



8 June 2015

TO: Danielle Rioux
National Ocean Council Committee
National Marine Fisheries Service
1315 East-West Highway
Silver Spring, MD 20910

FROM: John Williams
Executive Director,
Southern Shrimp Alliance

RE: NOAA-NMFS-0214-0090: Request for Comments Regarding Presidential Task Force on Combating Illegal Unreported and Unregulated (IUU) Fishing and Seafood Fraud Action Plan Recommendations 14/15 Identifying Species "At Risk" of IUU Fishing and Seafood Fraud

The Southern Shrimp Alliance (SSA) represents the interests of domestic warm-water shrimp fishermen and associated shoreside enterprises operating in coastal communities from North Carolina to Texas. On behalf of this industry, SSA has maintained a substantial interest in both IUU fishing and fraudulent activities that occur in both domestic and international production, processing, and trade in shrimp.

SSA remains grateful for the work of the Presidential Task Force on Combating Illegal, Unreported, and Unregulated Fishing and Seafood Fraud (Task Force) resulting in the recommendations published in the Federal Register on December 18, 2014 (79 Fed. Reg. 75,536). SSA also appreciates the continued opportunity to provide additional comments for the consideration of the National Ocean Council (NOC) Committee regarding the Task Force's recommendations.

The "Possible Principles" Identified by the NOC Committee Demonstrate that Shrimp Is a Seafood Species "at risk" for IUU Fishing and Seafood Fraud

The NOC Committee has solicited comments regarding the identification of principles that "should be used to determine the seafood species 'at risk' for IUU fishing and seafood fraud." (80 Fed. Reg. 24,246, 24,247 (Apr. 30, 2015)). In this regard, SSA notes that the "possible principles" articulated by the NOC Committee in its request for comments strongly support a determination that shrimp is a seafood species "at risk" for IUU fishing and seafood fraud. Namely, trade in shrimp products presents significant domestic and international enforcement-

related concerns. A risk – at times significant and substantial for vulnerable populations – is posed to human health when shrimp produced through aquaculture is falsely-substituted for wild-caught shrimp. Moreover, substantial volumes of shrimp is fraudulently traded and mislabeled in order to evade tariffs, particularly antidumping duties. Further, because of significant differences in wholesale prices recently reported for domestic wild-caught and imported farmed shrimp, there are powerful incentives to substitute species in order to sell lower value shrimp at a higher price.

In support of these observations, we are appending to these comments a presentation developed by SSA – “Overview of Fraud in Shrimp Trade” (May 2015) – that provides detailed background on fraud issues with regard to trade in shrimp products. The presentation was made to John Henderschedt, Director of NOAA’s Office of International Affairs and Seafood Inspection, on May 1, 2015. The presentation discusses various mislabeling schemes that have been investigated and confirmed in the shrimp market over the last decade. The presentation further documents wholesale pricing trends with regard to imported farmed and domestic wild-caught headless shell-on shrimp at various count sizes since 1998. Finally, the presentation discusses the significant broad-based threat posed by shrimp trade fraud.

In total, the presentation demonstrates that shrimp is a seafood species “at risk” for IUU fishing and seafood fraud. We ask that the NOC Committee consider this information in determining the seafood species that will comprise the first phase of the implementation of a risk-based traceability program.

Additional Principles

Because the NOC Committee intends to utilize the principles developed through this process to select “at risk” species that will be “addressed in the first phase of the risk-based seafood traceability program,” two additional principles beyond the “possible principles” already identified should also be considered.

(1) Size and Scope of Trade in the Seafood Species

While the Task Force’s plan is aggressive, the plan also anticipates the development of traceability programs through a tiered approach wherein the first phase provides an opportunity for trial and error.

The risk-based traceability program developed in the first phase of the NOC Committee’s work should be as relevant as possible to the diverse seafood species traded in the U.S. market. This will mitigate any possible need to go back and reform or otherwise alter the traceability program developed in the first phase if it is found to have only minimal applicability to seafood species involved in subsequent phases. Accordingly, seafood species identified as “at risk” and involved in the first phase should comprise a wide-variety of product forms, production methods, countries of origin, distribution channels, and consumer types throughout the entire U.S. market.

One of the key advantages to the identification of species tied to substantial, diversified trade is that the implementation of a risk-based traceability program will necessarily involve the viewpoints and participation of a wide spectrum of industry participants. To the extent that a species is involved in substantial trade, the selection of the species incentivizes participation in the development of a risk-based traceability program because of the direct, significant impact that program will have in the operations of the market participant.

Shrimp involves a wide-variety of product forms, production methods, countries-of-origin, distribution channels and consumer types throughout the U.S. market. As both a farmed and wild-caught seafood product, shrimp is produced throughout the world and throughout the United States. Shrimp is also consumed throughout the U.S. market in a wide-variety of forms available to consumers through a wide-variety of diverse distribution channels. Consequently, a traceability program for shrimp would provide an excellent model for a wide range of seafood products and species.

(2) Familiarity of Federal Agencies with Species

The ambitious and laudable timetable established by the Task Force's Action Plan limits the ramp up time available to build base knowledge about the seafood species that will be encompassed in the first phase of the traceability program. Nevertheless, once the NOC Committee identifies appropriate principles and determines "at risk" species based on those principles, the list of species will be transmitted "to agencies for appropriate action." As such, the significant limitations imposed by timing considerations and the need to coordinate between and amongst agencies may be mitigated by the selection of seafood species that are already familiar to the federal agencies that investigate and prosecute seafood fraud and will be tasked with the design and implementation of the first phase traceability program.

In this respect, the broad nature of trade in shrimp products again supports the identification of shrimp as an "at risk" species. Every member agency of the Task Force has significant experience and familiarity with trade in shrimp products and the various forms of fraud associated with it.

Conclusion

In prior comments submitted to the Task Force on September 2, 2014 and January 20, 2015, SSA has discussed the importance of addressing trade in shrimp in the context of developing meaningful responses to IUU fishing and seafood fraud. For the reasons discussed above, the NOC Committee should identify shrimp as a species "at risk" for IUU fishing and seafood fraud. Whatever specific principles are ultimately adopted, SSA urges the NOC Committee to ensure that such principles will encompass the following risks associated with shrimp trade: shrimp mislabeled as to product form, species, net weight, country of origin or method of production in order to evade US antidumping duties; FDA regulations concerning adulteration including Import Alerts, or any other US law, as well as any shrimp that was harvested on a fishing vessel or processed in a facility using forced labor.



OVERVIEW OF FRAUD IN SHRIMP TRADE

MAY 2015



Southern
Shrimp
Alliance





Fraud in Shrimp Trade Has Been Significant and Varied

KEY DATES & EVENTS



- In December 2003, domestic shrimp industry files petitions seeking antidumping duties on imports from Brazil, China, Ecuador, India, Thailand, and Vietnam
- Preliminary affirmative determinations of dumping are issued with regard to shrimp from China and Vietnam in July 2004
- In February 2005, antidumping duty orders imposed on frozen warmwater shrimp from those six countries
- In June 2007, the U.S. Food and Drug Administration (FDA) announces countrywide Import Alert on farmed shrimp imports from China
- 2009 – Early Mortality Syndrome (EMS) first detected in shrimp aquaculture in China
- 2014 – FDA significantly increases refusals of shrimp products for contamination with banned antibiotics.

ABUSE OF THE “DUSTED” EXCLUSION FROM ANTIDUMPING DUTIES



The Exclusion:

- “Dusted” Shrimp was a shrimp product excluded from the AD Orders by the U.S. Department of Commerce
- The Southern Shrimp Alliance opposed the exclusion due to enforceability concerns

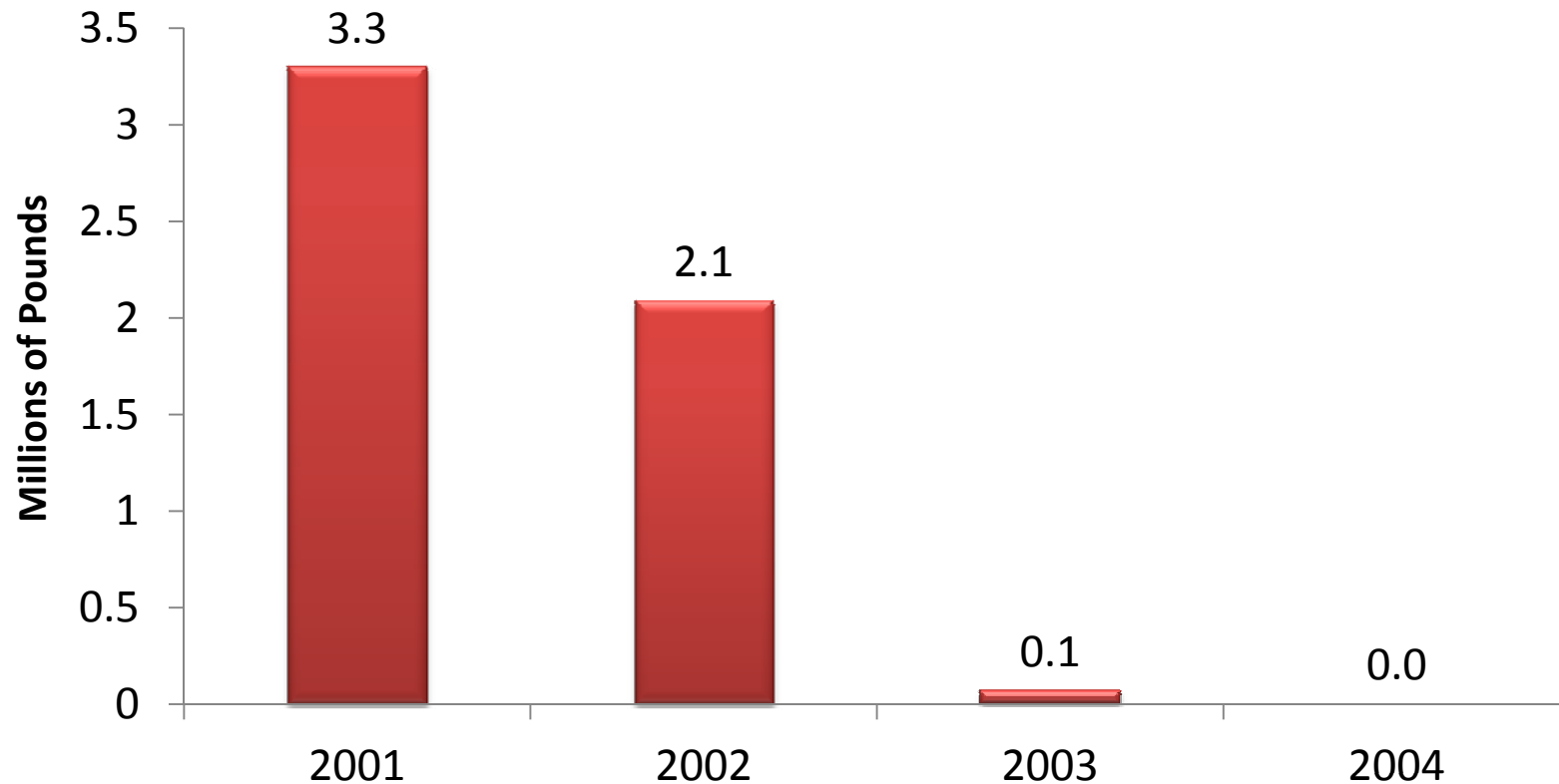
Abuse of the Exclusion:

- After the antidumping order, Chinese “dusted” shrimp imports began to flood the U.S. market
- U.S. importers and Chinese exporters mis-described merchandise to evade payment of antidumping duties.

ABUSE OF THE “DUSTED” EXCLUSION FROM ANTIDUMPING DUTIES



Before the U.S. Department of Commerce excluded “dusted” shrimp from the antidumping duty orders, volumes were low and falling as breaded shrimp production moved offshore

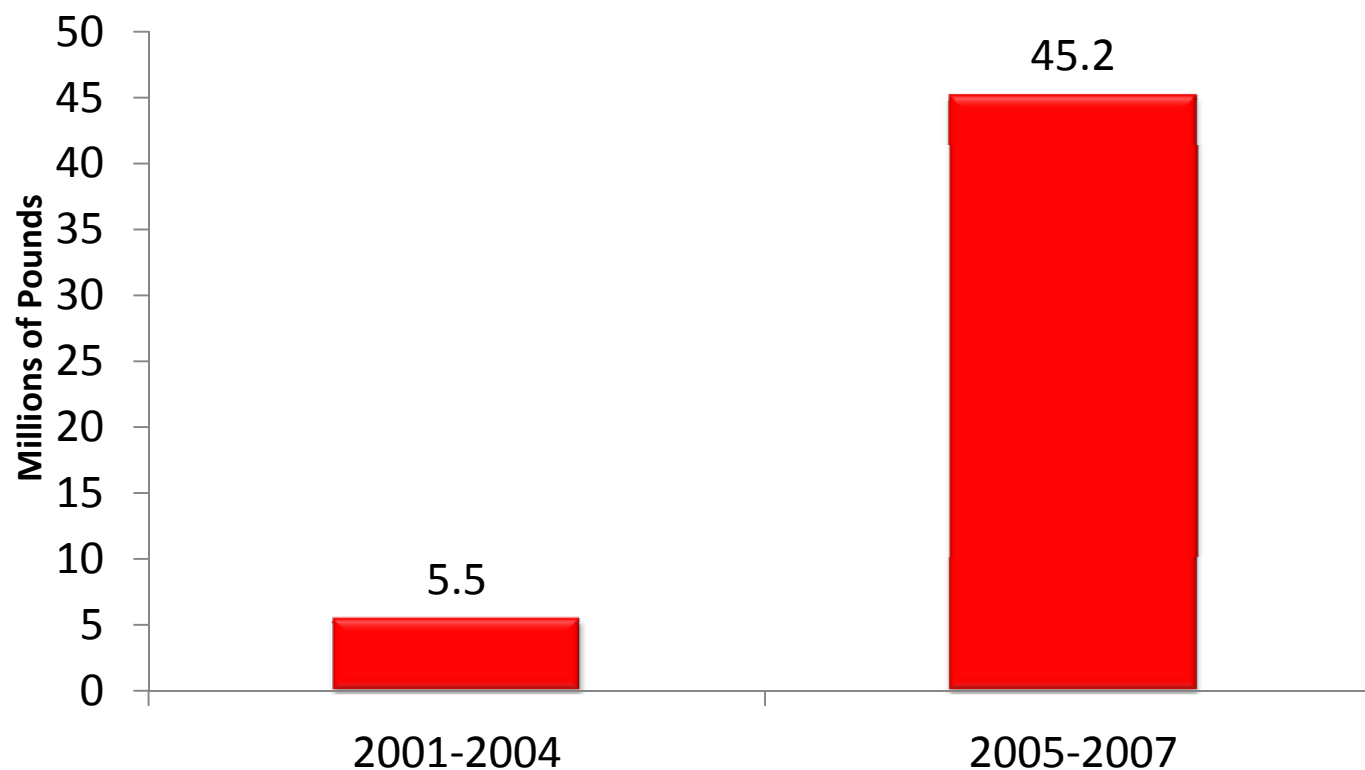


Source: Urner Barry Foreign Trade Data, shrimp import entries with “dusted” in product description.
These data are not exhaustive and may underestimate actual “dusted” shrimp imports.

ABUSE OF THE “DUSTED” EXCLUSION FROM ANTIDUMPING DUTIES



Once the antidumping duty orders were imposed, the volume of “dusted” shrimp – virtually all from China – exploded in the U.S. market.



Source: Urner Barry Foreign Trade Data, shrimp import entries with “dusted” in product description.
These data are not exhaustive and may underestimate actual “dusted” shrimp imports.

ABUSE OF THE “DUSTED” EXCLUSION FROM ANTIDUMPING DUTIES



In response to requests from the Southern Shrimp Alliance, U.S. Customs and Border Protection (“CBP”) began testing products described as “dusted” shrimp upon entry in 2007.

While CBP’s findings are confidential, the agency reported that significant quantities of product entered as “dusted” shrimp were falsely described.

There is some public record of CBP’s successful actions:

- A public letter from CBP’s Office of Rules & Regulations to the Port of Savannah (HQ H034575, May 10, 2010) described findings following physical inspections of purportedly “dusted” shrimp in 2007 imported by Royal Hunan Seafood and shipped by Zhanjiang Go-Harvest Aquatic Products Co. Ltd. CBP’s tests confirmed that shrimp was falsely described.
- The U.S. importer affiliate, Aquariastar Seafood Co., of a Chinese exporter of “dusted” shrimp, Zhanjiang Evergreen Aquatic Product Science and Technology Co., filed for bankruptcy in March 2008. The vast majority of debts listed in the bankruptcy petition related to amounts owed to CBP.

TRANSSHIPMENT – CHINESE SHRIMP THROUGH INDONESIA



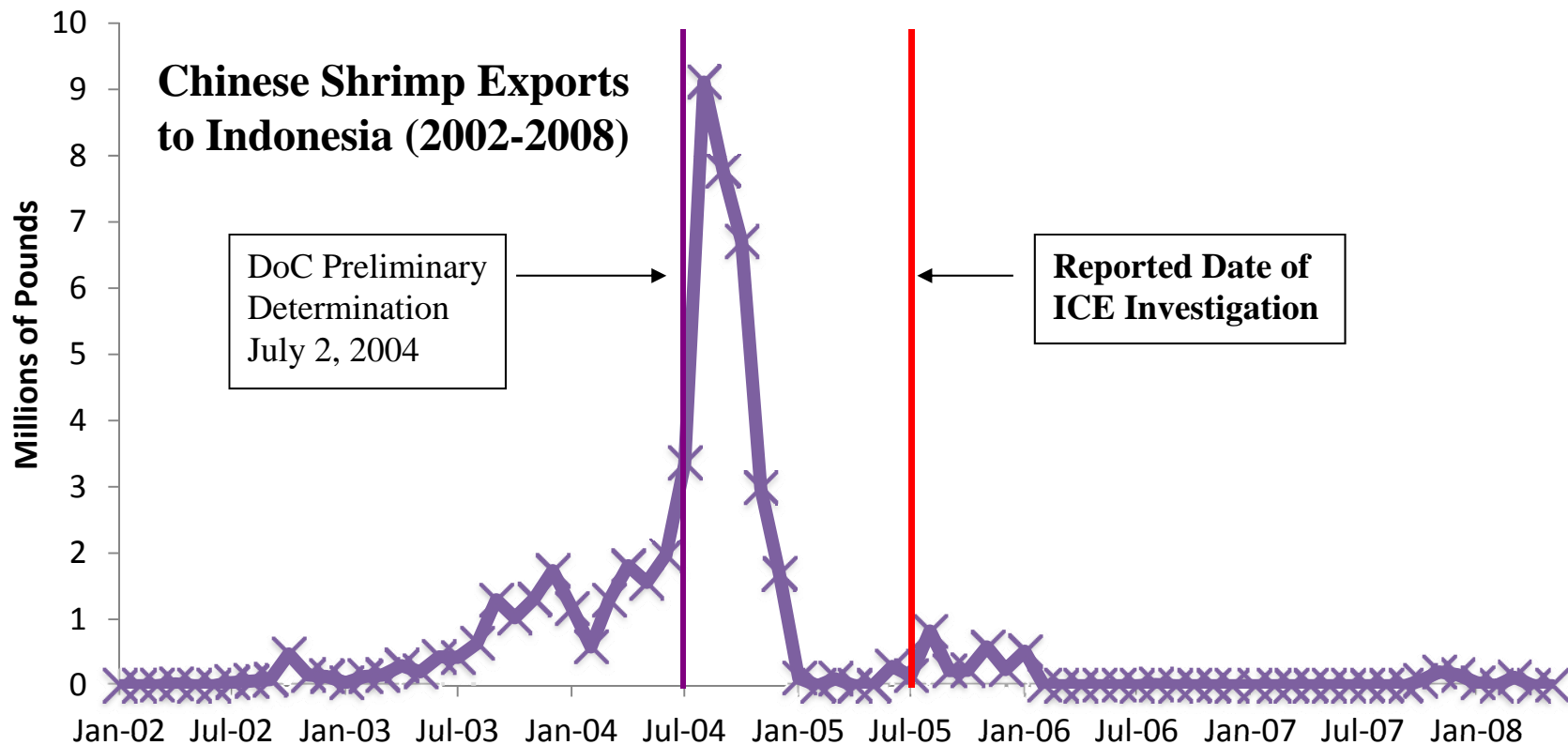
CBP and Immigration and Customs Enforcement (ICE) discovered significant transshipment of Chinese shrimp through Indonesia to circumvent antidumping duties

- In March 2006, a Declaration from Bruce Ingalls, the Chief of Debt Management in the Revenue Division of the Office of Finance, CBP was filed with the U.S. Court of International Trade that reported:
 - “After initiation of the antidumping case, CBP noted substantial shifts in import patterns that suggest transshipment of shrimp to circumvent high tariffs on shrimp. CBP and [ICE] visited shrimp producers in Indonesia (a country not subject to antidumping) that appeared to be of high-risk for transshipment.”
 - “CBP confirmed that three producers commingled Chinese shrimp and exported the merchandise claimed as Indonesian to circumvent the payment of antidumping duties. Fifty-four importers were sourcing shrimp from the three Indonesian producers during the time when Chinese shrimp was commingled.”
 - “Customs has demanded \$65 million in antidumping duty cash deposits from all importers involved. The country-wide rate upon Chinese shrimp is 112.81%. To date \$756,000 has been collected.”
 - “Indonesian Officials have been cooperative and provided vital information to the United States. The Indonesian Officials stated that they were aware that after the U.S. antidumping order went into effect, a great deal of Chinese shrimp was imported into Indonesia. These import statistics, which showed a 700% increase in shrimp imports from China, were provided to United States officials.”

TRANSSHIPMENT – CHINESE SHRIMP THROUGH INDONESIA



Shortly after Chinese shrimp became liable for AD duties, there was an unprecedented peak in Chinese shrimp exported to Indonesia, which disappeared after the ICE investigation

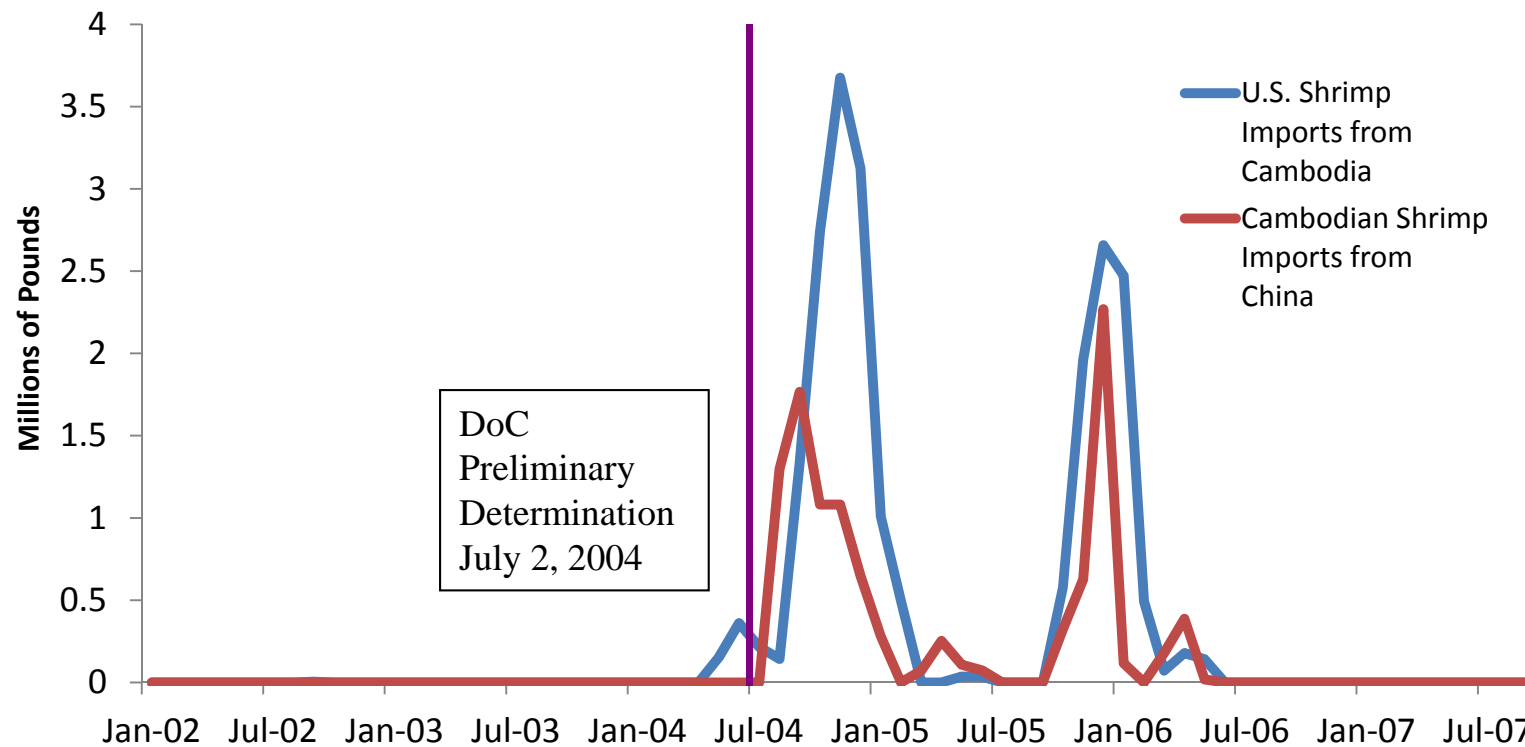


Source: TradStat

TRANSSHIPMENT – CHINESE SHRIMP THROUGH CAMBODIA



Shortly after Chinese shrimp became liable for AD duties, there was also an unprecedented peak in Chinese shrimp exported to Cambodia and a corresponding burst in Cambodian shrimp exports to the U.S.



Sources: TradStat, U.S. Census Bureau.

TRANSSHIPMENT – CHINESE SHRIMP THROUGH CAMBODIA



SSA'S WORK LED DEPARTMENT OF COMMERCE TO RECOGNIZE TRANSSHIPMENT THROUGH CAMBODIA

- In the 6th Administrative Review of antidumping duty order on shrimp from China, SSA, through the Ad Hoc Shrimp Trade Action Committee, presented evidence that a Chinese exporter's U.S. importer affiliate, **Ocean Duke Corporation**, had organized transshipment of shrimp through Cambodia to evade antidumping duties.
- Ocean Duke refused to answer questions regarding transshipment through Cambodia. Commerce found evidence that proving that Ocean Duke's Chinese exporter affiliate was involved in the creation and operation of a Cambodian shrimp exporter named Ocean King. Ocean Duke had repeatedly denied any association with the Cambodian company.
- Commerce ultimately assigned Hilltop a duty rate of **112.81%** for all entries between Feb. 2008 and Jan. 2013.

TRANSSHIPMENT – CHINESE SHRIMP THROUGH CAMBODIA



“In 2012, while conducting an administrative review of the AD order on frozen warmwater shrimp from China, Commerce received information that one of the Chinese exporters, Hilltop International, had been supplying false information to Commerce over a multiyear period. . . . Ultimately, Commerce concluded that Hilltop made false statements in response to Commerce’s first probe and, given the seriousness of the matter, Commerce reopened prior administrative review results regarding Hilltop. Upon re-examination of the information, Commerce found that Hilltop engaged in the same pattern of behavior in the prior reviews. *As a result, the AD duties due from Hilltop grew from zero, a finding which had been supported by false information, to likely over \$100 million.*”

-- Ronald Lorentzen, Deputy Assistant Secretary Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce

July 16, 2014

Committee on Appropriations, Subcommittee on Homeland Security, Homeland Security

TRANSSHIPMENT – CHINESE SHRIMP THROUGH MALAYSIA



Early on, the Malaysian Government publicly expressed concern regarding the transshipment of shrimp through the country in order to falsify the country of origin.

<http://www.bernama.com.my/bernama/v3/news.php?id=207602> July 11, 2006 23:08 PM

Local Link Used To Evade Prawn Anti Dumping Tariff, Says Muhyiddin

SHAH ALAM, July 11 (Bernama) -- **Prawn producers from nations subjected to anti dumping tariff are said to be using Malaysian parties to evade the tariff, said Agriculture and Agro-based Industries Minister Tan Sri Muhyiddin Yassin.**

He said the ministry was informed by major prawn importing nations like the United States on such practice but the parties involved were yet to be identified.

"Its quite difficult to identify them. However we are taking steps to overcome the problem or it will bring repercussions for the nation's prawn industry," he told a press conference after officiating a one day seminar on "Malaysia's Marine Prawn Industry" here Tuesday.

The Malaysian parties are believed to be involved in the repackaging of prawn products from nations subjected to the tariff and tranship them to the same nation that imposed the tariff on prawns.

He said this puts Malaysia at risk where it too could be subjected to the tariff.

"Therefore, I advise them to stop cooperating with those who want to take advantage. We will identify those involved and blacklist them for the sake of the industry," he said. . . .

-- BERNAMA

TRANSSHIPMENT – CHINESE SHRIMP THROUGH MALAYSIA



Malaysian Industry Officials Continue to Express Concerns Regarding Transshipment

<http://www.thestar.com.my/Business/Business-News/2013/09/02/Local-shrimp-industry-to-lose-RM511mil-if-US-antidumping-proposal-goes-through/?style=biz> (September 2, 2013)

M'sian shrimp industry will lose RM511mil if US anti-dumping duty is imposed

Monday, 2 September 2013 By: DAVID TAN

* * * * *

Malaysia Shrimp Industry Association president Syed Omar Syed Jaafar told *StarBiz* that shrimp exports to the United States comprised 43.84% of Malaysian shrimp sold overseas, indicating that the United States is a major market.

* * * * *

The anti-dumping duty was proposed **because the US Department of Commerce believes that Malaysian shrimp producers were involved in exporting shrimps of non-Malaysian origin using Malaysian-origin certificates, also known as transshipment activities**, Syed Omar said.

“The local consumption of shrimps in Malaysia is between 36,000 tonnes and 45,000 tonnes per annum. **Combined with the exports to the United States, Europe and Asia-Pacific market, the figure would be more than the total volume of shrimps we produce per annum.**

“This is the basis for the belief that we are passing off shrimps of non-Malaysian origin into the US market. . . .

* * * * *

He added that the United States and EU moves would be detrimental to genuine Malaysian shrimp exporters as a result of the anti-dumping tariffs and called on the authorities to look into the matter.

“**Action should be taken against the companies which are involved in transshipment activities.** The anti-dumping duties would drive away new investments, as we would not be able to compete with other neighbouring countries,” he said.

TRANSSHIPMENT – CHINESE SHRIMP THROUGH MALAYSIA



Federal Agencies have confirmed transshipment of shrimp through Malaysia:

“In June 2007, FDA announced a countrywide import alert on five Chinese-farmed seafood products, including shrimp. This import alert required that all Chinese shrimp be detained and refused entry, unless the importer could prove the absence of unapproved drugs in the shrimp.”

*“On the basis of industry information and CBP and ICE investigations, **CBP determined that Chinese shrimp was being transshipped to the United States through Malaysia.** Due to this illegal transshipment, **importers of Chinese shrimp were able to circumvent not only the 2005 antidumping duty but also FDA’s recent import alert.**”*

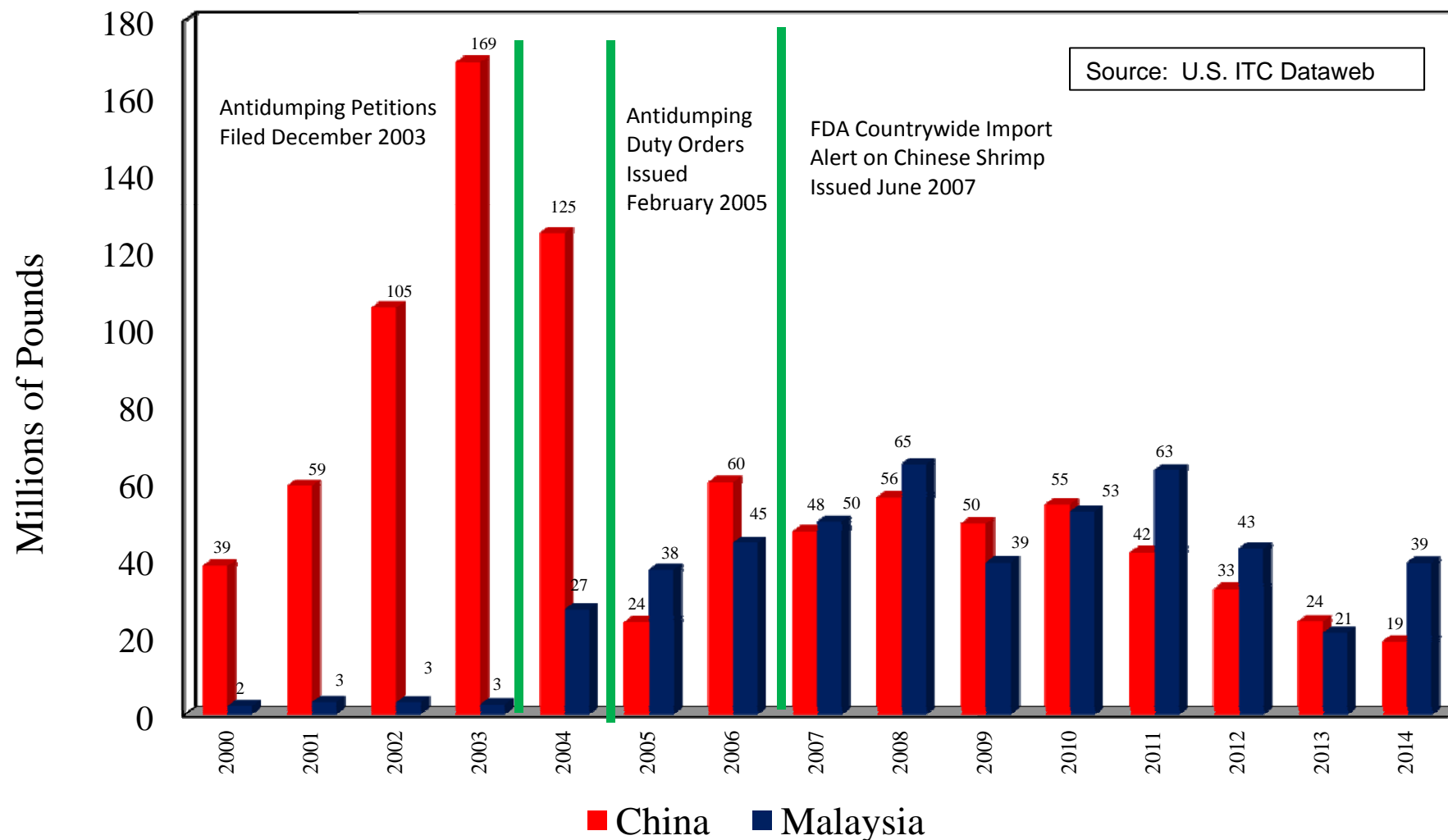
*“In September 2007, CBP tested shipments of suspected Chinese shrimp illegally transshipped through Malaysia for the presence of unapproved drugs **and found some contaminated shrimp.** On the basis of CBP’s information, in March 2008, FDA issued a new import alert requiring importers of shrimp from one Malaysian manufacturer to prove the absence of unapproved drugs prior to entering future shipments of shrimp into U.S. commerce.”*

U.S. GAO, “Seafood Fraud: FDA Program Changes and Better Collaboration among Key Federal Agencies Could Improve Detection and Prevention,” GAO-09-258 (Feb. 2009) at 15

TRANSSHIPMENT – CHINESE SHRIMP THROUGH MALAYSIA



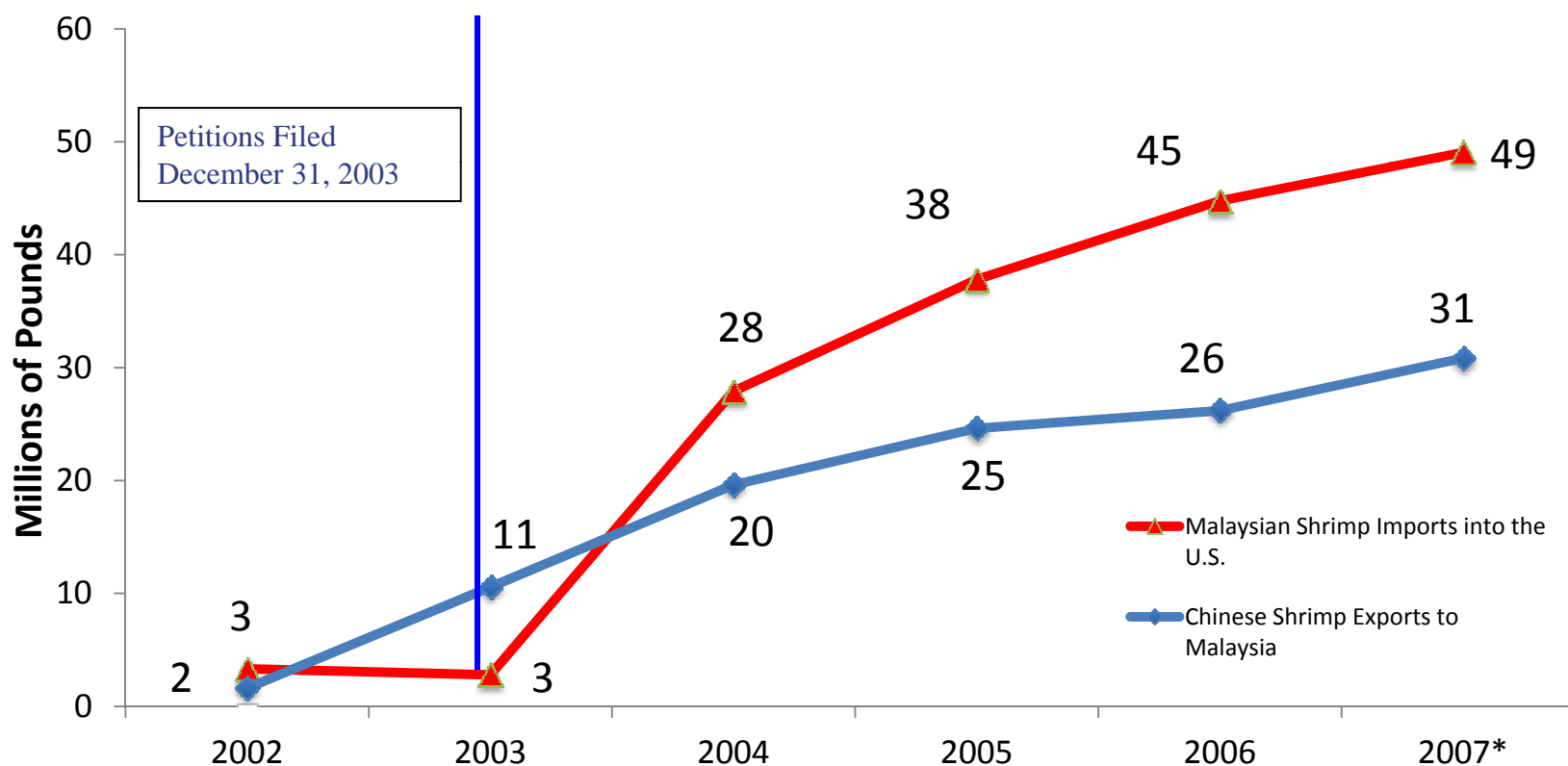
Malaysian Shrimp Entered the U.S. Market as Chinese Shrimp Exited



TRANSSHIPMENT – CHINESE SHRIMP THROUGH MALAYSIA



After filing of AD petition against Chinese shrimp, Chinese shrimp exports to Malaysia increased significantly and continued to grow. At the same time, U.S. imports of Malaysian shrimp increased significantly.



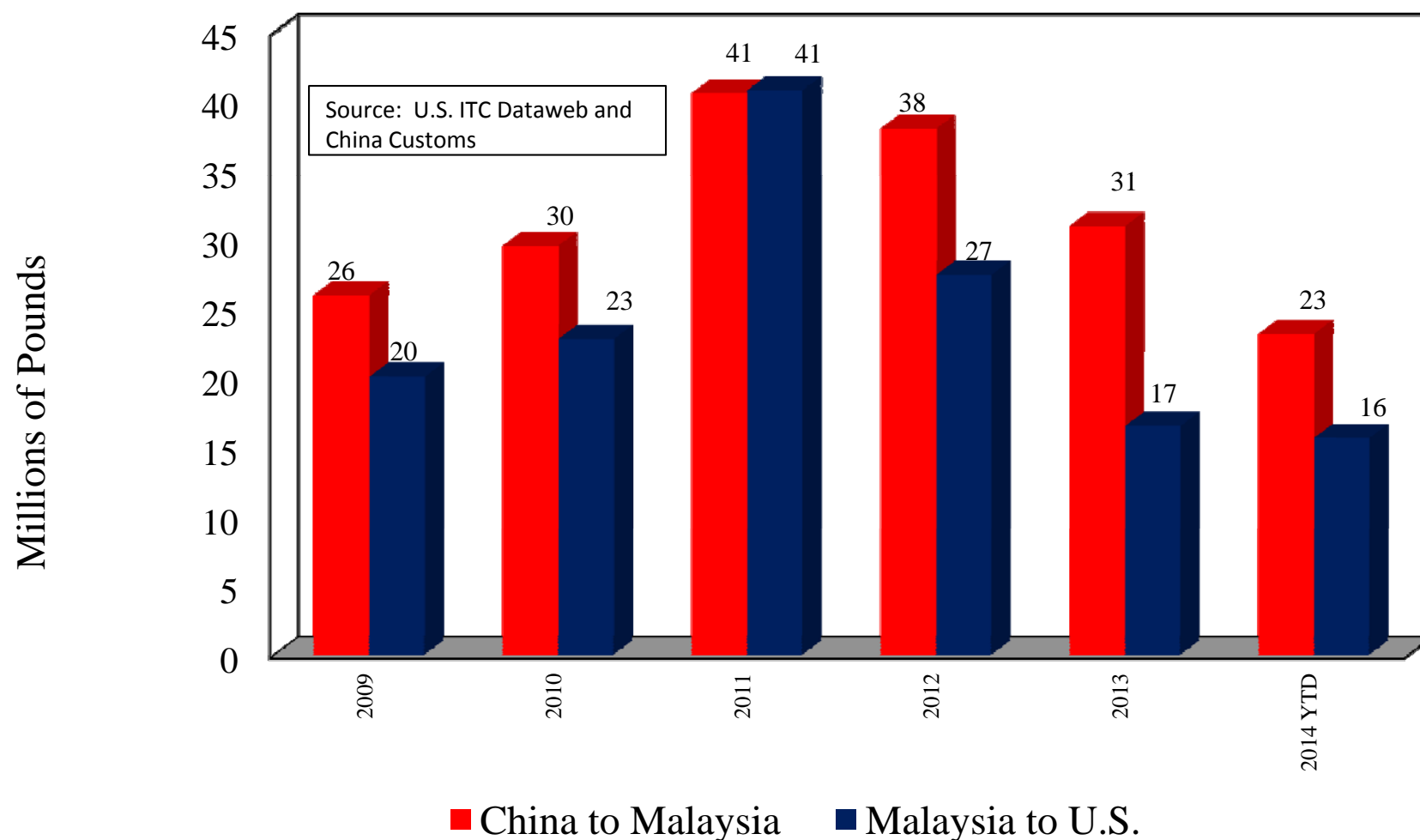
Note: 2007 data annualized based on ratio of Jan-Sep 2006 shipments to full year 2006 shipments

Sources: U.S. Census Bureau IM-145 and Tradstat

TRANSSHIPMENT – CHINESE SHRIMP THROUGH MALAYSIA



**THE BULK OF SHRIMP EXPORTS FROM CHINA TO MALAYSIA
AND FROM MALAYSIA TO THE U.S. ARE PEELED SHRIMP**





Consumers Increasingly Differentiate Shrimp Based on Origin

THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



THE U.S. SHRIMP MARKET IS THE SINGLE MOST SIGNIFICANT SEAFOOD MARKET IN THE U.S.



Non-Breaded Frozen Shrimp Imports into the United States Were Valued at Over \$6 Billion Last Year

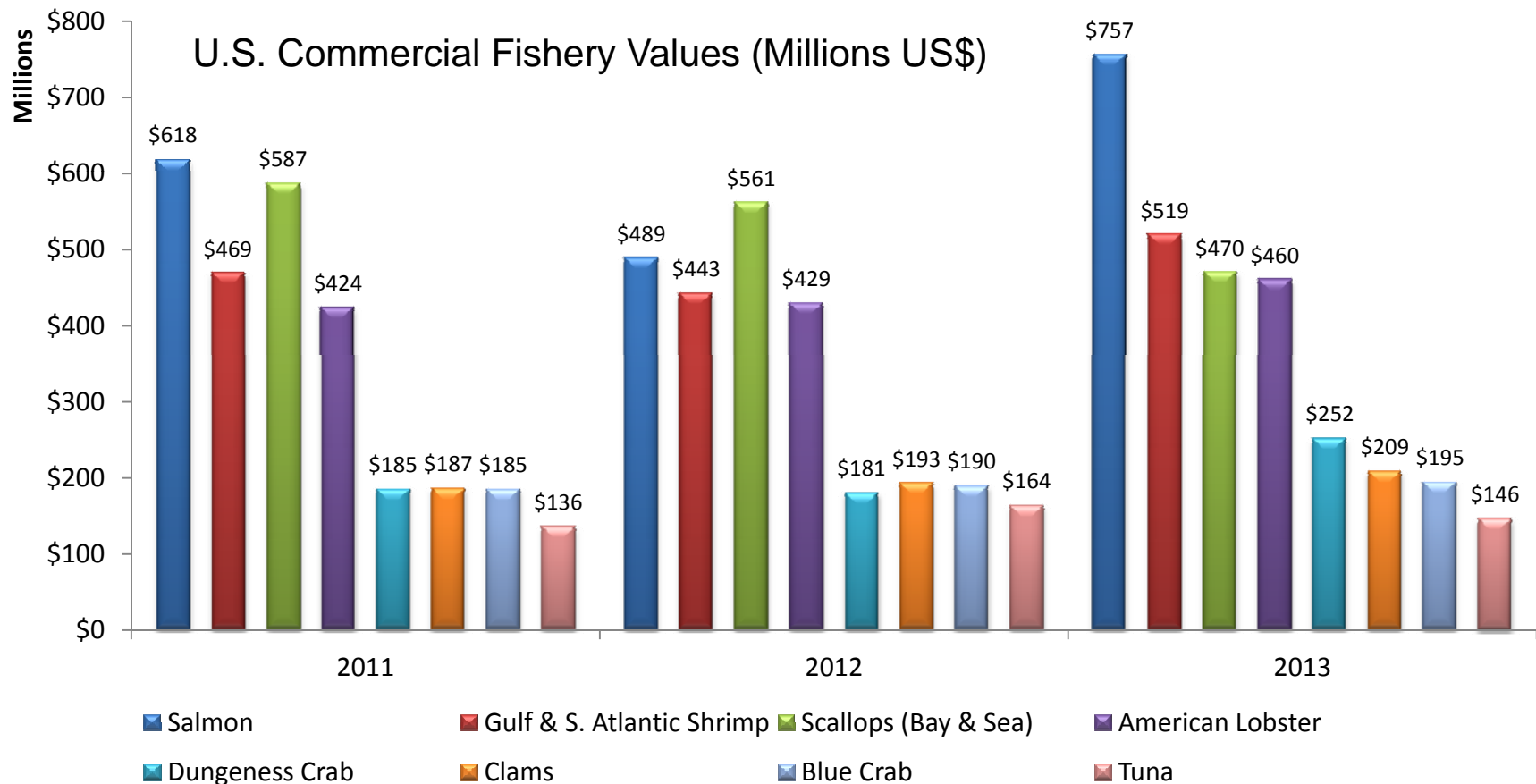
Value of Total Non-Breaded Frozen Shrimp Imports Into the U.S. (Billions of US\$)



THE U.S. SHRIMP MARKET IS THE SINGLE MOST SIGNIFICANT SEAFOOD MARKET IN THE U.S.



The Commercial Warmwater Shrimp Fishery Is One of the Most Valuable in the United States

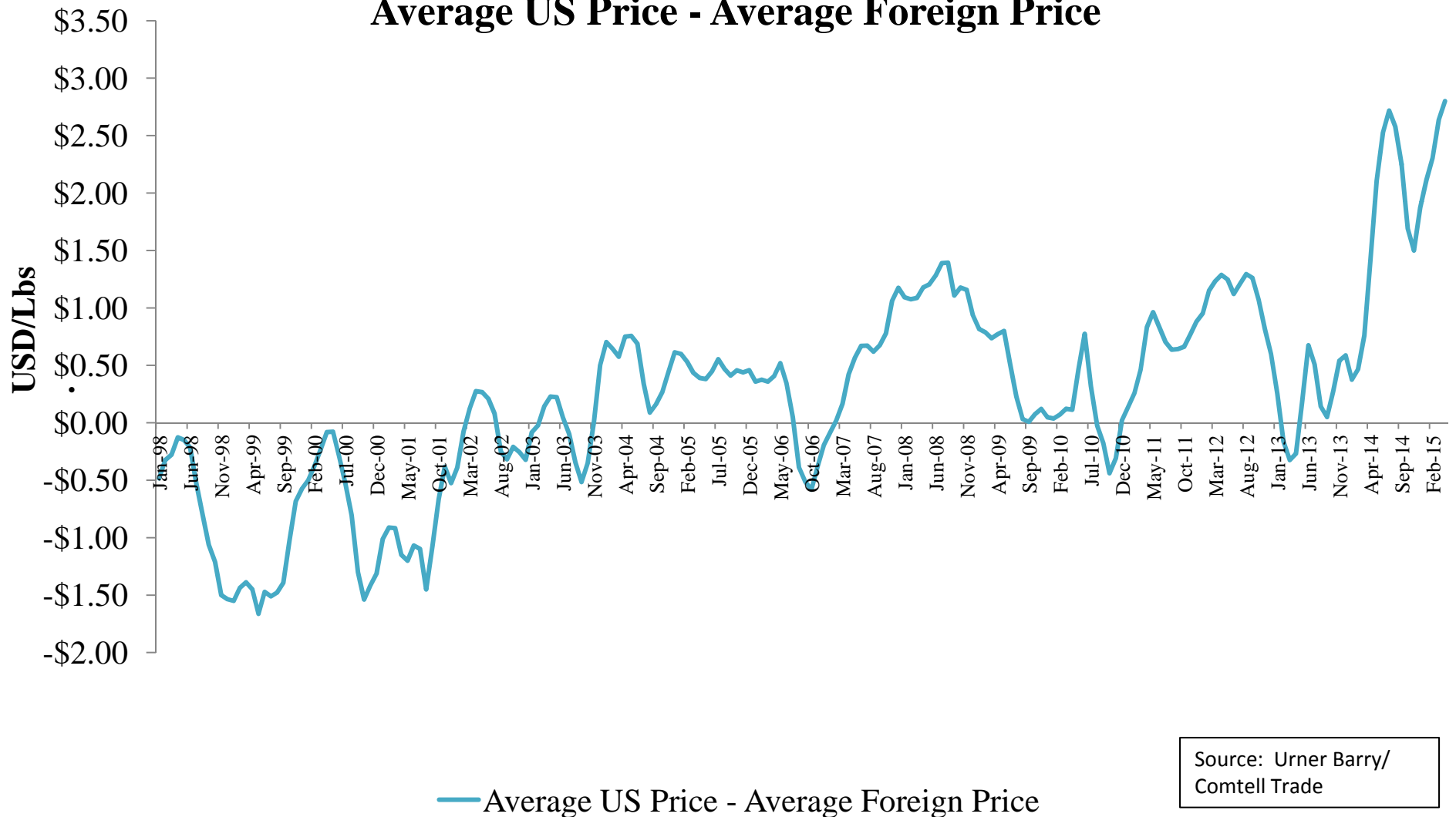


Source: NOAA Fisheries of the United States 2013 and 2012

THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



**Urner Barry 21-25 Count Size
Average US Price - Average Foreign Price**

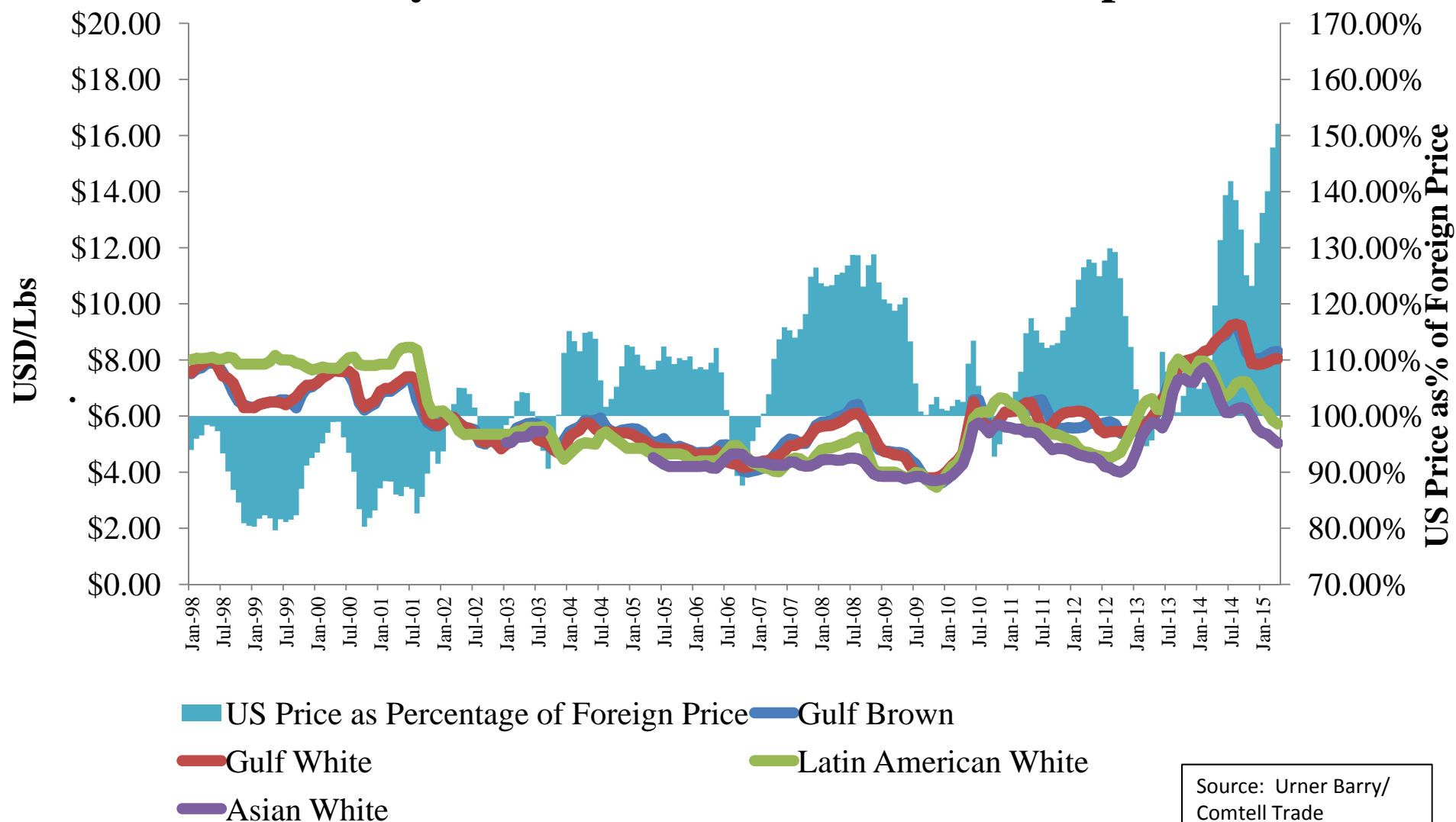


Source: Urner Barry/
Comtell Trade

THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



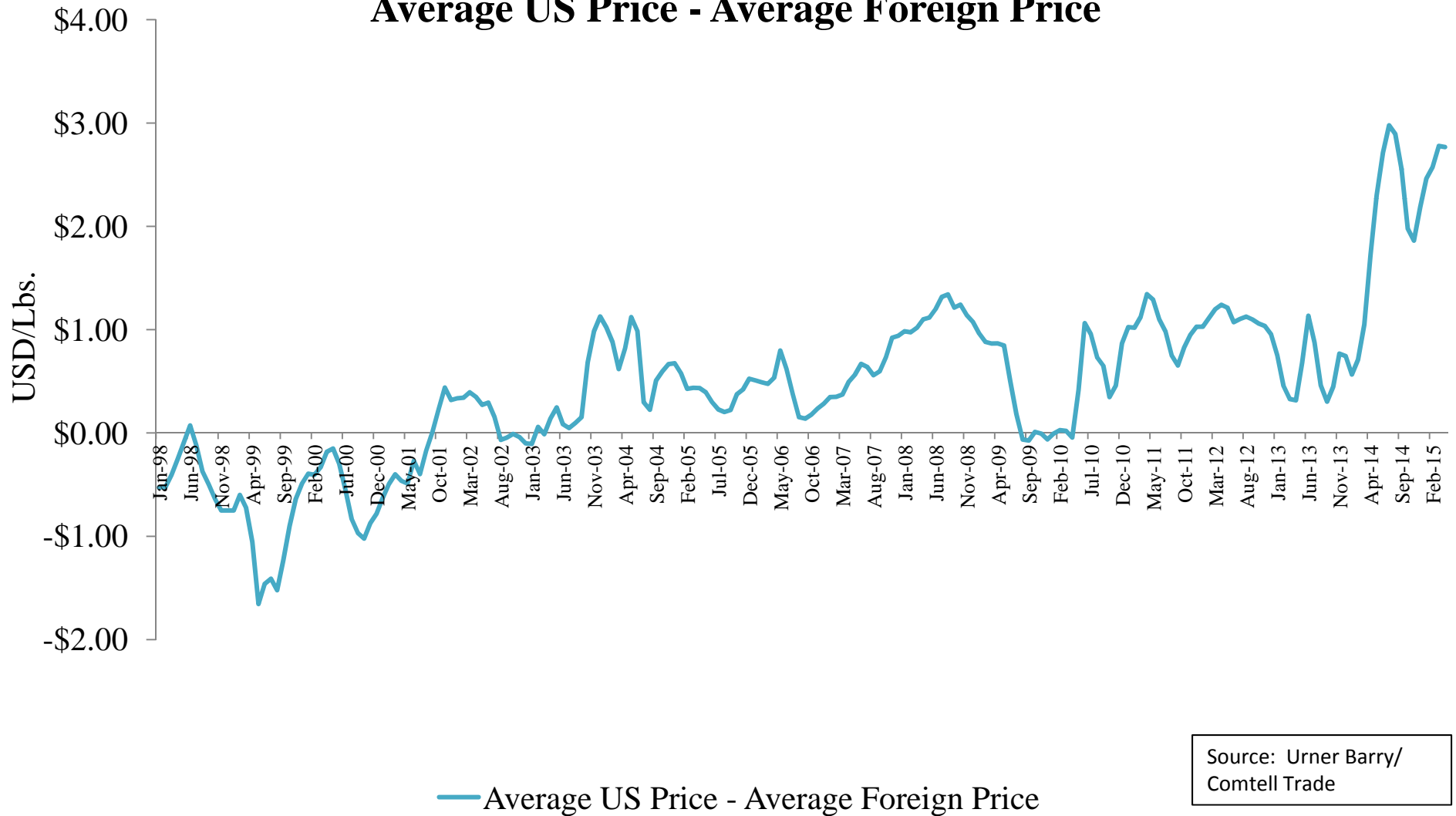
Urner Barry 21-25 Count Size Prices 1998-April 2015



THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



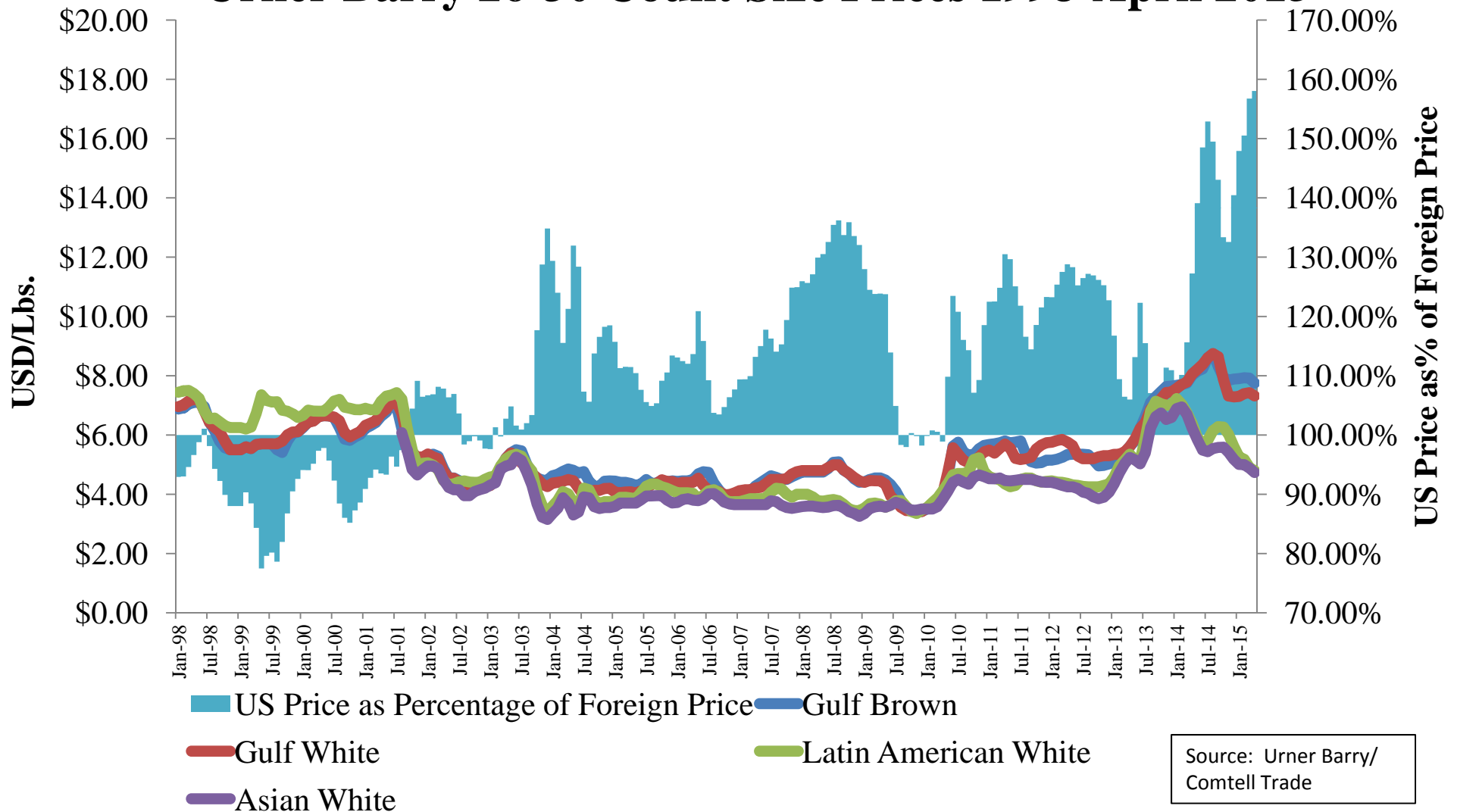
**Urner Barry 26-30 Count Size
Average US Price - Average Foreign Price**



THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



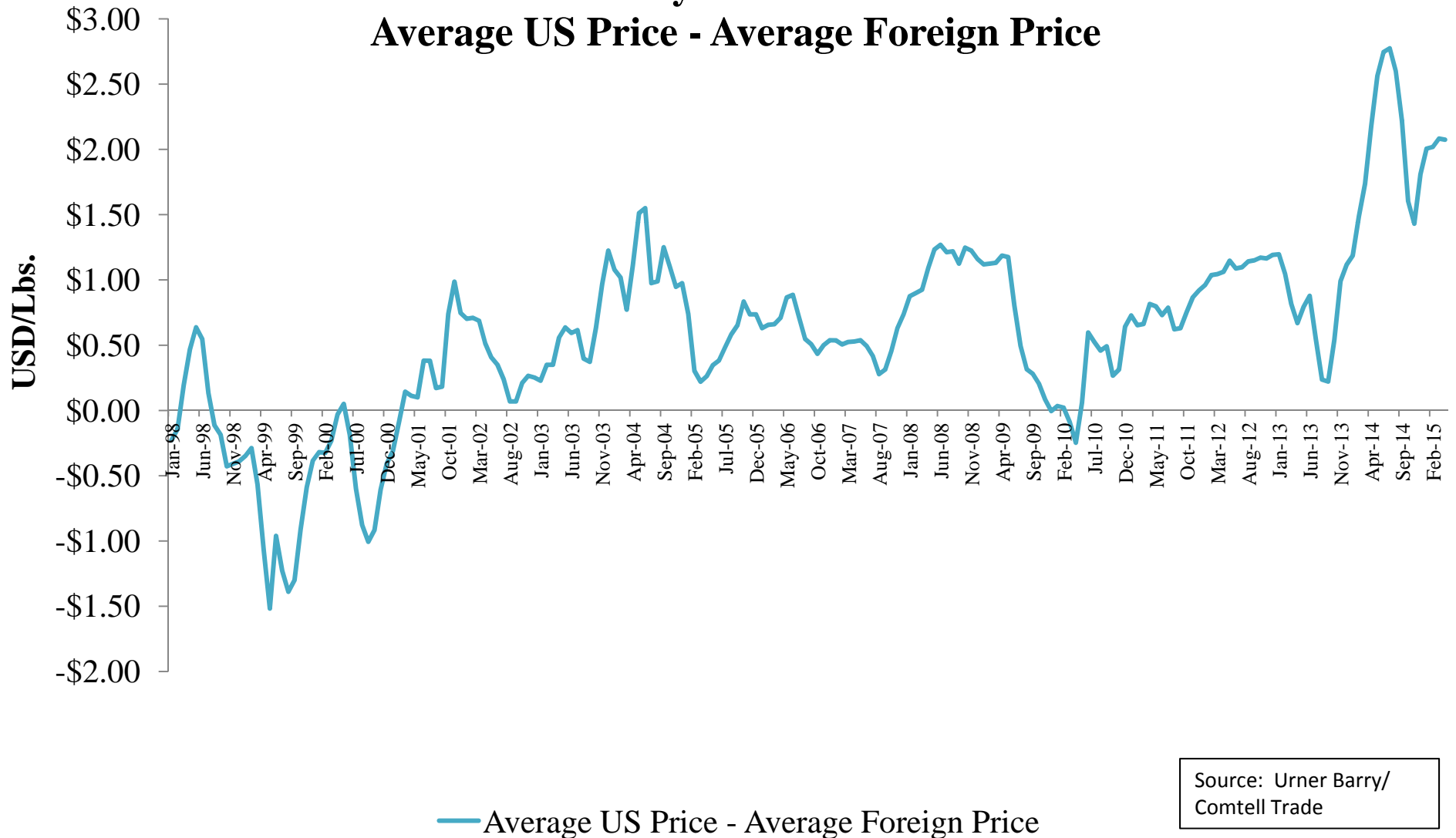
Urner Barry 26-30 Count Size Prices 1998-April 2015



THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



**Urner Barry 31-35 Count Size
Average US Price - Average Foreign Price**

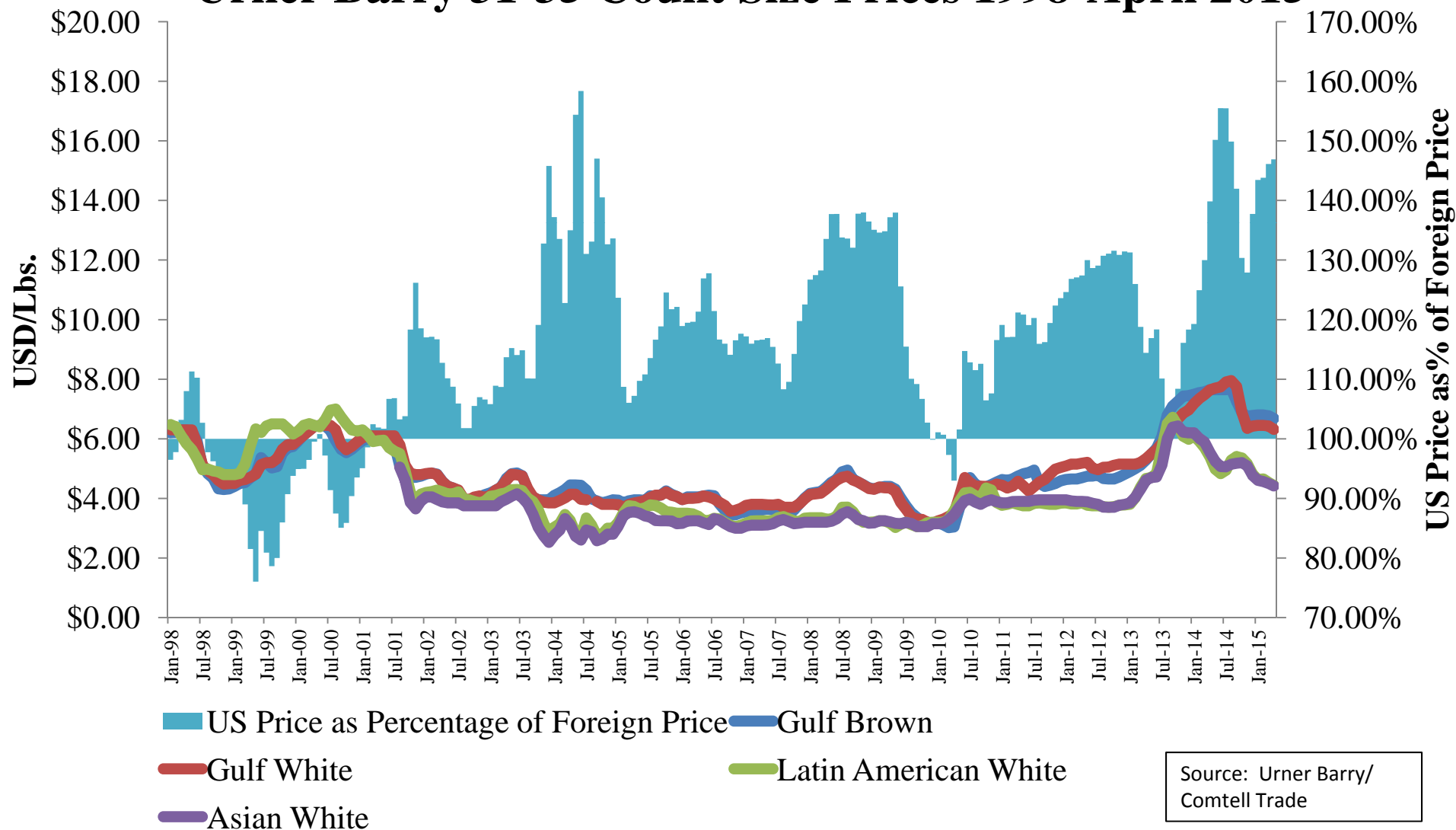


Source: Urner Barry/
Comtell Trade

THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



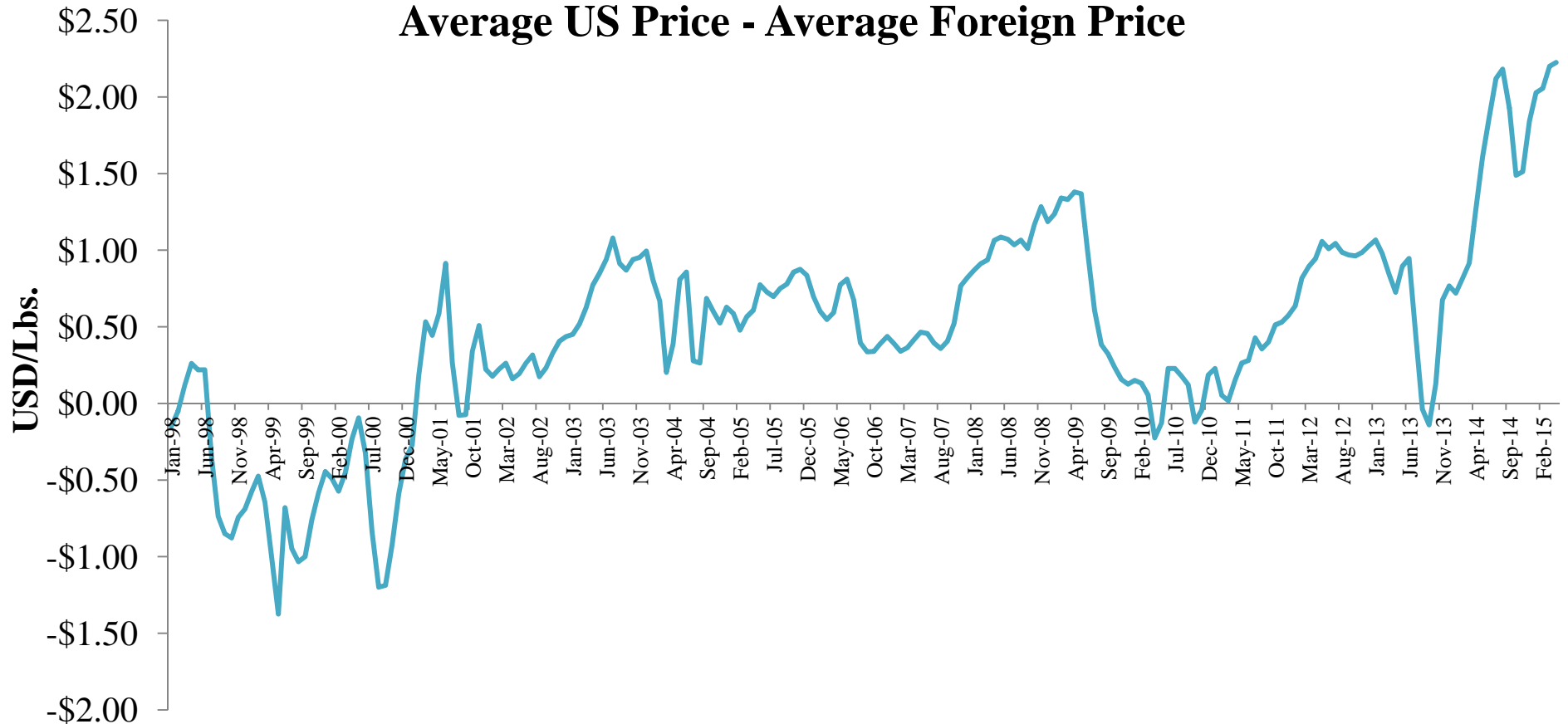
Urner Barry 31-35 Count Size Prices 1998-April 2015



THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



**Urner Barry 36-40 Count Size
Average US Price - Average Foreign Price**



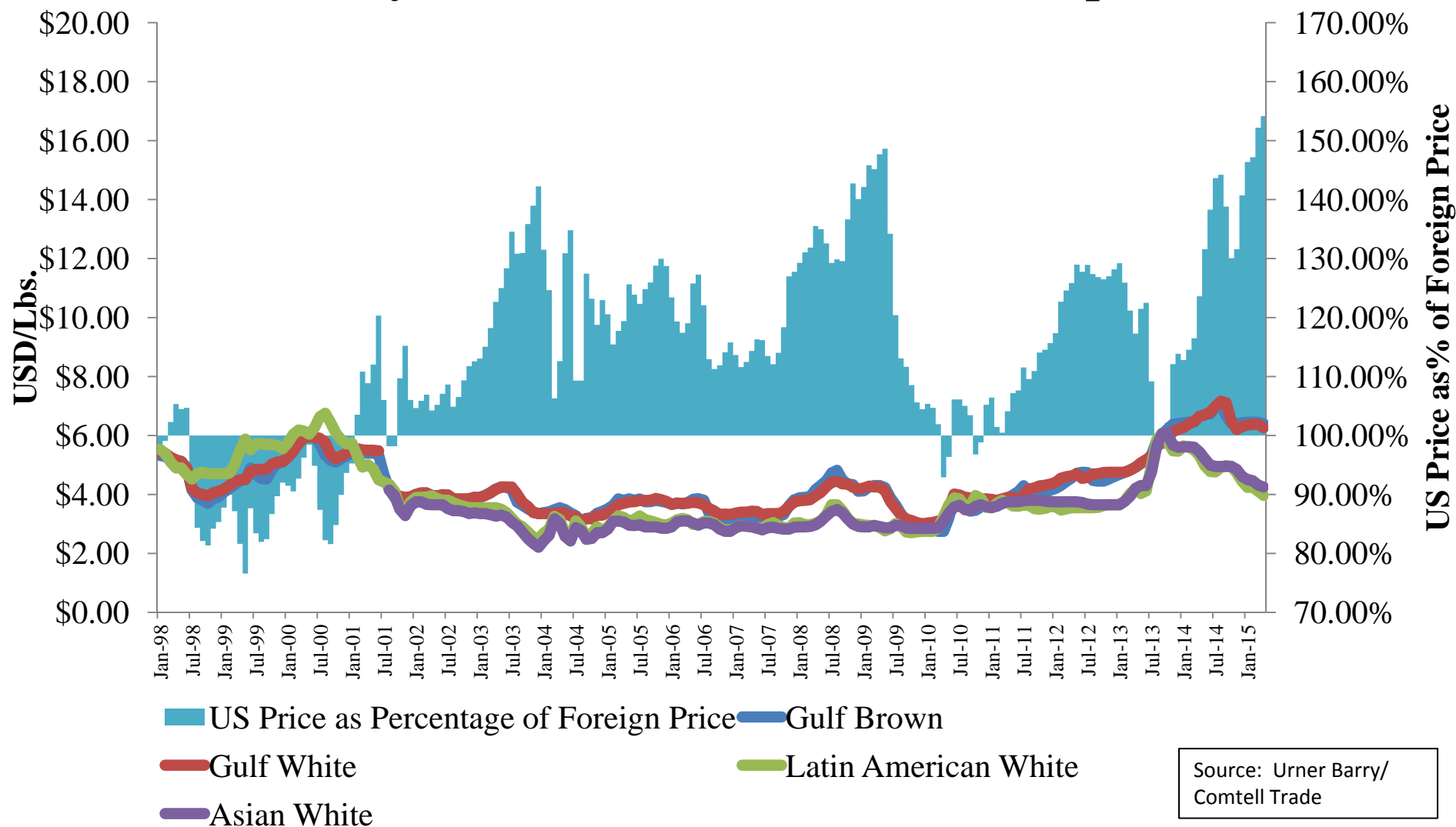
— Average US Price - Average Foreign Price

Source: Urner Barry/
Comtell Trade

THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



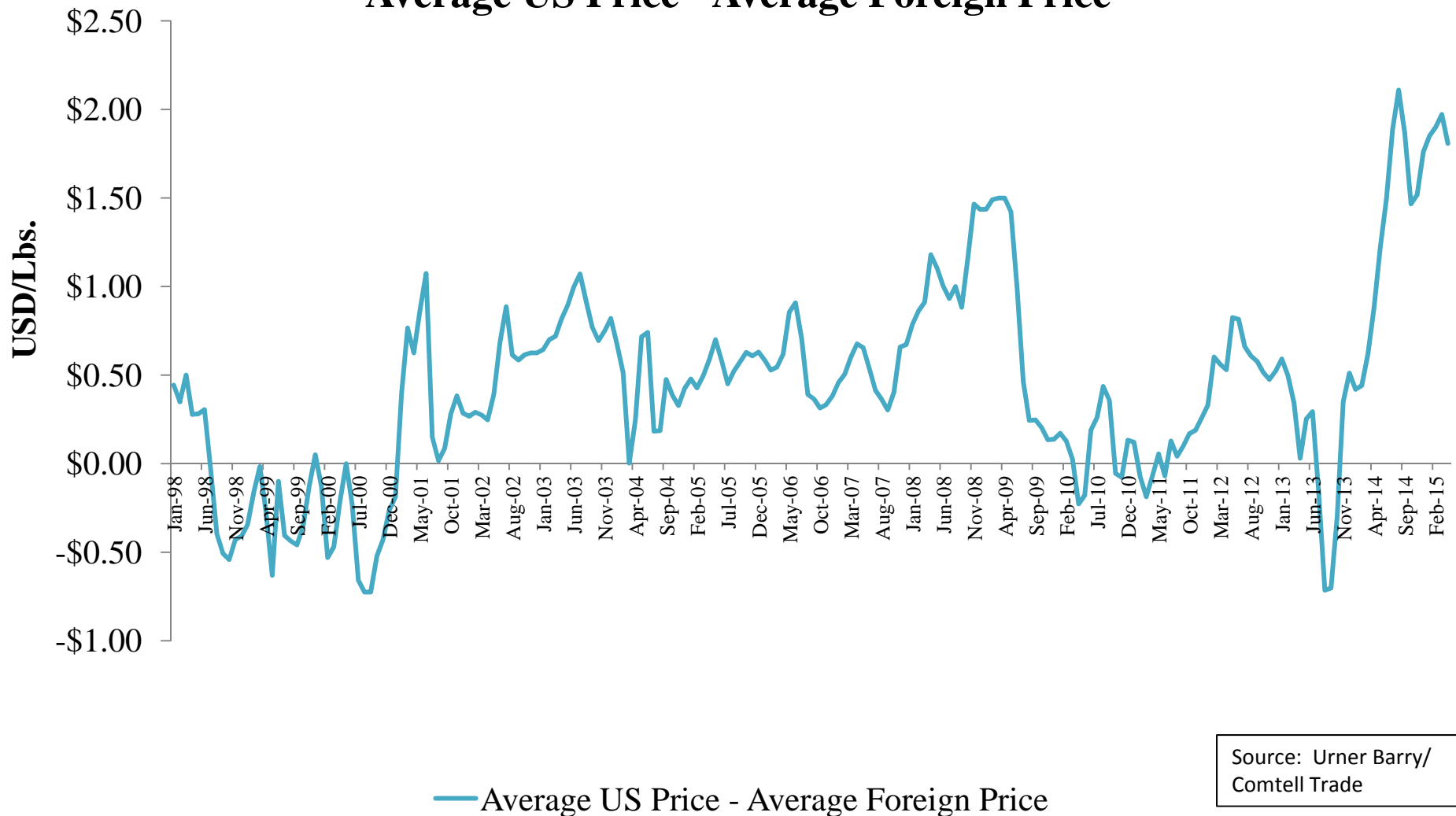
Urner Barry 36-40 Count Size Prices 1998-April 2015



THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



**Urner Barry 41-50 Count Size
Average US Price - Average Foreign Price**

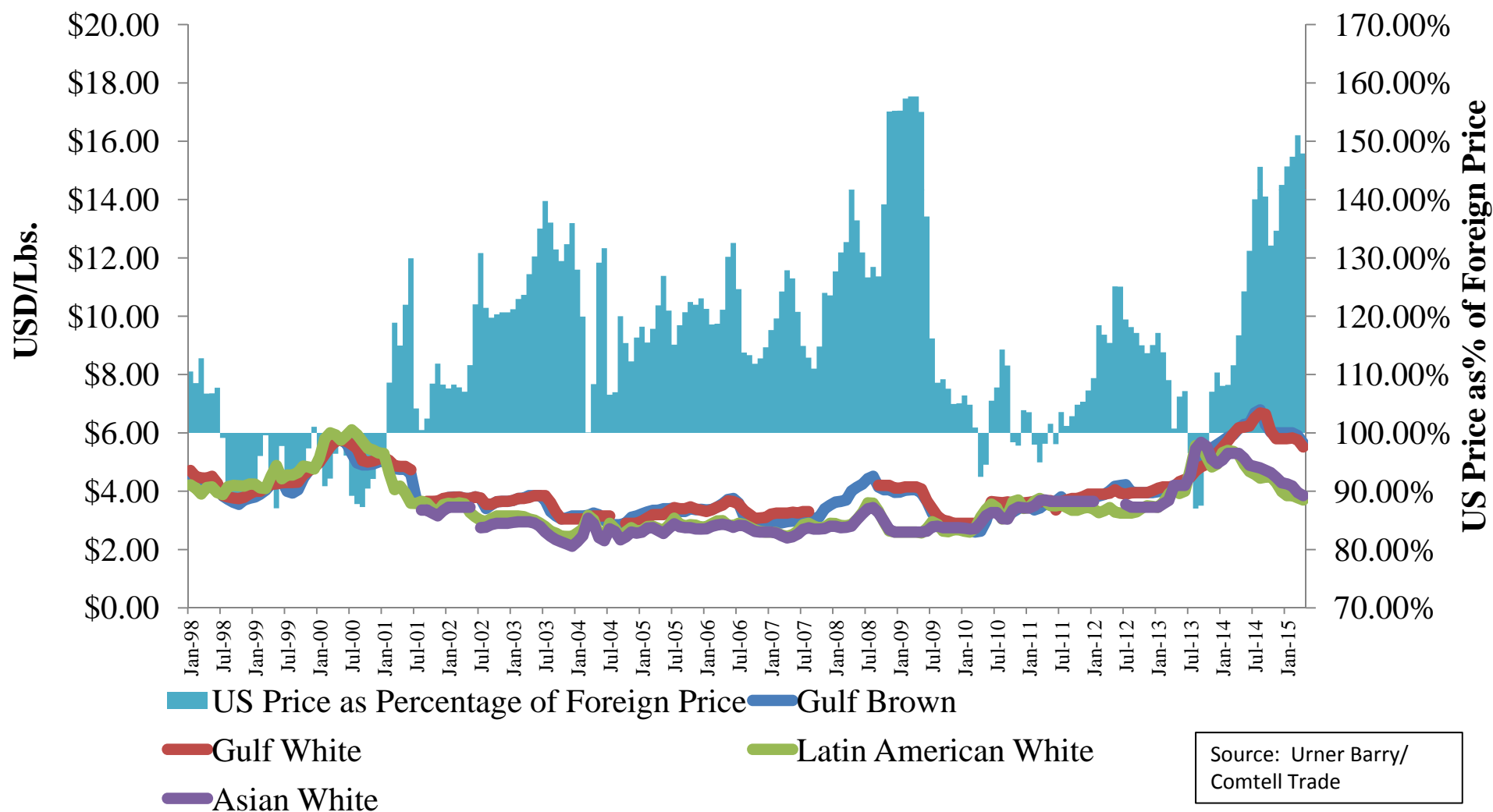


Source: Urner Barry/
Comtell Trade

THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



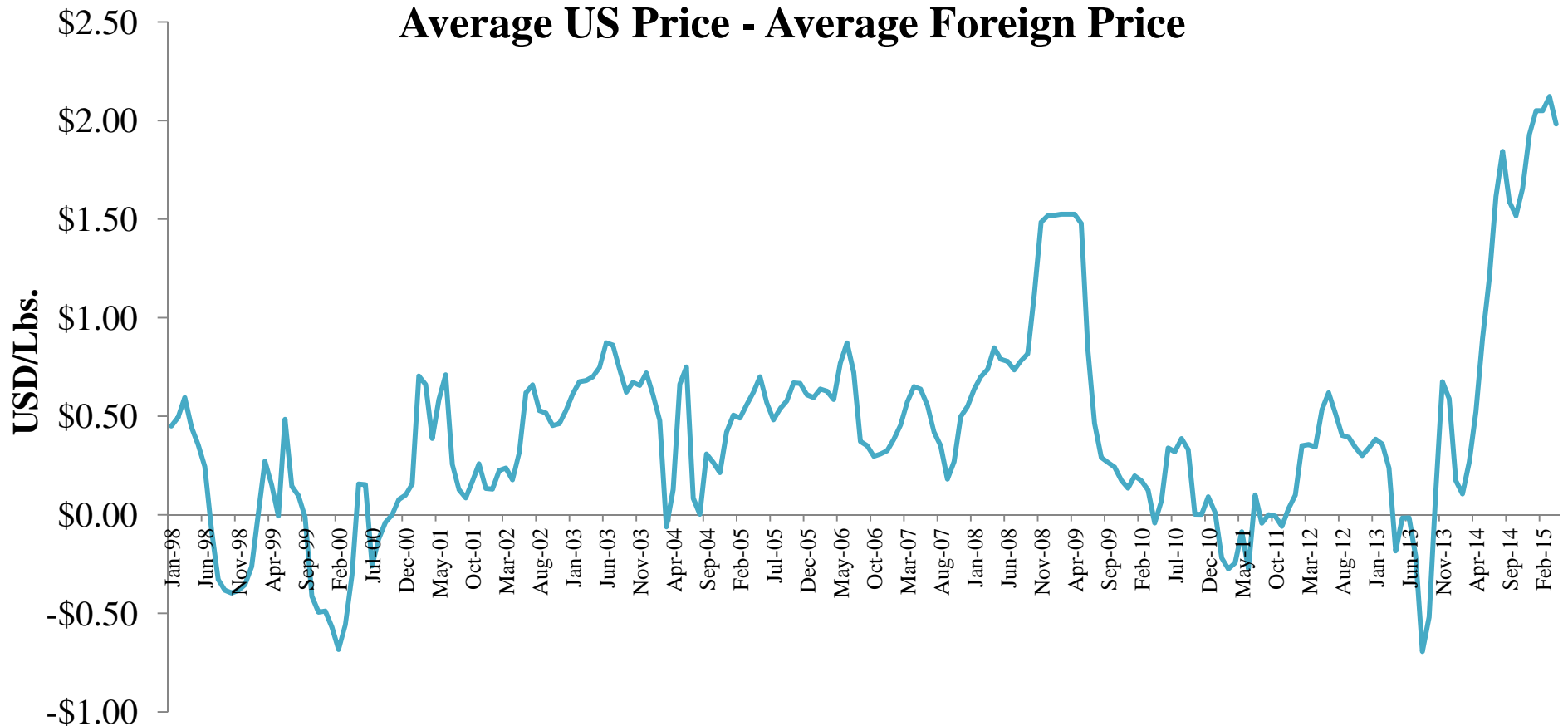
Urner Barry 41-50 Count Size Prices 1998-April 2015



THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



**Urner Barry 51-60 Count Size
Average US Price - Average Foreign Price**



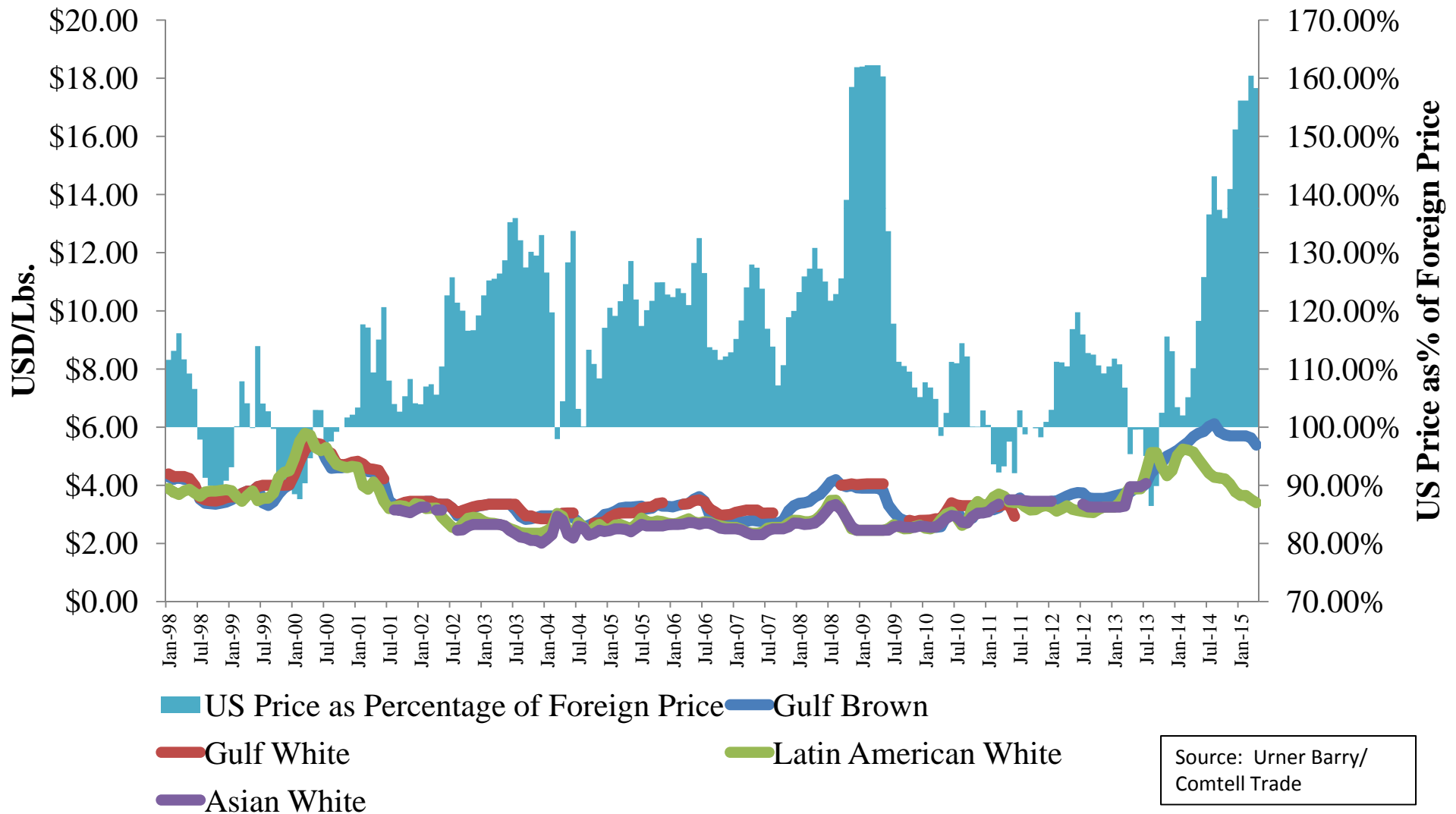
— Average US Price - Average Foreign Price

Source: Urner Barry/
Comtell Trade

THE U.S. SHRIMP MARKET IS DRIVEN BY PRODUCT ORIGIN



Urner Barry 51-60 Count Size Prices 1998-April 2015





Fraud in Shrimp Trade Poses Significant Risks and Substantial Challenges

SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – OVERVIEW OF MALAYSIAN SHRIMP



- Malaysia's shrimp exports to the United States are characterized by large volume surges from exporters with no prior history in this market
- Once shipments from one Malaysian exporter are stopped – whether because of CBP, ICE, NOAA Law Enforcement or FDA action – another new Malaysian shipper replaces the volume
- The vast majority of importers of Malaysian shrimp are paper companies that often close down and re-open under new names
- These techniques are adopted to evade duties, circumvent FDA regulations, and cheat consumers.

SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – SANJUNE SDN. BHD.



- Prior to March 2012, the Malaysian exporter, Sanjune Sdn. Bhd. had not exported anything to the United States.
- As a Malaysian corporation, Sanjune's balance sheets are available through the Malaysian government.
 - In 2010, Sanjune reported assets of 2 Malaysian ringgit (about 66 cents).
 - In 2011, Sanjune reported assets of 236,788 Malaysian ringgit (about \$77,776).
- Nevertheless, in 2012, Sanjune exported **8 million pounds** of shrimp to U.S. market with an estimated value of **\$25.2 million**
- Between March and November 2012, Sanjune ***on its own*** accounted for **32%** of the volume of imports of peeled shrimp and **15%** of the volume of cooked shrimp from Malaysia

SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – SANJUNE SDN. BHD.



Because of the high volume of sudden sales of further processed (peeled and cooked) shrimp from a company with no prior exporting history, SSA suspected that Sanjune was transshipping shrimp. Although not yet proved, Sanjune highlights other threats that shrimp fraud poses to the marketplace.

- Consumer Health and Safety:
 - Sanjune was added to the FDA's Import Alert 16-129 (nitrofurans) in April 2013 after multiple refusals of shrimp in December 2012, February 2013, and March 2013.
 - In Canada, CFIA placed Sanjune on its Mandatory Inspection List for the presence of nitrofurans in September 2013
 - In South Korea, the government reported rejecting a shipment of peeled and deveined shrimp from Sanjune because of the presence of nitrofurans in February 2014

SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – SANJUNE SDN. BHD.



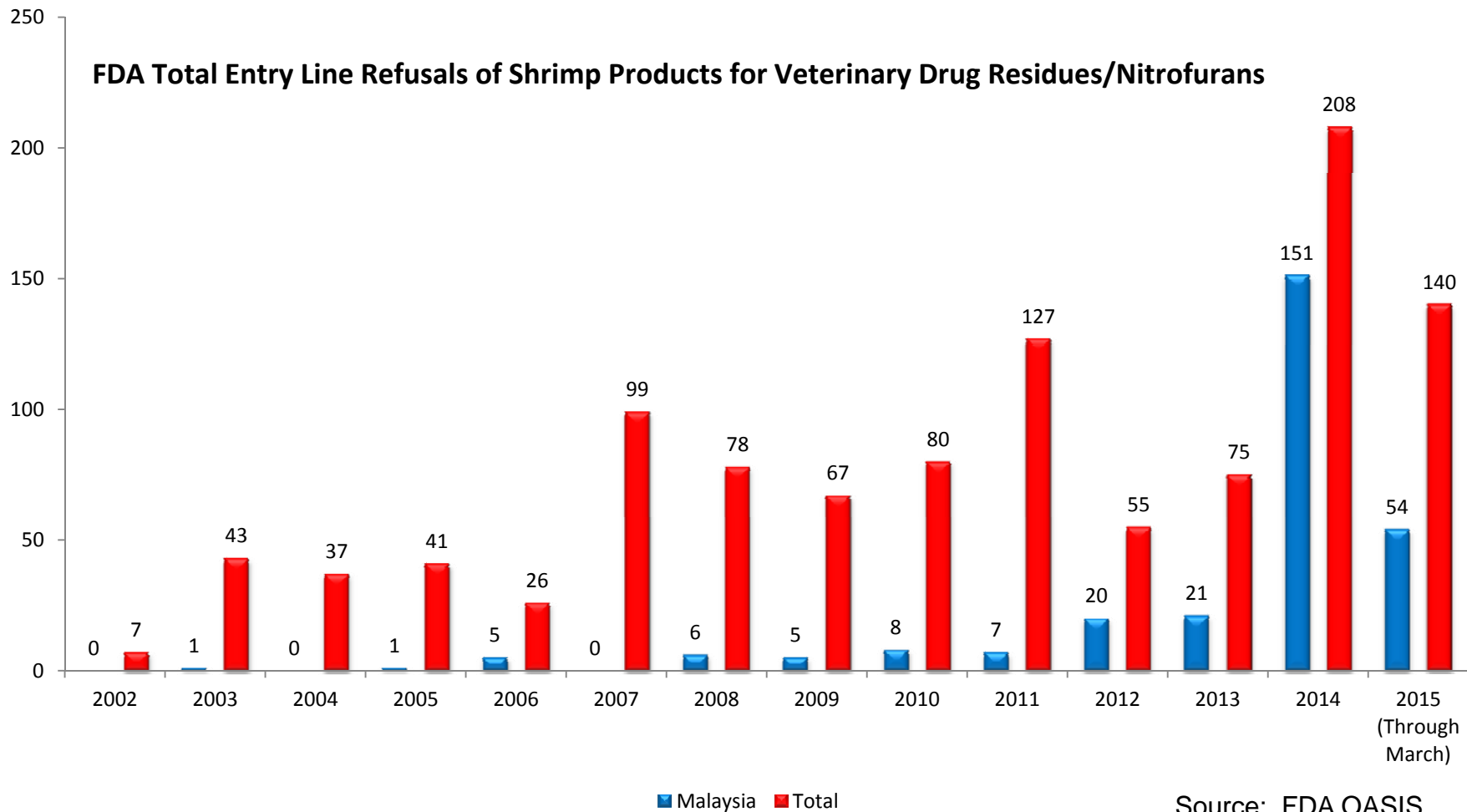
Because of the high volume of sudden sales of further processed (peeled and cooked) shrimp from a company with no prior exporting history, SSA suspected that Sanjune was transshipping shrimp. Although not yet proved, Sanjune highlights other threats that shrimp fraud poses to the marketplace.

- **Consumer Fraud:**
 - A review of bills of lading indicates that the vast majority of Sanjune's shipments were short-weighted (packed at 85 to 90% n.w.).
 - The importer for Sanjune's shrimp is a Dallas-based distributor, North Food Group which sells shrimp under proprietary brand names including "PD King" and "Royal Select."
 - The National Fisheries Institute's Better Seafood Board's "Catalog of Short Weight Offers" (discontinued in April 2013) documents two March 2013 offers to sell shrimp branded "PD King" and "Royal Select" by One World Protein LLC that were 85% n.w. and 90% n.w.

SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – MALAYSIAN SHRIMP & FDA



Malaysia Shrimp Imports Have Accounted for a High Percentage of Total FDA Refusals of Shrimp Product Entry Lines Contaminated with Antibiotics

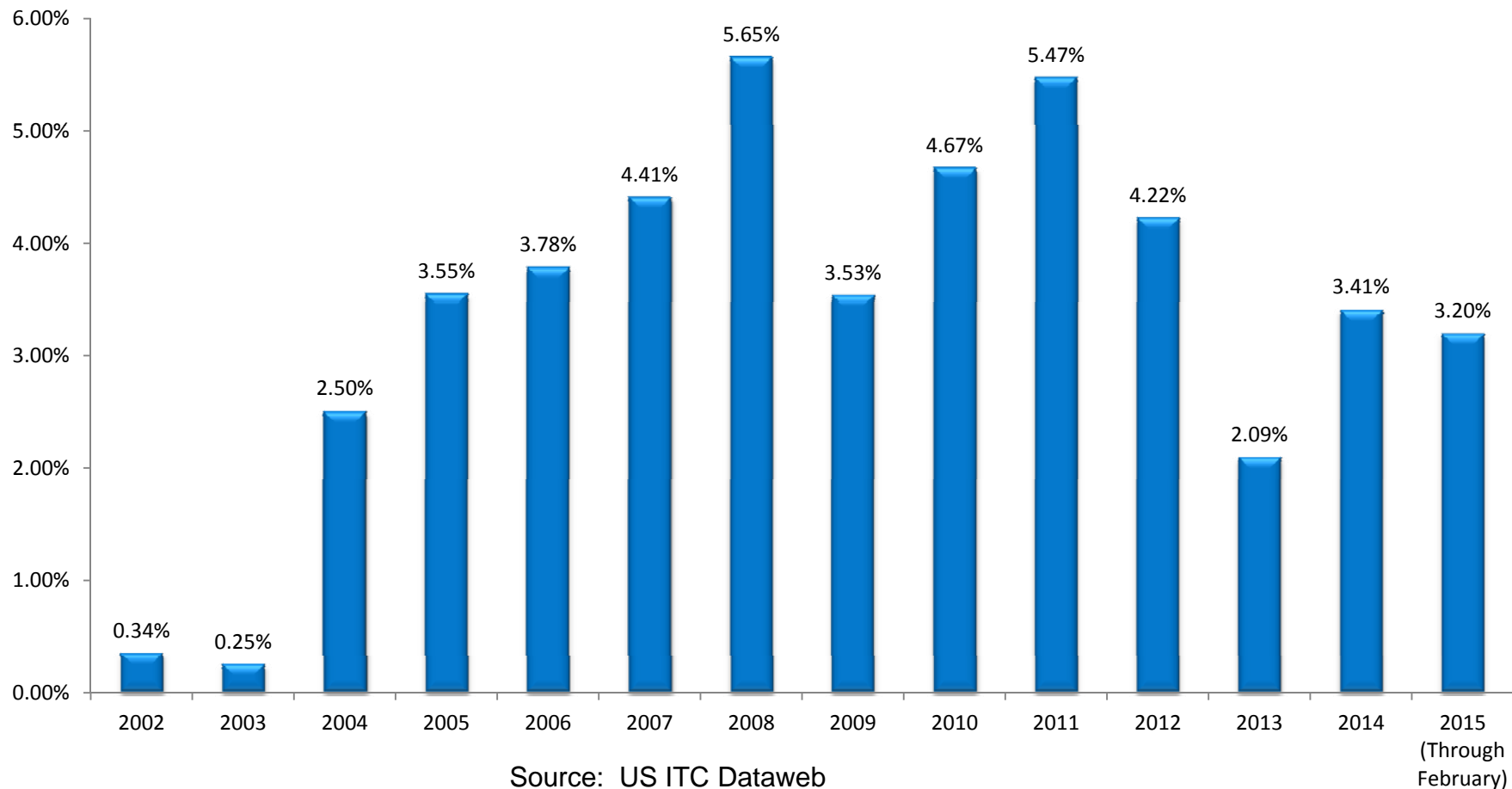


SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – MALAYSIAN SHRIMP & FDA



But Malaysia Has Never Accounted for More than Six-Percent of the Total Volume of Non-Breaded Frozen Shrimp Imports

Malaysia % of Total Shrimp Import Volume



SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – MALAYSIAN SHRIMP & FDA



Malaysian Non-Breaded Frozen Shrimp Imports into the United States Are Nevertheless Significant and Account for Hundreds of Millions of Dollars

Value of Malaysian Shrimp Imports Into the U.S. (Millions of US\$)



SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – MALAYSIAN SHRIMP & FDA



IMPORT ALERT 16-129 – DETENTION WITHOUT PHYSICAL EXAMINATION OF SEAFOOD PRODUCTS

DUE TO NITROFURANS

As of April 28, 2015

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|--|--|
| Exporters from Four Countries Are Listed on Import Alert, All for Shrimp | Bangladesh, India, Indonesia, Malaysia |
| A Total of Twenty-Eight Exporters Are Listed from the Four Countries; Nearly Four-Fifths (22) Are from Malaysia | Bangladesh (1) India (4) Indonesia (1) Malaysia (22) |
| Twelve of the Twenty-Two Malaysian Companies Were Added to Import Alert Since September 2014 | Sunlight Seafood Sdn. Bhd. (09/2014) Ocean Famous Sdn. Bhd. (10/2014) Double Memeory Sdn. Bhd. (12/2014) Double Memory Sdn. Bhd. (12/2014) Aquatech Venture Sdn. Bhd. (02/2015) Fishergold Cold Storage Sdn. Bhd. (03/2015) Lean Heng Huat Fishery (03/2015) Ocean Pioneer Food Sdn. Bhd. (03/2015) Penshrimp Sdn. Bhd. (03/2015) Ria Budimas Trading (03/2015) Ria Budimas Trading (03/2015) Seng Enterprise Seafood Supplier (1986) (04/2015) |

SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – MALAYSIAN SHRIMP & FDA



IMPORT ALERT 16-124 – DETENTION WITHOUT PHYSICAL EXAMINATION OF AQUACULTURE SEAFOOD PRODUCTS DUE TO UNAPPROVED DRUGS

As of April 28, 2015

| | |
|---|---|
| Shrimp Exporters from Five Countries Are Listed on Import Alert | China, India, Malaysia, Mexico, Vietnam |
| A Total of Twenty-four Shrimp Exporters Are Listed; Nine Are from Malaysia | China (4) India (1) Malaysia (9) Mexico (1) Vietnam (9) |
| Twenty of the Shrimp Exporters Are Listed for Chloramphenicol; Nine Are from Malaysia (three were added in 2015) | Seng Enterprise Seafood Supplier (1986) (02/2015) CAB Marine Resources Sdn. Bhd. (03/2015) Lean Heng Huat Fishery (03/2015) |

SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – MALAYSIAN SHRIMP & FDA



MALAYSIAN SHIPPERS OPERATE UNDER MULTIPLE IDENTITIES: FDA IMPORT ALERTS

- One unusual characteristic of Malaysian companies to the FDA's Import Alerts regarding banned antibiotics is that these companies are unlikely to be removed from the Import Alert. Instead of trying to meet FDA requirements, Malaysian shippers appear to assume new identities to circumvent FDA regulation:
 - In September 2009, FDA added **Super Grade Resources** to Import Alert 16-129 at **No. 1988, Lorong IKS, Bukit Minyak, Bukit Mertajam, MY-07, Malaysia**. In March 2011, FDA added **Mutiara Seafood Exporter** to Import Alert 16-124 (for chloramphenicol) at **1988 Taman Jaya, KAW. Perindustrian Ringan ASAS Jaya, Bukit Mertajam, MY-07 Malaysia**.
 - In April 2012, FDA added **One-East Marketing Sdn. Bhd.** to Import Alert 16-129 at **Lot 3, Plot 7280, Jalan Perusahaan, Kawasan Perindustrian Parit Buntar, Parit Buntar, Perak Malaysia**. In April 2013, FDA added **Sanjune Sdn. Bhd.** to the same Import Alert at **7280, Jalan Perusahaan, Perak, Malaysia**.
 - In October 2014, FDA added **Ocean Famous Sdn. Bhd.** to Import Alert 16-129 at **2nd Floor, Plot 99B, Jin Perindustrian, Bkt Minyak 5, Kws Perindustrian Bkt, Minyak 14100 Spt, Pulau Pinang, Malaysia**. In March 2015, FDA added **Fishergold Cold Storage Sdn. Bhd.** to the same Import Alert at **Plot 99B, Jin Perindustrian Bkt Minyak 5, Kawasan Perindustrian Bkt Minyak, Seberang Perai Tengah, Pulau Pinang, Malaysia**.

SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – MALAYSIAN SHRIMP & FDA



MALAYSIAN SHIPPERS OPERATE UNDER MULTIPLE IDENTITIES: CAB GROUP

After Sanjune disappeared from the U.S. market, the North Food Group and its affiliates began importing peeled and deveined shrimp from other Malaysian shippers, including HK Foods (M) Sdn. Bhd.

- HK Foods (M) Sdn. Bhd. is a subsidiary of the CAB Group in Malaysia.
- Another subsidiary of the CAB Group, CAB Marine Resources Sdn. Bhd., is listed twice on Import Alert 16-129 for nitrofurans in shrimp shipments (August 2012). CAB Marine Resources Sdn. Bhd. is now also listed on Import Alert 16-124 for chloramphenicol in its shrimp shipments (March 2015).
- Another subsidiary of the CAB Group, now-dissolved N.T. Huat Kee Fisheries Sdn. Bhd. is listed on Import Alert 16-124 for chloramphenicol in shrimp shipments (Sept. 2009).
- N.T. Huat Kee Fisheries Sdn. Bhd. and CAB Marine Resources Sdn. Bhd. are listed on the Import Alerts at the same address.
- Another subsidiary of the CAB Group, CAB Food Sdn. Bhd. is listed on Import Alert 16-124 for enrofloxacin in shipments of frog legs (April 2014).
- FDA reported refusals of six entry lines of shrimp from HK Foods (M) Sdn. Bhd. on March 23, 2015 for nitrofurans.

SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – CONNECTIONS ACROSS FOOD PRODUCTS



From a U.S. Attorney filing on Sentencing in another of the Honeygate cases:

As part of the fraudulent practice, YANG ordered honey from Chinese honey suppliers, including “Chinese Transshipper A,” knowing that the Chinese honey suppliers would send Chinese-origin honey to countries of intermediate destination, **including Malaysia and India**, where the honey was mislabeled as to country of origin before the honey passed through a United States customhouse as non-Chinese-origin honey. **YANG and National Commodities also (a) caused the formation of at least three companies, including CCM Foods, Inc.; Kota Imports, Inc.; and Madu Jaya Inc.; and used at least one other company, Wintex Group, Inc. (collectively the “companies”), to import and enter honey supplied by Chinese Transshipper A knowing that all or some of the honey was Chinese in origin; (b) benefitted from the companies filing CBP entry forms 3461 and 7501 that falsely and fraudulently declared all the honey as originating from Malaysia and India; (c) purchased honey imported by the companies despite knowing that some or all the honey was Chinese in origin, but declared at the time of importation and entry as entirely originating from Malaysia and India; and (d) wire transferred funds to the companies as payment for the purchase of honey that fraudulently entered the United States.**

See U.S. Attorney’s Office, “The Government’s Position Paper as to Sentencing Factors,” United States v. Yang, No. 13-CR-139 (N.D. Ill. Nov. 8, 2013), at 8-9 (emphases added).

SHRIMP FRAUD SCHEMES POSE A SIGNIFICANT THREAT – CONNECTIONS ACROSS FOOD PRODUCTS



Although prosecuted for fraud in honey trade, Mr. Yang's principal business was imported seafood.

Mr. Yang's honey circumvention scheme involved four U.S. importing companies:

(1) CCM Foods, Inc.; (2) Kota Imports; (3) Madu Jaya Inc.; and (4) Wintex Group

- The **Wintex Group** also imported "Malaysian" origin shrimp from HK Foods (M) Sdn. Bhd. in 2010.
- The phone number previously used by the **Wintex Group**, now dissolved, is currently used by **Amazing Seafood Inc.**, a California company created in 2012. **Amazing Seafood Inc.** imports "Malaysian" origin shrimp from HK Foods (M) Sdn. Bhd.
- The fax number previously used by the **Wintex Group** is currently used by **Tao Ling Seafood Inc.**, a California company created in 2014. **Tao Ling Seafood Inc.** imports "Malaysian" origin shrimp from HK Foods (M) Sdn. Bhd.
- **Priority Seafood Company**, an importer of "Malaysian" shrimp was registered at the same address as **Madu Jaya**.
- **YZ Marine Inc.**, an importer of "Malaysian" shrimp from multiple shippers was registered at the same address as **Kota Imports**.
- The address for the registered agent for both **Kota Imports** and **Priority Seafood** was the same address used by a company named **American Fisheries Inc.** in its application for trademarks "Easy Choice" and "Melody."
- **American Fisheries Inc.** filed emergency motion seeking to prevent Mr. Yang from paying government \$2.9 million claiming that it owned Mr. Yang's shrimp.