

**Testimony of Jonathan D. Appelbaum, President,
Penguin Frozen Foods, Inc.
Before the United States International Trade Commission
February 1, 2011**

Good morning. I am Jonathan Appelbaum, President of Penguin Frozen Foods, a frozen domestic shrimp distributor based in Northbrook, Illinois. This is the third time that I have appeared before this Commission to discuss the shrimp industry. In the short time I have today, I want to focus my comments on two issues: (1) how imports and domestic shrimp compete in the marketplace and (2) the domestic industry's commitment to quality.

Since I was last here in 2004, Penguin has concentrated a greater percentage of our sales in the retail segment of the shrimp market. The food service/restaurant segment of the market remains the largest part of our sales, but our overall reliance on that segment has diminished. We look at the retail segment as having good growth potential. Our sales have traditionally been concentrated east of the Rockies, but in developing the retail part of our business, we have added customers in California, Oregon, Colorado and Washington.

The expansion of our retail efforts has to a great extent been made possible by the tariffs. At both food service and retail, the amount and price of imported shrimp impacts if and at what prices we are able to sell domestic shrimp. This is especially true at retail.

Prior to the antidumping duty orders, it was extremely difficult to be competitive on price with imports in the retail sector. As more and more low-priced imports kept coming in, prices kept falling. With trade relief, we have enjoyed stability in pricing and that has once again opened up the retail segment to domestic product.

I see continued growth in the retail segment as critical support for the domestic shrimp industry. We will continue to make inroads and, as we do, the industry will develop a stronger

foundation as consumers become even more aware of the great qualities of domestic wild-caught shrimp. But, for us, the continued development of the market depends on stopping a return to what things were like before the industry filed petitions for antidumping duties. A return to ever increasing imports at ever decreasing prices shuts us out of the retail market and leaves us scrambling for sales in the food service/restaurant segment.

The bottom line for Penguin and other marketers' ability to sell domestic shrimp is price. As U.S. production accounts for 10-15 percent of total U.S. consumption, and imports the other 85-90 percent, the price for shrimp in the marketplace is determined by imports. There may eventually come a day when this is not true, but the reality for me now is that if the duties go away, my ability to sell shrimp at price levels which will sustain the boats is greatly diminished.

On quality: There is no question that a lot of attention has been paid to improving the quality of shrimp landed in the Gulf. I see the fruits of those efforts in my business.

We carry two grades of shrimp. If something doesn't meet our base grade, we do not buy it. Six years ago, about twenty percent of what we purchased met only our base grade standards and the remaining 80 percent met our higher premium standard. Today, only about two percent of what we purchase meets just our base grade, while around 98 percent meets our premium standard. This is not because we have lowered our standards or that we have been forced to reject more shrimp. Instead, the boats continue to deliver better and better product and they get higher prices in return. The end result is that the domestic shrimp we pack will stand up against any import.

Thank you for your time and I look forward to answering any questions you might have.