record import volumes.

Background

U.S. warm-water shrimp production averages roughly 200 million pounds a year, so any growth in consumption beyond that level must be supplied by imported product. For decades imports have been a growing contributor to U.S. shrimp supplies. However, beginning in 2001 the U.S. began receiving record import volumes of shrimp,; much of it farm-raised.

Using International Trade Commission data (i.e., the dataweb) and the approach suggested by Pindyck, and Rubinfeld (1991), tests were conducted to discern whether a structural change had occurred in the U.S. shrimp market in 2001. Tests confirmed that a structural change in the growth of aggregate shrimp imports had occurred. Prior to 2001, annual category imports increased, on average, by 33.8 million product-weight pounds per year. However between 2001 and 2008 total annual shrimp imports increased, on average, by 72.8 million product weight pounds which represents a 2.2 fold annual increase (Table 1, Figure 1). This structural change prompted two questions. First, what conditions precipitated the additional import volumes? Second, what has been the impact on shrimp fishermen as the market adjusted to absorb greater volumes of imported shrimp each year?

Table 1. Actual and Estimated Imports of Shrimp Between 1990 and 2008

Year	Total Imports	Model Estimate	Year	Total Imports	Model Estimate
1990	502,720,722	476,995,238	2000	762,241,410	815,389,110
1991	540,345,051	510,834,626	2001	884,038,244	849,228,497
1992	596,217,707	544,674,013	2002	947,828,331	922,024,944
1993	601,647,414	578,513,400	2003	1,113,221,681	994,821,391
1994	628,665,987	612,352,787	2004	1,143,025,131	1,067,617,838
1995	597,783,275	646,192,174	2005	1,173,411,807	1,140,414,285
1996	582,991,095	680,031,561	2006	1,307,439,526	1,213,210,733
1997	648,969,699	713,870,948	2007	1,231,998,906	1,286,007,180
1998	696,208,016	747,710,335	2008	1,249,102,162	1,358,803,627
1999	732,386,246	781,549,723			

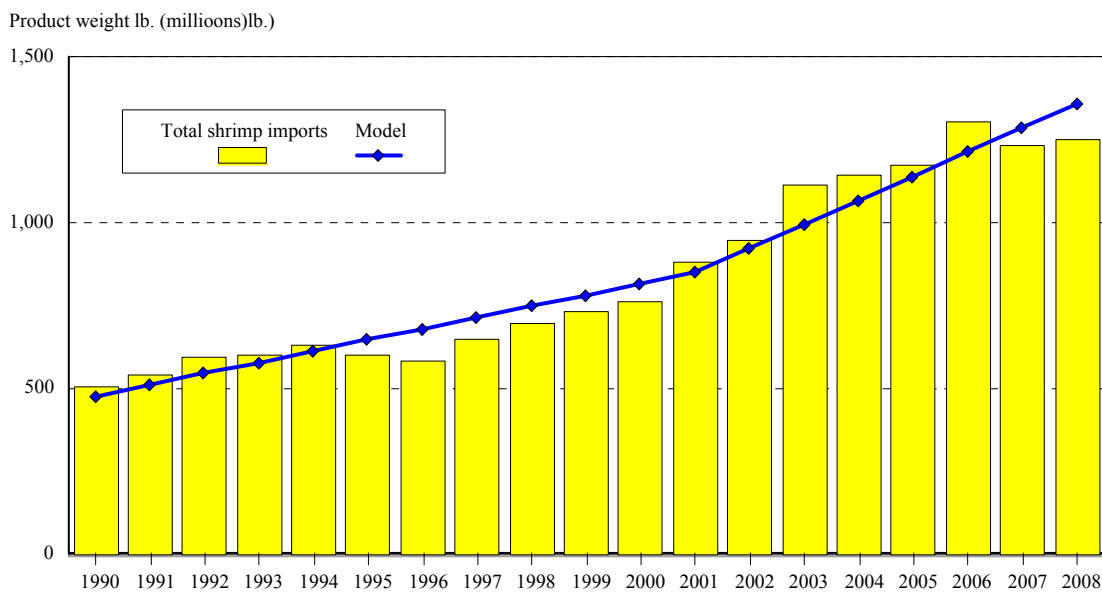


Figure 1. Actual and Estimated Total, Imports of Shrimp Between 1990 and 2008

Conditions That Contributed to Additional Import Volumes. Sharp increases in U.S. import volumes resulted from four, unrelated conditions that occurred half a world away. First, various technological advances enabled rapid development of shrimp farms throughout South Asia, the Indian sub-continent, and Central America which increased the worldwide shrimp supply. Second, while shrimp farms were boosting world production, consumption of shrimp in Japan – historically one of the three largest markets for shrimp – stagnated due to a variety of internal, macroeconomic conditions (Keithly, et al., 2008). Third, another major shrimp market – the European Union (E.U.) – sharply increased tariffs on selected shrimp products exported from Thailand in the fourth quarter of 2001 (Haby, et al., 2002). Increasing tariffs makes shrimp from affected countries appear less expensive in competing markets. Fourth, the E.U. also began strict enforcement of their food safety standards in 2001 which specified a zero-tolerance for farmed shrimp containing residues of banned antibiotics. Food safety authorities in the E.U. mandated **destruction**, of non-compliant product, not simply rejection³.

Thus, in two of the three major, worldwide markets for shrimp, Japan’s demand had slowed while exporters to the E.U. faced a higher-priced environment along with daunting consequences for shrimp not meeting food safety standards. On the other hand, the U.S. – with a relatively strong economy and currency, no tariffs on imported shrimp, and a less aggressive enforcement of food safety standards – became the world’s preferred export market for shrimp.

This “*Perfect Storm*” pushed record levels of relatively low-priced product into the American marketplace which significantly reduced local, dockside prices.⁴ In 2003 imported shrimp exceeded 1.1 billion pounds (product weight) comprising roughly 88 percent of U.S. supplies, with farmed shrimp accounting for over half of total import volume. Four persistent conditions – growing worldwide supplies, sluggish Japanese demand for shrimp, newly applied tariffs on selected Asian shrimp imports by the E.U., and significant differences in administration and enforcement of food safety between the E.U. and the U.S. – left the domestic, warm-water, shrimp industry wondering how best to compete in a global supply chain that is rapidly being dominated by farm-raised shrimp.

Market Changes Necessary to Absorb Higher Quantities of Shrimp. As expected, reducing market prices has pulled more shrimp through the supply chain. Those at the production end have seen dramatic reductions in ex-vessel prices. A review of average, annual, prices received by Texas shrimp producers in 2000, 2003, and 2006 conducted by Haby, et al. (2007) vividly illustrates the dramatic impact record import volumes have had on local, ex-vessel prices. In 2000, fishermen received \$9.18 per pound for under-15 count shrimp. By 2003 these shrimp were worth \$5.68 per pound; a drop of \$3.50 (38 percent) while 2006 reflected a price of \$5.09 per pound, a 45 percent decline from 2000. Ex-vessel prices for 21-25 count tails averaged \$5.67 per

3. Food safety considerations are not new issues in the international shrimp trade. In the seventies and eighties, shipments from certain exporting countries were automatically detained pending sampling for bacterial pathogens. Today, the primary food safety issue is residue of banned antibiotics in farmed shrimp. For some shrimp-farming countries the food safety considerations in receiving countries have become much more important than tariffs or currency exchange rates in steering international trade. Expectations of regulatory oversight and scrutiny of incoming shipments for compliance with a country’s food safety requirements can be the paramount issue in deciding where shrimp are sold; particularly if non-compliant product can be destroyed by the importing country’s food safety authority.

Beginning in August 2001, chloramphenicol, a broad-spectrum antibiotic was detected in shrimp offered for sale in the E.U. This compound has been banned in most countries for over a decade. With a zero tolerance for this compound, public health authorities in the E.U. blocked importation of non-compliant shrimp; much of it from China, Southeast Asia and the Indian sub-continent (Rosenberry, 2002). Citing the risk associated with sending potentially non-compliant shrimp to the E.U., Peter Redmayne, a columnist for Seafoodbusiness.com, noted in May 2002 that “*The European market for Asian shrimp is dead, since other Asian producers can't afford to risk having their containers seized and destroyed by E.U. regulators. As a result, shrimp that used to go to Europe is going to the United States, which is putting pressure on prices.*”

4. Keithly, et al. (2008) notes that world exports of shrimp grew from 900 million pounds in 1980 to 4.8 billion pounds by 2005. While the deflated value of these exports also increased, the deflated per-pound prices declined by about 50 percent between 1980 and 2005.

pound in 2000, \$3.85 per pound in 2003, and \$2.80 per pound in 2006. Expressed in percentage terms, 21-25 count tails declined by 32 percent between 2000 and 2003 while the 2006 price was just over half of the annual 2000 ex-vessel price. First-of-the season 41-50 count tails fell from \$3.94 per pound in 2000, to \$2.14 per pound in 2003, to \$1.66 per pound in 2006. On a percentage basis, 2003 reflected a 46 percent drop from 2000 while 2006 prices declined by 58 percent from those paid in 2000. The \$4.09 per pound price drop for large shrimp between 2000 and 2006 was dramatic. However, this size count historically has comprised just 3 percent of annual harvests so the impact on revenue is muted. Conversely, annual production of 21-25 and 41-50 count tails ranges from 21 percent to 35 percent of annual harvests, so the 32 percent to 58 percent drop in these ex-vessel price categories has created a major drag on revenue.

Industry response to eroding prices. With ex-vessel prices progressively declining in each of three subsequent years after 2000, the Gulf and South Atlantic shrimp industry filed petitions against six, major, shrimp-importing countries in late 2003. These countries included Brazil, China, Ecuador, India, Thailand, and Vietnam. The warm-water shrimp industry prevailed with their litigation, and tariffs were established for *virtually all* shrimp products imported to the U.S. by these six countries. However, with shrimp imported from scores of countries, some trade diversion⁵ and circumvention⁶ occurred which muted the impact of the antidumping litigation upon ex-vessel prices.

Keithly, et al. (2008) notes that trade diversion can also occur as “named” countries switch their exports from so-called “subject” merchandise to “non-subject” merchandise. Recall that *virtually all* shrimp products from the six, named countries were subject to tariffs. However, two of the twenty products that comprise the imported shrimp category – canned and breaded products – were not part of the anti-dumping litigation. As the tariffs took effect, huge volumes of “dusted shrimp” began arriving in U.S. ports. Importers noted that peeled shrimp, which were “dusted” with a light coating of flour, were a prerequisite to having the breading applied, and Customs and Border Protection apparently classified dusted shrimp under the HTS code for frozen, breaded shrimp. The historical record indicates that breaded shrimp products have always been a minor contributor to the entire shrimp import category – until recently. Between 1990 and 2002, breaded shrimp imports averaged 2,239,988 pounds per year. Since 2003 however, breaded shrimp imports have averaged 70,039,591 pounds per year; an increase of 30-fold. In percentage terms, between 1990 and 2002 breaded shrimp accounted for just 0.3% of total category imports. However, between 2003 and 2008, breaded shrimp accounted for 5.8% of total imports (Haby, et al., 2010).

Purpose

The primary objective of this report is to support and document the approach taken to complete the FAS-930; an application required by the Foreign Agricultural Service to determine certification and eligibility for producer participation in the Trade Adjustment Assistance for Farmers program. The five sections addressed in this report are (a) Sections 1 through 6 – Applicant Information, (b) Section 7 – Commodity Information, (c) Section 8 – Annual Information about Production, Value of Production, or Pricing (d) Section 9 – Data Sources, and (e) Section 10 – Basis for Request for Adjustment Assistance. This report draws on a variety of material and data to explain the various conditions that led to a production shortfall throughout the eight-state region in calendar 2008.

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5. Trade diversion is defined as imports from “named” countries (in an anti-dumping petition) being replaced by imports from “non-named” countries (Keithly, et al., 2008).
 6. In the context of international trade, circumvention refers to the practice of an exporting country affected by tariffs to ship product to a third country unaffected by tariffs in the original receiving country so that the product can be packaged or repackaged with labeling from the unaffected country. Changing the originating country thus allows the product to be shipped to the original, final destination without any duty applied by the receiving country.

Sections 1 through 6 – Applicant Information

Sections 1-5. Authorized Representative or Primary Contact

Per the U.S. Department of Agriculture’s regulations (7 C.F.R. § 1580.201), “[a] group of producers in the United States or its authorized representative may file a petition for trade adjustment assistance.”

This petition for certification and eligibility for a group of producers is filed by the Southern Shrimp Alliance. The Southern Shrimp Alliance (SSA) is a non-profit, 501(c)(6), alliance of members of the shrimp industry in eight states committed to preventing the continued deterioration of America's domestic shrimp industry and to ensuring the industry's future viability. SSA serves as the national voice for the warm-water shrimp industry in Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Texas. The primary contact identified for the Southern Shrimp Alliance is John Williams, the Executive Director of the organization.

Section 6. Producers

This application is made on behalf of all commercial shrimp fishermen operating in Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Texas. The Southern Shrimp Alliance’s Board of Directors is composed of shrimp fishermen and other members of the industry for each of the eight states encompassed by the warm-water shrimp fishery. At least one board member in each state is actively involved in the domestic shrimp industry as a current shrimp fisherman. The names of the members of the Board of Directors of the Southern Shrimp Alliance are provided below:

<u>Alabama</u>	<u>Florida</u>	<u>Georgia</u>	<u>Louisiana</u>
Mickey Johnson – Vice President 11569 Fairway Dr. Irvington, AL 36544 Business: 251.423.0769 jbuiltinc@aol.com	Chris Gala – Secretary P.O. Box 6189 Ft. Myers Beach, FL 33932 Business: 239.765.1828 tricocg@aol.com	Elaine Knight P.O. Box 1664 Brunswick, GA 31521 Business: 912.265.2722 Home: 912.265.6815 Cell: 912.265.6816 kseafod@bellsouth.net	Cathy Blanchard 205 E. 74th St. Cutoff, LA 70345 Home: 985.632.7936 Cell: 985.258.1617 madamecheverette@myviscom.com
Rosa Zirlott P.O. Box 366 Irvington, AL 36544 Work: 251-824-1672 BrentRosa@aol.com	Sal Versaggi – President P.O. Box 5777 Tampa, FL 33765 Business: 813.248.5089 Cell: 813.785.5574 Versaggi-shrimp@intent.net	Mike Dubberly 2114 Vernonburg Ave. Savannah, GA 31419 Home: 912.656.1775 Business: 912.313.5672 daddysboy1775@aol.com	James Blanchard 846 Windfield Blvd. Houma, LA 70360 Cell: 985-688-0637 cherib1961@gmail.com
<u>Mississippi</u>	<u>North Carolina</u>	<u>South Carolina</u>	<u>Texas</u>
Steve Bosarge 1703 Pascagoula St. Pascagoula, MS 39567 Home: 228.623.1102 stevebosarge@hotmail.com	Nancy Edens P.O. Box 993 Sneads Ferry, NC 28460 Business: 910.327.4571 Cell: 910.389.3068 keywestnative57@yahoo.com	Clay Cable 116 Palm Blvd. Isle of Palms, SC 29451 Home: 843.886.6780 claycable@aol.com	Wilma Anderson P.O. Box 1020 Aranas Pass, TX 78335 Business: 361.920.5012 texasshrimp@clearwire.net
Tommy Schultz 273 Blever Dr. Biloxi, MS 39533 Home: 228.806.9602 revahopkins@bellsouth.net	P.D. Mason 304 Golden Farm Rd. Beaufort, NC 28516 Home: 252.728.6308 cmason5@ec.rr.com	Wayne Magwood 1123 Two Rivers Ct. Mt. Pleasant, SC 29464 Home: 843-849-0213 Work: 843-514-1700 tressymellichamp@att.net	Craig Wallis – Treasurer P.O. Box 540 Palacios, TX 77465 Business: 361.972.3362 Cell: 361.920.5012 wallis.shrimp@yahoo.com

Additional information regarding the above-referenced individuals can be provided upon request. As shown above, at least one member of the Southern Shrimp Alliance’s Board of Directors resides in each state within the impacted area (see response to Section 7D).

Section 7 – Commodity Information

Section 7A. Description of the Raw Agricultural Commodity

This multi-state petition addresses warm-water shrimp harvested from the South Atlantic (i.e., from North Carolina to Florida’s East Coast) and the Gulf of Mexico (i.e., from Florida’s West Coast to Texas). The commodity produced by shrimp fishermen is “**fresh or frozen shell-on shrimp; either whole or headless.**”

Fresh or frozen. History recalls offshore shrimp fishermen using ice to preserve the quality of their catches. However, since the early eighties virtually all offshore Gulf shrimp fishermen have invested in immersion, brine-freezing systems and frozen storage holds for their offshore trawlers. Rapid freezing and continuous, frozen storage at sea ensures superior product quality. Just as important, this complement of equipment provides operators with the flexibility to seek and harvest shrimp during extended cruises. Nevertheless, a fraction of Gulf and South Atlantic shrimp is landed fresh. For example, producers who operate within the coastal bays typically return to the dock every day. These fishermen use ice as a preservative and offload their catches fresh. Likewise, some fishermen who operate in the nearshore oceanic environment and make short trips of just a few days also use ice to maintain product quality.

Whole or headless. Depending upon the time of year or preferences of local markets, shrimp fishermen may offload either whole shrimp; or, if the heads are removed at sea, shrimp tails. Removing the head of Gulf and South Atlantic shrimp reduces the weight of the product by roughly 37 percent.

Section 7B. Competing Imported Commodity(ies) HTS Number(s)

As requested in Section 7B of the FAS-930, this regional petition uses the two primary products that comprise shrimp imports referenced in Chapter 3 of the *Harmonized Tariff Schedule of the United States*: (a) shell-on, raw, headless shrimp and (b) raw, peeled shrimp (USITC, 2010). Shrimp imports enumerated in this chapter include thirteen, unique, ten-digit Harmonized Tariff Schedule (HTS) identification numbers (Table 2). Ten of these products reflect the range of different-sized frozen, raw, shell-on, headless shrimp with one HTS code referencing an *unsized* frozen, shell-on, headless product.⁷ Another HTS code specifies a raw, shell-on, headless shrimp product can arrive refrigerated, dried, brined, or salted. Also included in Chapter 3 are two types of raw, peeled shrimp; one that arrives in a frozen state, and another that can arrive refrigerated, dried, brined, or salted.⁸

7. This HTS code is apparently an artifact from earlier times. No unsized, raw, frozen, shell-on, headless shrimp have been exported to the U.S. since 1990. Furthermore, this HTS code does not appear in the 2010 Harmonized Tariff Schedule of The United States, but does appear in the interactive import dataweb (available from [<http://dataweb.usitc.gov/>]).

8. The two non-frozen shrimp products enumerated in Chapter 3 are minor contributors to the total volume of frozen shrimp imports classified within that chapter. Drilling down into the non-frozen elements within the Chapter 3 shrimp complex, we find that between 2000 and 2008, raw, shell-on shrimp that arrived either refrigerated, dried, brined, or salted (HTS 03.06.23.0020) and peeled shrimp that arrived either refrigerated, dried, brined, or salted (HTS 03.06.23.0040) collectively averaged 3.53 million pounds per year. The average, annual, import volume of all Chapter 3 shrimp was 833,342,093 pounds between 2000 and 2008 indicating that just 0.43 percent of all imported shrimp found in that chapter of the *Harmonized Tariff Schedule of the United States* arrived in a state other than frozen.

Table 2. HTS Numbers and Product Descriptions for Imported Shrimp Classified in Chapter Three of the *Harmonized Tariff Schedule of the United States*

	HTS Number	HTS Description
1	03.06.13.0003	Shrimp Shell-on Frozen < 15
2	03.06.13.0006	Shrimp Shell-on Frozen 15/20
3	03.06.13.0009	Shrimp Shell-on Frozen 21/25
4	03.06.13.0012	Shrimp Shell-on Frozen 26/30
5	03.06.13.0015	Shrimp Shell-on Frozen 31/40
6	03.06.13.0018	Shrimp Shell-on Frozen 41/50
7	03.06.13.0020	Shrimp Shell-on Frozen (i.e., unsized)
8	03.06.13.0021	Shrimp Shell-on Frozen 51/60
9	03.06.13.0024	Shrimp Shell-on Frozen 61/70
10	03.06.13.0027	Shrimp Shell-on Frozen > 70
11	03.06.13.0040	Shrimp Peeled Frozen
12	03.06.23.0020	Shrimp Shell-on Fresh/Dried/Salted/Brine
13	03.06.23.0040	Shrimp Peeled Fresh/Dried/Salted/Brine

The raw, peeled shrimp products referenced in Chapter 3 of the *Harmonized Tariff Schedule of the United States* are included in this petition because the two Chapter 3 HTS codes specifying raw, peeled product are consistent with definitions of (a) *Agricultural commodity* (e.g., *any commodity in its raw or natural state found in Chapters 1, 3, ...*) and (b) *Raw or natural state* (e.g., *Raw or natural state means unadulterated by any process other than cleaning, grading, coating, sorting, trimming, mixing, conditioning, drying, dehulling, shelling, chilling, cooling, blanching, irradiating, or fumigating*). Both definitions are found in the Interim Rule published in the *Federal Register*.

In addition, imports raw, peeled shrimp – a explosively-growing component of the total import category⁹ – are included in this petition because these products directly affect prices paid to domestic shrimp fishermen. For example, imported, raw-peeled shrimp converted from 26–30 count shell-on, headless raw material, selling for \$6.00 per pound ex-warehouse, and available in large quantities, suggests a maximum, ex-vessel price of \$3.86 per lb. for an equivalent-sized, shell-on, headless product.¹⁰ Between 2005 and 2008, raw, peeled shrimp (HTS code 306130040 and HTS code 306230040) accounted for 27.9 percent of total, annual shrimp imports in 2005, 27.6 percent of total shrimp imports in 2006, 32.2 percent of total shrimp imports in 2007, and 32.6 percent of total shrimp imports in 2008.¹¹

In 2008, Chapter 3 shrimp imports reached their highest level at 948.5 million pounds. Between 1990 and 2008, annual growth of Chapter 3 shrimp imports averaged 27.2 million prod. wt. lb. per year (Table 3, Figure 2). Comparing 2008 Chapter 3 imports with the prior three-year average indicates an increase of almost 42 million product-weight pounds.

-
9. Since 2001, total, category imports have been growing by an average of 72 million pounds per year. Over that same eight-year period, imports of raw, peeled shrimp have increased 19 million pounds per year – 26 percent of total, category growth.
 10. Transportation averages 6.2¢ per lb. The peeling step costs about 38¢ per lb., with grading and packing adding an additional 41¢ per lb. Peeling 100 lb. of shell-on, headless shrimp yields 75 lb. of peeled product. Solving for the shell-on, headless price given the peeled price, processing yield, freight and processing charges suggests that the maximum ex-vessel price paid for shell-on, headless 26-30 count shrimp would be no more than \$3.86 per lb. $[x \div 0.75] + \$0.852 = \6.00 .
 11. The volume of shrimp exported to the U.S. will continue to be skewed toward the value-added side. Several conditions support importing a greater fraction of value-added shrimp rather than the shell-on, headless market form. With abundant, local shrimp supplies and low-wage processing labor, kitchen-ready convenience is increasingly being added in the exporting country at a cost far below what domestic processors require. Furthermore, several countries are returning to the culture of Pacific white shrimp because they have lower protein requirements and can be cultured in fresh water. However, they grow to a smaller terminal size. End users of smaller shrimp typically require more added convenience. This move back to smaller shrimp plays right into market development activities directed toward the large, national food service chains that focus on casual dining or fast food.

Table 3. Annual Import Volumes of HTS Chapter 3 Shrimp Including Shell-on, Headless and Raw Peeled Shrimp: 1990 through 2008

Year	Shell-on, headless	Raw, peeled	All Chapter 3 Shrimp
1990	327,181,135	148,632,991	475,814,126
1991	313,553,757	198,604,742	512,158,499
1992	351,824,021	215,268,154	567,092,175
1993	341,206,212	226,755,421	567,961,633
1994	335,438,058	255,754,162	591,192,220
1995	327,353,923	226,725,616	554,079,539
1996	318,057,847	206,707,807	524,765,654
1997	343,704,554	235,592,263	579,296,817
1998	341,956,637	264,426,404	606,383,041
1999	344,962,926	275,587,569	620,550,495
2000	338,798,460	285,815,207	624,613,667
2001	441,658,079	276,567,415	718,225,494
2002	455,881,341	277,768,155	733,649,496
2003	548,936,872	332,162,878	881,099,750
2004	539,421,079	335,049,788	874,470,867
2005	547,528,192	327,777,674	875,305,866
2006	565,143,504	360,818,720	925,962,224
2007	521,591,799	396,664,605	918,256,404
2008	540,951,606	407,543,461	948,495,067
05 - 07 avg.	544,754,498	361,753,666	906,508,165
08 vs. 05-07	(3,802,892)	45,789,795	41,986,902

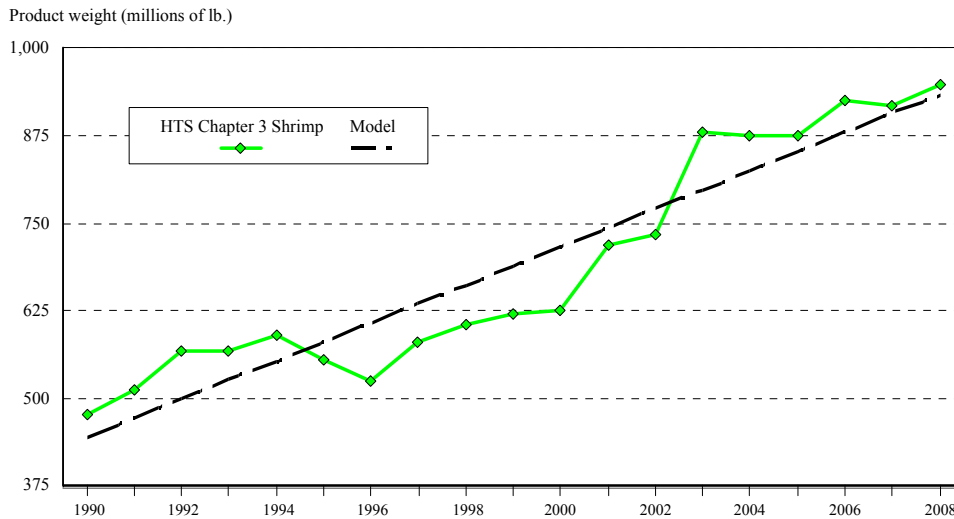


Figure 2. Annual Import Volumes of HTS Chapter 3 Shrimp Including Shell-on, Headless and Raw, Peeled Shrimp: 1990 through 2008

Section 7C. Most Recent Marketing Year

The U.S. Department of Agriculture’s regulations (7 C.F.R. § 1580.203(a)(1)) require the agency to analyze petitions for eligibility and certification by reference to “the most recent marketing year for which data are available . . .” For the domestic warm-water shrimp industry, the most recent year used in this analysis is calendar 2008; the last year for which a 12-month stream of federally-presented harvest and ex-vessel price data exists. Data for calendar year 2009 are still in the process of being compiled and are not yet complete. National, multi-state, or regional landings and ex-vessel value data are available online at the “annual

landings” web site maintained by the Fisheries Statistics Division, part of the Science and Technology Office within the National Marine Fisheries Service.¹²

Section 7d. Breadth of the Production Area for the Commodity

This petition for certification and eligibility covers shrimp landed in all Gulf and South Atlantic states that support a shrimp fishery. The eight states throughout the Gulf and South Atlantic region that support commercial fishing for warm-water shrimp are North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, and Texas.

Section 8 – Annual Information about Production, Production Value, or Pricing

Sources of Production and Ex-vessel Value Data

Annual shrimp landings and ex-vessel value data for the eight-state region that includes North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, and Texas were obtained from the Annual Commercial Landings Statistics web-page. For ease in verifying the landings data presented in Section 8B of the FAS-930 form as well as the information contained in Tables 5 and 6 on pages 11 and 12, detailed instructions for using this interactive site can be found in Appendix 1 on page 20.

Long-term Gulf and South Atlantic Shrimp Production

In the introductory section it was noted that annual variability in shrimp harvests is part of the operational milieu shrimp fishermen have faced for decades. Between 1970 and 2008 shrimp production from the eight states included in this petition averaged roughly 260 million pounds (live weight). Over the 39-year time frame the absolute percentage difference between harvests in a given year and the 39-year average was 9.51 percent (Table 4, Figure 3). However, this summary value hides some important years including three years that have kept fishermen intensively working, and three years all operators would rather forget. Production-wise, the three top years were 1986 when 331 million pounds were landed (a 27 percent increase over the 39-year average), 2000 when 322 million pounds crossed the dock (a 23.7 percent increase over the long-term average), and 2006 when 311 million pounds were caught that resulted in a 19.6 percent increase compared to the 39-year average. The poorest years for production occurred in 1973, 1975, and 2008. The worst year was 1975 when annual production was but 75 percent of long-term, average landings at 206.8 million pounds. Two years earlier, the annual harvest was 53 million pounds below the 260 million pound average, or 20.5 percent below that mark. In 2008, Gulf and south Atlantic shrimp fishermen landed just 212 million pounds of shrimp; a shortfall of approximately 48 million pounds or 19.6 percent.

12. See [http://www.st.nmfs.noaa.gov/st1/commercial/landings/annual_landings.html] for the opening page of the interactive web site that offers a variety of custom retrievals of annual seafood production and ex-vessel value data.

Table 4. Annual Shrimp Production from the Gulf and South Atlantic States Compared Against the 39-Year Average

Year	Pounds	Difference	Pct. Change	Year	Pounds	Difference	Pct. Change
1970	250,326,645	(9,651,000)	-3.7%	1990	286,487,142	26,509,497	10.2%
1971	258,114,983	(1,862,662)	-0.7%	1991	266,468,126	6,490,481	2.5%
1972	254,171,900	(5,805,745)	-2.2%	1992	247,172,472	(12,805,173)	-4.9%
1973	206,764,200	(53,213,445)	-20.5%	1993	237,202,342	(22,775,303)	-8.8%
1974	213,301,900	(46,675,745)	-18.0%	1994	241,147,681	(18,829,964)	-7.2%
1975	195,009,000	(64,968,645)	-25.0%	1995	276,156,658	16,179,013	6.2%
1976	236,275,000	(23,702,645)	-9.1%	1996	269,115,934	9,138,289	3.5%
1977	283,179,700	23,202,055	8.9%	1997	239,834,598	(20,143,047)	-7.7%
1978	259,760,513	(217,132)	-0.1%	1998	288,946,064	28,968,419	11.1%
1979	229,777,442	(30,200,203)	-11.6%	1999	275,035,611	15,057,966	5.8%
1980	242,963,944	(17,013,701)	-6.5%	2000	321,697,293	61,719,648	23.7%
1981	288,368,937	28,391,292	10.9%	2001	281,580,968	21,603,323	8.3%
1982	236,066,551	(23,911,094)	-9.2%	2002	260,205,736	228,091	0.1%
1983	227,470,687	(32,506,958)	-12.5%	2003	280,699,650	20,722,005	8.0%
1984	275,881,055	15,903,410	6.1%	2004	282,254,020	22,276,375	8.6%
1985	291,730,908	31,753,263	12.2%	2005	232,335,009	(27,642,636)	-10.6%
1986	331,171,213	71,193,568	27.4%	2006	311,051,892	51,074,247	19.6%
1987	283,654,941	23,677,296	9.1%	2007	246,307,853	(13,669,792)	-5.3%
1988	251,332,229	(8,645,416)	-3.3%	2008	212,016,135	(47,961,510)	-18.4%
1989	268,091,217	8,113,572	3.1%				
Computed, 39-year avg. shrimp harvest (live wt.lb.)				259,977,645			
Average annual absolute percent change between 1970 and 2008				9.5%			

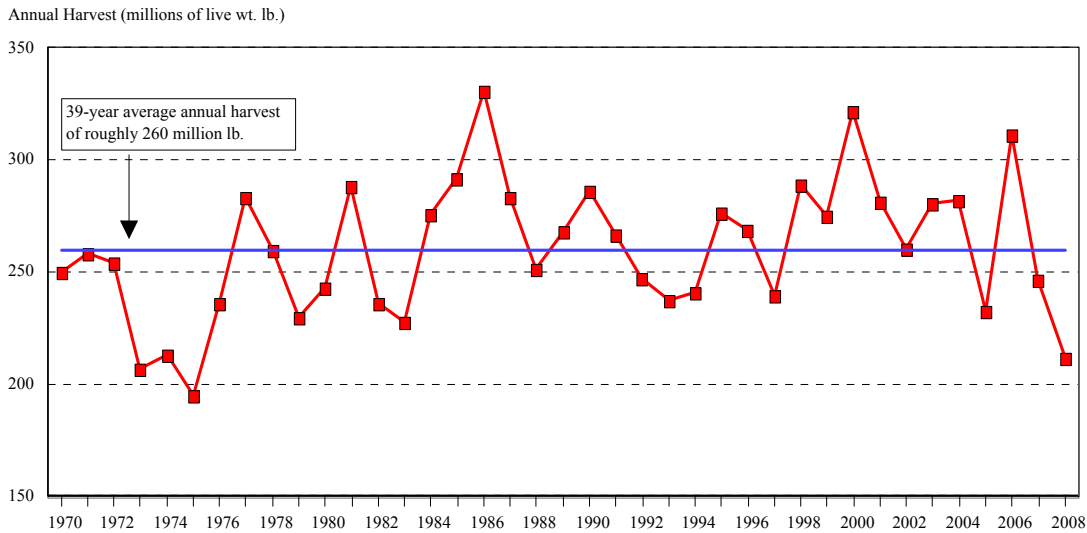


Figure 3. Annual Shrimp Production from the Gulf and South Atlantic States Compared Against the 39-year Average

Gulf and South Atlantic Shrimp Production between 2005 and 2008

Following the requirements outlined in the Interim Rule dated March 1, 2010 in the *Federal Register*, a petition must demonstrate at least a 15 percent reduction in one of four categories: (a) annual production for the program year when compared to the average computed for the three years prior to the program year or, (b) annual ex-vessel value for the program year when compared to the average computed for the three years prior to the program year, (c) annual ex-vessel prices-per-pound for the program year when compared to the average computed for the three years prior to the program year, or (d) cash receipts when compared to the average computed for the three years prior to the program year.

Using the NMFS interactive, web-based, landings database presented in footnote 12 on page 9, the eight-state region meets the requirement for at least a 15 percent decline in production for the 2008 program year when compared against average, annual production computed between 2005 and 2007. In fact, shrimp production from the eight-state region in 2008 was 212,016,135 round-weight pounds, which is 80.54 percent of or 19.46 percent below annual, average production for the three prior years which was 263,231,585 round-weight pounds (Table 5).

Table 5. Shrimp Landings Between 2005 and 2008 by State and Summed for the Eight-state Region Using all Ten Varieties of Shrimp Returned by Specifying Shrimp in the Species Window

State	Year				05 - 07 avg.	2008 as a pct. of 05-07 avg.
	2005	2006	2007	2008		
North Carolina	2,357,536	5,736,664	9,552,169	9,424,009	5,882,123	160.21%
South Carolina	3,956,759	3,649,849	2,736,250	3,166,602	3,447,619	91.85%
Georgia	4,530,796	3,851,195	2,684,690	3,022,315	3,688,894	81.93%
Florida	24,500,039	23,018,526	14,801,551	17,558,171	20,773,372	84.52%
Alabama	16,260,061	24,201,154	21,247,118	17,154,274	20,569,444	83.40%
Mississippi	7,848,037	8,379,963	10,421,292	8,570,081	8,883,097	96.48%
Louisiana	102,575,839	137,838,637	110,859,673	89,268,011	117,091,383	76.24%
Texas	70,305,942	104,375,904	74,005,110	63,852,672	82,895,652	77.03%
Eight-state Region	232,335,009	311,051,892	246,307,853	212,016,135	263,231,585	80.54%

One of the varieties returned in the query was “Shrimp, Dendrobranchiata.” This variety is not a species but a taxonomic order used to denote bait shrimp (Travis, 2010). To examine the impact of this variety on regional shrimp production, annual totals were computed with and without the dendrobranchiata order. Between 2005 and 2008 annual, regional production of “dendrobranchiata” ranged from 2.7 million pounds to 2.9 million pounds while total, regional shrimp production ranged from 212 million pounds to 311 million pounds. Therefore, including or removing this variety from the data set did not substantially affect the ratio of 2008 production when compared against the average of the previous three years. Specifically, when the order was included, 2008 production was 80.54 percent of the previous three-year average (Table 5 above), and when the order was removed from query results, 2008 production was 80.4 percent of the previous three-year average (Table 6). Four states (NC, SC, MS, and LA) showed no harvest of the dendrobranchiata order between 2005 and 2008 perhaps because these states may not classify bait shrimp differently from food shrimp. The other unique variety obtained from the query using **shrimp** in the species window was “Shrimp, fw” which stands for freshwater shrimp.¹³ For the sake of trying to do as little to query results as possible (which minimizes the chance for inadvertent data-management errors) all ten shrimp varieties were used in section 8B of the FAS-930. Table 6 is presented here to demonstrate the result of removing a variety that, in some states, is classified separately from shrimp destined for human consumption.

13. Of the 179 records that comprise shrimp production and value across the eight states between 2005 and 2008, only one record specified a harvest of freshwater shrimp. This record indicated that 120 pounds were harvested which were valued dockside at \$225.00.

Table 6. Shrimp Landings Between 2005 and 2008 by State and Summed for the Eight-state Region Using all Shrimp Varieties Returned by Specifying Shrimp in the Species Window except Dendrobranchiata

State	Year				05-07 avg.	2008 as a pct. of 05-07 avg.
	2005	2006	2007	2008		
North Carolina	2,357,536	5,736,664	9,552,169	9,424,009	5,882,123	160.21%
South Carolina	3,956,759	3,649,849	2,736,250	3,166,602	3,447,619	91.85%
Georgia	4,434,665	3,744,907	2,616,127	2,936,896	3,598,566	81.61%
Florida	22,877,236	21,385,027	13,026,840	15,794,506	19,096,368	82.71%
Alabama	16,260,051	24,201,154	21,247,118	17,151,019	20,569,441	83.38%
Mississippi	7,848,037	8,379,963	10,421,292	8,570,081	8,883,097	96.48%
Louisiana	102,575,839	137,838,637	110,859,673	89,268,011	117,091,383	76.24%
Texas	69,077,933	103,342,975	72,919,483	62,997,802	81,780,130	77.03%
Eight-state Region	229,388,056	308,279,176	243,378,952	209,308,926	260,348,728	80.40%

Section 10 – Detailed Basis for Requesting Adjustment Assistance

Overview

The U.S. Department of Agriculture’s regulations (7 C.F.R. § 1580.203(a)(3)) provide that an increase in imports must have “contributed importantly to the decrease in the . . . quantity of product . . . for, the agricultural commodity.” The term “contributed importantly” is defined (7 C.F.R. § 1580.102) as “a cause which is important, but not necessarily more important than any other cause.” As set forth below, although a number of factors may have negatively impacted the warm-water shrimp industry’s production volume in 2008, there is no question that the increase in imports contributed importantly to the decrease across the industry’s production.

Possible Causes for Production Shortfalls

Section 10 of the FAS-930 asks the petitioner to explain how imports have affected at least one of the measures chosen to highlight reductions in revenue among the group filing the petition. The Gulf and South Atlantic multi-state shrimp petition is seeking adjustment assistance due to a production shortfall in 2008. Fisheries-dependent data were used to demonstrate the shortfall in the 2008 shrimp harvest. When using fisheries-dependent data that document landings – as opposed to fisheries-independent data that rely on statistical sampling protocols to estimate resource abundance – proportional causes for changes in landings are difficult to quantify since production shortfalls may result from a variety of conditions.

Ecological changes within the estuarine systems are one condition responsible for relatively low shrimp harvests because the conditions manifested from such changes reduce the abundance of juvenile shrimp. As mentioned in the introductory section, late-season cold fronts lower water temperatures and push water and food sources out of the back bay systems which serve as nursery habitat for juvenile shrimp. Another potential contributor to production shortfalls can be regulations that prohibit harvests during times of the year that, on occasion, may be out of sync with natural cycles. The state of Texas and the National Marine Fisheries Service coordinate to close the Texas gulf across the band of state and federal waters from mid-May until mid-July with the objective of letting young-of-the-year shrimp that have migrated back to the Gulf of Mexico grow without any harvest pressure so they will fetch a higher ex-vessel price when the closure is lifted. On occasion though, producers operating out of Brownsville/Port Isabel have noted that they “missed” migrating shrimp because the Gulf remained closed too long which allowed shrimp to move south of the international boundary. Finally, unfavorable economic conditions affecting one or both sides of the firm’s profitability equation can collectively pre-empt full expression of fishing effort by the fleet.

The Impact of Low ex-vessel Prices and High Fuel Costs on Shrimp Production

It is our contention that the combination of revenue and cost impacts reduced fishing effort in calendar 2008 across the productive fishing grounds in the Gulf and South Atlantic shrimp fishery. Considering producer revenues, since 2001 the domestic shrimp industry has experienced unprecedented declines in ex-vessel prices that have resulted from record volumes of imported shrimp. On the cost side, the dramatic run-up in diesel prices in the first seven months of 2008 to the historic high of \$4.02 per gallon in July significantly increased production expense for operators. This combination of record prices – on the low side for landed shrimp, and on the high side for essential inputs like diesel fuel – created a significant cost-price squeeze for beleaguered shrimp producers operating across the Gulf and South Atlantic.

Evidence to support the role of imports in reducing ex-vessel prices. Keithly, et al (2008) suggests that the large fraction of shrimp destined for the U.S. creates a close relationship between the U.S. import price and the domestic ex-vessel price. This segment of the report examines this idea by examining (a) deflated customs value for Chapter 3 imports and (b) deflated ex-vessel values and prices for Gulf and South Atlantic shrimp landings.

As shown in Table 7 and Figure 4, the volume of Chapter 3 shrimp imports virtually doubled from 1990 to 2008, growing from 476 million pounds (product-weight basis) to 948.5 million pounds. However, changes in the real per-pound price of those imports are mixed.^{14 15} Specifically, the deflated per-pound price gradually increased between 1990 and 1997 reaching \$3.02 in 1997. Beyond 1997, deflated per-pound customs values have experienced a steady decline to the point where the deflated per-pound customs value for Chapter 3 shrimp were \$1.66 in 2008; a drop of about 45 percent (Table 7, Figure 4). In the case of imported shrimp, the real price has dropped because the absolute price has declined faster than the overall price level. With Chapter 3 shrimp imports accounting for a portion of the additional 39 million pounds of shrimp estimated to be entering the U.S. market each year since 2001, (i.e., the difference between the average annual growth rate estimated for 2001 through 2008 of 73 million pounds and the computed growth rate estimated for 1990 through 2000 of 33.8 million pounds) lower prices across this segment of shrimp imports were required to absorb the additional domestic supply generated through imports. This explains the historically-low deflated unit prices in Chapter 3 imports since 2001.

14. Customs values reported through the ITC dataweb were used to compute unit prices.

15. The effect of inflation at the producer level is estimated with a group of indices that measures the average change over time in the selling prices received by domestic producers of goods and services. This broad category of index numbers is known as the Producer Price Index (PPI) (USD, 2010). Nominal per-pound customs values and ex-vessel prices were deflated using the “Frozen Packaged Fish and Seafood” index. The index for “Frozen Packaged Fish and Seafood” was selected to adjust ex-vessel values to real, or constant, dollars because this index reflects the impact of inflation on prices paid by dockside buyers and processors. This specific index (series ID WPU022303) is considered an *item* within the Processed Foods and Feeds *group*.

Table 7. HTS Chapter 3 Import Volumes, Deflated Customs Values, and Deflated Per-pound Prices

Year	Deflated Customs Value	Import Volume (Prod. Wt. Lb.)	Real \$ / lb.	Year	Deflated Customs Value	Import Volume (Prod. Wt. Lb.)	Real \$ / lb.
1990	1,193,476,570	475,814,126	\$2.508	2000	1,736,309,777	624,613,667	\$2.780
1991	1,263,728,103	512,158,499	\$2.467	2001	1,822,313,274	718,225,494	\$2.537
1992	1,384,065,437	567,092,175	\$2.441	2002	1,659,074,399	733,649,496	\$2.261
1993	1,504,512,293	567,961,633	\$2.649	2003	1,835,373,301	881,099,750	\$2.083
1994	1,745,451,887	591,192,220	\$2.952	2004	1,442,578,691	874,470,867	\$1.650
1995	1,572,301,962	554,079,539	\$2.838	2005	1,554,497,374	875,305,866	\$1.776
1996	1,553,233,133	524,765,654	\$2.960	2006	1,734,532,306	925,962,224	\$1.873
1997	1,748,454,604	579,296,817	\$3.018	2007	1,658,649,460	918,256,404	\$1.806
1998	1,734,112,061	606,383,041	\$2.860	2008	1,571,799,068	948,495,067	\$1.657
1999	1,595,236,504	620,550,495	\$2.571				

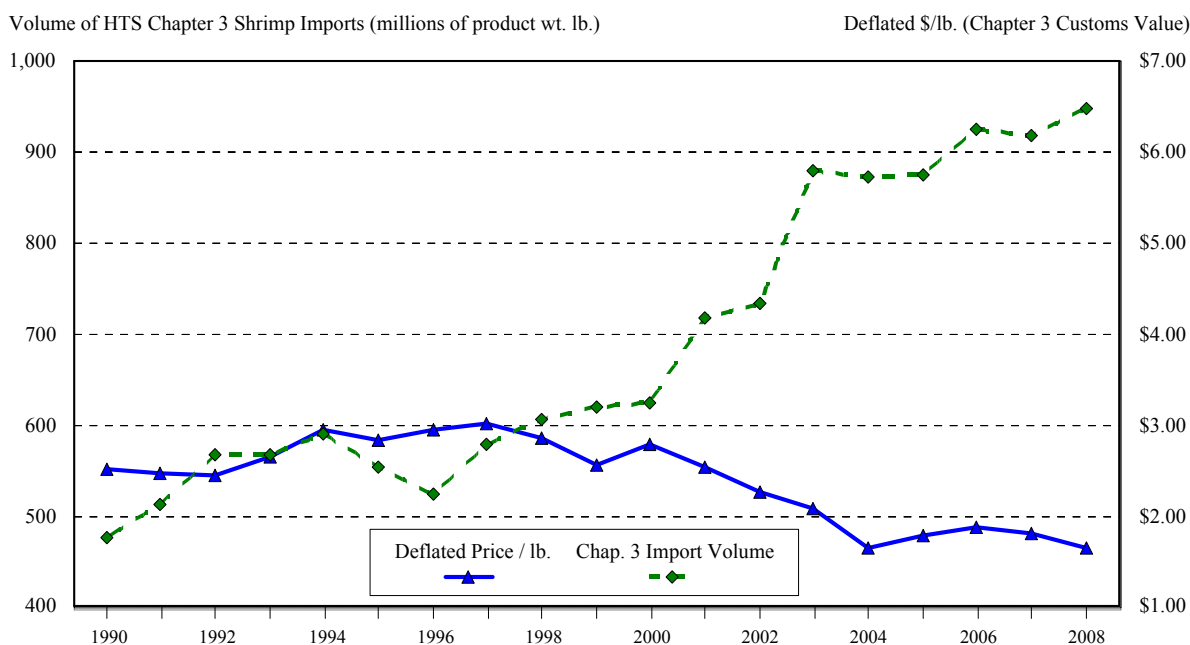


Figure 4. HTS Chapter 3 Import Volumes, Deflated Customs Values, and Deflated Per-pound Prices

Turning to Gulf and South Atlantic shrimp landings and deflated ex-vessel prices (Table 8 and Figure 5), there is no trend in domestic landings, but the deflated ex-vessel price per lb. has closely followed the deflated price of Chapter 3 shrimp. Specifically, after reaching a high of \$2.51 in 1994, the deflated per-pound, ex-vessel price ended at \$1.56 in 2008. With the deflated ex-vessel price trending downward since 1994, revenues have sharply dropped which has affected fishing effort (Keithly, et al., 2008). Imports of Chapter 3 shrimp exceed domestic landings by almost four fold (i.e., average, annual Chapter 3 import volumes of 689.4 million pounds vs. average, annual landings of 186.2 million pounds). Thus it is no surprise that real prices for the Chapter 3 category should play a role in determining real domestic, ex-vessel prices too.

Table 8. Domestic Landings, Deflated Ex-vessel Value, and Per-pound Prices

Year	Landings (Tail wt.)	Real Value	Real \$ / lb.	Year	Landings (Tail wt.)	Real Value	Real \$ / lb.
1990	180,200,412	361,087,697	\$2.004	2000	202,347,597	417,156,735	\$2.062
1991	167,608,451	356,184,815	\$2.125	2001	177,114,429	334,305,919	\$1.888
1992	155,471,485	317,636,571	\$2.043	2002	163,669,408	273,658,476	\$1.672
1993	149,200,273	298,289,760	\$1.999	2003	176,560,080	249,782,456	\$1.415
1994	151,681,891	380,157,845	\$2.506	2004	177,537,779	240,894,534	\$1.357
1995	173,702,538	373,277,420	\$2.149	2005	146,138,721	216,560,832	\$1.482
1996	169,273,922	351,170,264	\$2.075	2006	195,651,640	249,511,567	\$1.275
1997	150,855,962	361,494,409	\$2.396	2007	154,927,640	227,502,582	\$1.468
1998	181,747,074	356,936,023	\$1.964	2008	133,358,149	208,055,166	\$1.560
1999	172,997,399	340,756,715	\$1.970				

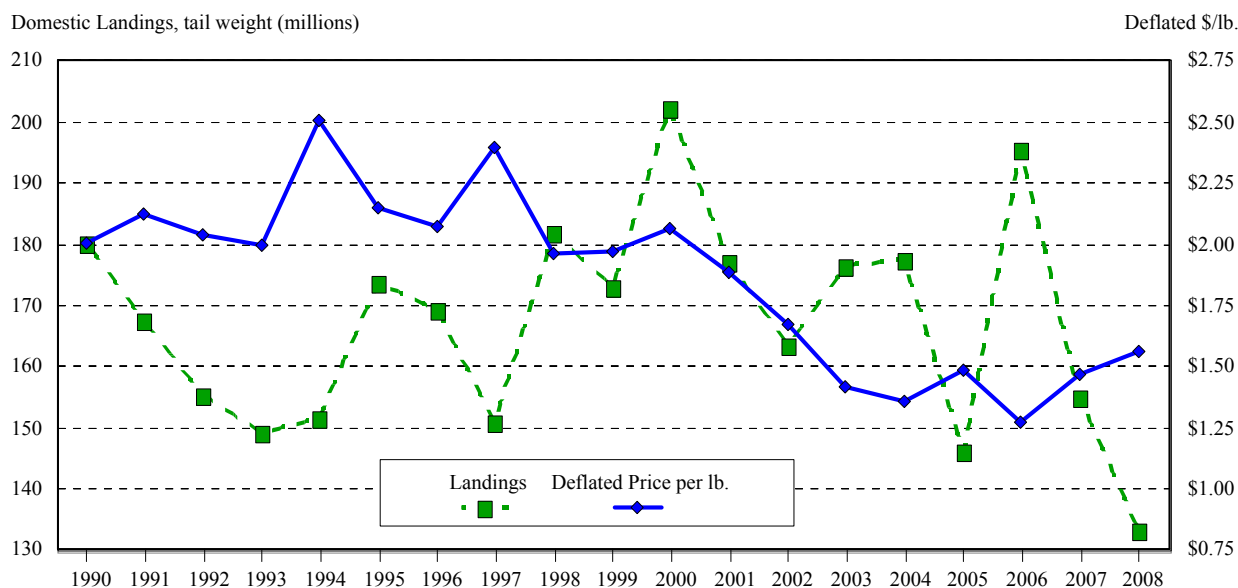


Figure 5. Domestic Landings, Deflated Ex-vessel Value, and Per-pound Prices

The two deflated per-pound price streams ended within 9¢ of one another, with imports reflecting a slightly higher value since Chapter 3 includes raw, peeled shrimp as well as shell-on, headless while the price of domestic landings is strictly based on the shell-on, headless market form. One difference between Figure 4 and 5 is the direction of the deflated price. The decline in deflated Chapter 3 shrimp prices reflects increasing import volumes between 2001 and 2004 with deflated prices showing signs of stabilizing since 2005. On the other hand, the domestic ex-vessel price appears to be more of a response to annual production.

Fuel use in the Texas offshore shrimp fishery.¹⁶ Trawling is a fuel-intensive enterprise, and vessel owners have always been mindful of how so make the trawler more fuel-efficient. One example is widespread use of Kort nozzles, a device that surrounds the vessel’s propeller. In the seventies and eighties many fishermen who installed these nozzles realized improved pulling power, but with less engine RPM (and thus fuel

16. The discussion about fuel use and cost centers on the Texas industry because the SPA project not only collected fuel expense, but fuel consumption data too. Having physical measurements allows evaluation of what different annual fuel consumption levels would cost under different unit cost assumptions. This case study of Texas shrimp producers is not intended to slight other operators throughout the Gulf and South Atlantic shrimp fishery. The “Texas” experience is used because we have more detailed information about fuel consumption from Texas offshore fishermen.

consumption) when compared against an open wheel. Despite varied advances in trawling efficiency, a number of domestic shrimp producers could overcome the unprecedented, meteoric run-up in unit diesel prices that occurred in 2008 (Figure 6).

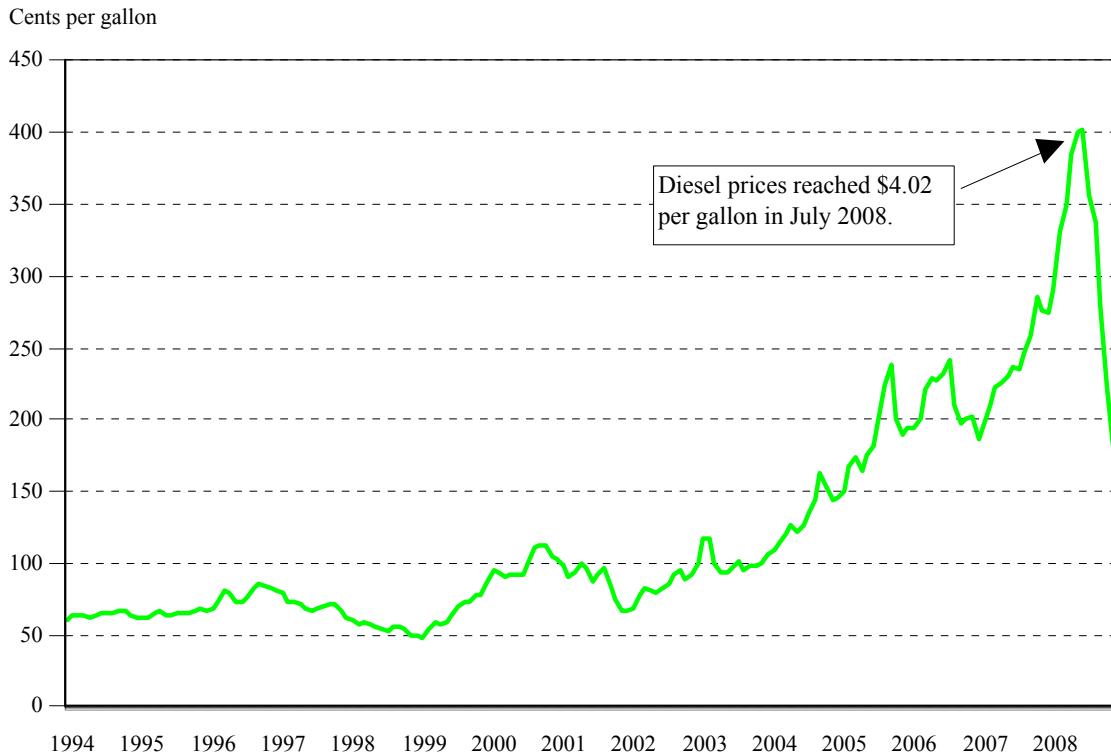


Figure 6. Average, Monthly Industrial, Diesel Prices per Gallon by All Sellers
(source: <http://tonto.eia.doe.gov/dnav/pet/hist/d220300002M.htm>)

Data collected for a Standardized Performance Analysis of Texas Gulf shrimp fishermen began in 1986 and ended in 1997. Over that 12-year interval, fuel expense – expressed as a fraction of the vessel’s gross stock or revenue – accounted for 19 percent, with repairs and maintenance amounting to 20 percent, and captain and crew shares the largest cost at 30.7 percent.

Based on SPA data, offshore operators historically used between 58,775 and 73,485 gallons of diesel each year (Haby, et al., 2000). These two quantities represent the 25th and 75th percentiles, or the “middle 50 percent of the distribution in fuel use across the data set. Median, annual fuel use was 66,101 gallons. In 1997 the cost for those 66,101 gallons was \$47,510 (\$0.719 per gallon). The cost for that same quantity in 2007 was \$154,770 (\$2.341 per gallon), and by 2008 those 66,101 gallons would have cost fishermen approximately \$209,776 (\$3.17 per gallon) (Table 7, Figure 7).

Table 7. Cost per Gallon and Annual Fuel Expense Ranges using Three Percentile Rankings

Year	Annual, avg. Cost/gal.	25 th percentile 58,775 gal.	50 th percentile 66,101 gal.	75 th percentile 73,485 gal.
1994	\$0.643	\$37,773	\$42,481	\$47,226
1995	\$0.648	\$38,106	\$42,855	\$47,643
1996	\$0.773	\$45,458	\$51,124	\$56,835
1997	\$0.719	\$42,245	\$47,510	\$52,817
1998	\$0.562	\$33,017	\$37,132	\$41,280
1999	\$0.635	\$37,347	\$42,002	\$46,694
2000	\$0.988	\$58,060	\$65,297	\$72,591
2001	\$0.905	\$53,211	\$59,843	\$66,528
2002	\$0.827	\$48,587	\$54,643	\$60,748
2003	\$1.009	\$59,304	\$66,696	\$74,146
2004	\$1.302	\$76,510	\$86,047	\$95,659
2005	\$1.843	\$108,293	\$121,791	\$135,396
2006	\$2.124	\$124,833	\$140,393	\$156,076
2007	\$2.341	\$137,617	\$154,770	\$172,059
2008	\$3.173	\$186,518	\$209,766	\$233,199

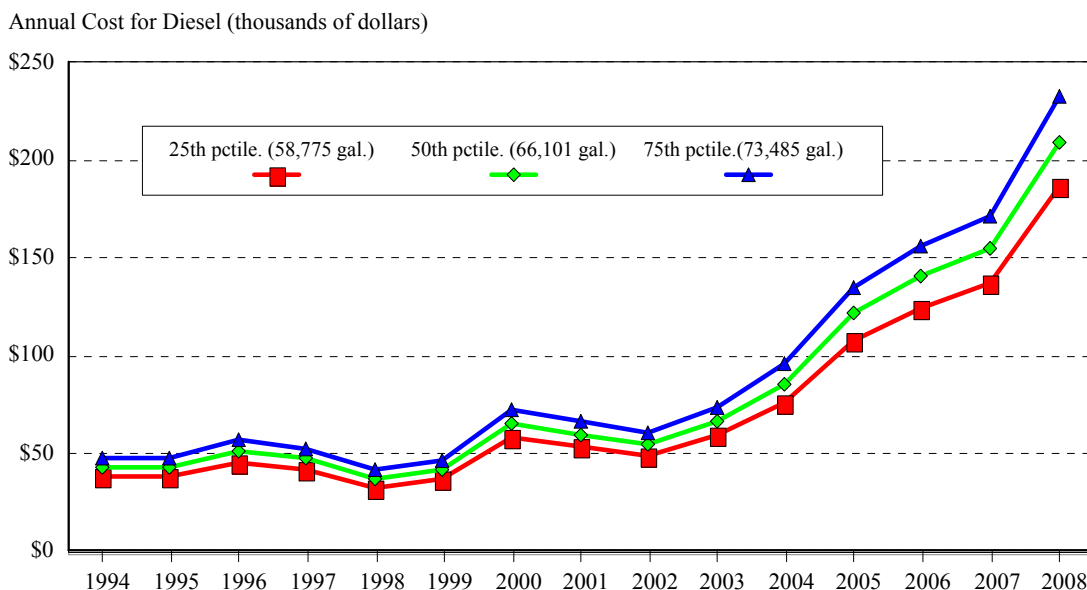


Figure 7. The Range in Annual Fuel Expense for Offshore Texas Fishermen When Using Three Different Percentile Consumption Values

Record prices for diesel combined with continuing low prices for shrimp sidelined a number of operators in calendar 2008. Several reasons account for shrimp trawlers not fishing in 2008, but all reasons are shades of the same color – record low prices for shrimp produced with fuel that reached historic levels and thus became the largest production expenditure.

Since the revenue crisis began in 2001, credit for many in the shrimp-fishing business has been a memory – even instant trade credit historically available from fuel docks! Having to self-finance fishing trips requires that owners defray all non-essential expenses and, instead, concentrate on maximizing free cash flow from each trip so the vessel can be readied for subsequent cruises. Even those with some access to credit did not have the lines available to purchase fuel at these record prices. In other cases, owners could not reconcile the fact that under traditional crew-sharing arrangements Captain and crew would receive 30 percent of the vessel’s gross stock while the owner would have to cover all other production costs, including fuel, with his share of the revenue. Finally, some owners simply could not estimate how any free cash flow would be

generated from operations when unit fuel cost exceeded \$3.00 per gallon. Regardless of how the decision was made not to fish in 2008, approximately one in five producers who reside in those states that require producers to file “trip tickets” which document their production did not submit a single “trip ticket” for calendar 2008 (Riley, 2010). This condition was reported at the January meeting of the Shrimp Advisory Panel, a part of the Gulf of Mexico Fishery Management Council.

Summary of the Cost-Price Squeeze in the Gulf and South Atlantic Shrimp Fishery in 2008.

The cost-price squeeze was in full force during calendar 2008 for Gulf and South Atlantic shrimp producers. Due to record prices for diesel – particularly during the first and second trimesters when average unit costs were, respectively \$3.12 per gallon and \$3.86 per gallon – the cost structure of shrimp trawling dramatically changed. Of course, if higher costs can be passed along to entities downstream of the production sector, increasing costs are irrelevant in the short run. However, with eroding market prices required to move additional volumes of imported shrimp finding their way to the U.S., producers “take” the going prices ... for both inputs and what they produce. This rapid escalation in the price of diesel sidelined about one in five shrimp fishermen for calendar 2008. Expressed another way, the trip ticket program saw a 20 percent decline in reports from federal permit holders which suggests that in some states, the number of vessels on the fishing grounds was reduced by 20 percent.

At the same time that fuel prices substantially increased, import volumes increased in 2008 above the preceding three-year average. Thus, operators seeking to determine whether to invest funds for fuel and other costs in a trip were faced not only with escalating costs, but also increasing imports which, over the last decade have heralded negative price impacts on landed shrimp. In this environment, many operators reasonably determined that the inability to absorb costs increases (potentially coupled with further declines in prices because of increased imports) was a risk not worth taking. Accordingly, the increase in imports in 2008 contributed importantly to the decline experienced in domestic production in that same year.

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APPENDIX 1 – Using the NMFS Web Site to Retrieve Annual Landings and Ex-vessel Values

The interactive site [http://www.st.nmfs.noaa.gov/st1/commercial/landings/annual_landings.html] allows the user to query the NMFS landings and ex-vessel value database based on: (a) a single species, a more general group of species, or all commercially-harvested species; either separately or aggregated; (b) choices of beginning and ending years; and (c) the landings and ex-vessel value time series across the nation, a region, or a specific state. The web site also presents several choices for how query results are outputted to the screen. Importantly though, this site does not support custom-defined sets of species, time frames, or states choices by using either the Shift or Control keys and the mouse found in other interactive applications.

Species. The Annual landings web site suggests use of the species locator to define a search for a particular species. Unfortunately, using this approach would require repetitive queries for every shrimp species. A simpler, more-effective approach is to type **shrimp** in the Species window. Specifying **shrimp** will include the following ten varieties: “Shrimp, Brown”; “Shrimp, Dendrobranchiata”; “Shrimp, Fw”; “Shrimp, Marine, Other”; “Shrimp, Pink”; “Shrimp, Rock”; “Shrimp, Royal Red”; “Shrimp, Seabob”; “Shrimp, White”; “Shrimp, Atlantic & Gulf, Roughneck.”

Year range. The next choice requires the user to select beginning and ending years to include in the query.

Geographical area. The geographical area can range from the nation as a whole, to a region (e.g., Mid-Atlantic, New England, etc.), to an individual state. The easiest approach to get the eight states across the Gulf and South Atlantic region is to select **All States by State**. This selection will unavoidably include states outside of the Gulf and South Atlantic region. However, production from states not desired can be eliminated once query results are copied to a spreadsheet or database application. Florida is a unique state in this interactive web-based application, since the state’s Atlantic coast is considered part of the South Atlantic while the Florida Gulf coast is considered part of the Gulf states. When running the query using **All States by State**, Florida data will appear as Florida East Coast and Florida West Coast. Note that the Geographical Area window also has a **Florida, State Total** option in the Geographical Area window, but this query will just return Florida information. Selecting this option returns the same Florida results as choosing **All States by State** but takes additional time to run multiple queries for the other seven states.

Output form. If the output form **Table** is selected, query results can be copied and pasted into a spreadsheet with no intermediate steps.

Using query results. With this approach, the user can design one query and subsequently use a spreadsheet or database application to generate the desired subset of information. All queries return round-weight landings in both metric tons and pounds as well as ex-vessel value. The new variable “computed, per-pound prices” can be created from query results after pasting web-based information to either a spreadsheet or a database application.

One concern with this web-based application is the automatic inclusion of a subtotal row at the end of each year’s worth of landings and value information and a grand total row at the end of the query when the **Table** output form is chosen. Once query results are pasted to a spreadsheet, first sorting the output by **Year** will gang all of the subtotals together which facilitates mass deletion of those rows. Once the subtotals and blank rows are deleted, the copied output can be re-sorted by **State** which facilitates mass removal of those states outside of the Gulf and South Atlantic region. With all extraneous data removed, the range can be re-sorted by **Year** and **State** if desired.

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