

Statement of Rod Moore
Executive Director, West Coast Seafood Processors Association
Subcommittee on International Trade, Customs, and
Global Competitiveness
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Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to provide the Subcommittee with information regarding the effects of international trade practices on the seafood industry. For the record, my name is Rod Moore and I serve as Executive Director of the West Coast Seafood Processors Association (WCSPA). We represent shore-based, American-owned seafood processing companies and associated businesses in Oregon, Washington, and California. Our members harvest, process, distribute, and sell a variety of seafood products – including Pacific groundfish and whiting, salmon, Dungeness crab, Pacific cold-water shrimp, albacore tuna, sardines, and swordfish – in regional, national, and international markets. I am also a member of the Pacific Fishery Management Council but none of the testimony I am providing today is given on behalf of the Council nor does it necessarily reflect Council policies or positions.

Although some seafood products have their own unique market niches, most are essentially fungible. For example, Pacific salmon from Oregon has market competition from Pacific salmon from Alaska and Canada. West coast Dover sole can be displaced by farm-raised tilapia from China or even catfish from Mississippi. Sales of Dungeness crab are affected by the availability of king crab from Russia. Even when we sell fish in a regional market, the ready availability of substitute products – frozen or fresh – affects the profitability of seafood processors and in turn affects the amount of money that we can spend on raw product – i.e., the price paid to the individual fisherman for his labor and capital investment. Further, to maintain market share for some products – Pacific groundfish, for example – we need to be able to provide a consistent product year-round while matching market price fluctuations. A disruption in supply due to any factor – changes in management regulations, for example – can require tremendous effort to regain market share which we have lost to some other species.

Thus, while we compete on any number of levels – product characteristics, certification by international sustainability organizations, brand name – the most important consideration continues to be price: how much consumers are willing to pay for our products versus somebody else's products.

The U.S. seafood industry is largely un-subsidized. There are no price supports or reference price levels. Seafood inspection necessary for international health certification is conducted by the National Marine Fisheries Service on a fee basis – we pay for it. Other than in cases where there is GATT or WTO illegal subsidization occurring, there are virtually no tariffs on seafood imports that are not further processed. We are pretty much on our own in selling our products at home and overseas. Remarkably, we are pretty successful in doing so, which I think is a testimony to the hard work of U.S. fishermen and seafood processors in making available high quality products for the world market. In addition – media scare stories to the contrary – we have done an excellent job in conserving and managing our resources so that we continue to have seafood products available to sell. Conservation comes at a cost – sometimes one that is higher than is necessary or appropriate – but we have shouldered that burden and continue to produce seafood for the domestic and international markets.

That's the good news. The bad news is that because the seafood market is international in scope, because seafood products are largely interchangeable, and because price is so important a factor in market competition, factors that raise the price of our products but keep those of our competitors lower can have a significantly chilling effect on our ability to compete.

Focusing on the west coast, which after all is where our members operate, one of the most frustrating issues with which we've had to deal over the last 20 years is a highly discriminatory tariff on shrimp imposed by the European Union. In the Pacific Ocean, we have somewhat cyclical but generally abundant supplies of cold water Pacific shrimp of the species *Pandalus jordani*. In size, color, and product form, they are virtually identical to cold water Atlantic shrimp of the species *Pandalus borealis*. Other than a relatively small (although resource availability has increased substantially in the last 2 years) fishery in Maine, *P. borealis* are generally harvested in Atlantic Canada and the eastern North Atlantic. Cold water shrimp are a highly desired product in the European market where they are used for things like salad and sandwiches and ideally we should be able to successfully compete against our Canadian and European counterparts. But there is one major problem: Pacific shrimp enter the European market with a 20% tariff; the tariff on Atlantic shrimp has gone from 20% to 6% and this year to zero. So to compete, we have to find a way to reduce our price by a significant amount. That affects profitability all the way back to the individual fisherman.

Why the difference? It's a good question and I wish I had an answer. Originally, the tariff structure was put in place to protect the European industry. In recent years however, the bulk of cold water shrimp entering Europe has been from Canada, which has built up its own harvesting and processing capability. More important, the Canadian government has taken an active role in supporting its industry in seeking tariff concessions with European governments. While we have had some limited support from trade staff at the National Marine Fisheries Service, seafood trade issues – and especially Pacific cold water shrimp – tend to fall to the bottom of the list at international trade negotiations. In fact, when I made inquiries to some of our federal trade staff last October, following the news of the zero tariff opportunity for Atlantic shrimp, the response I got was: “it took seven years to [sic] the Canadians, with a coalition of six importing countries, to get this 6% tariff, before having the zero duty rate.” In other words, our federal government – unlike the government of Canada – believes it is industry's responsibility to lobby European governments and the European Union to remove a clearly discriminatory tariff. If this philosophy were applied to all of our trade issues, I suspect that our balance of trade deficit would skyrocket. Given the importance that the seafood industry plays in the American economy and especially in our coastal areas by creating good-paying jobs, American taxpayers will be done a disservice if our trade agencies continue to approach our industry's overseas challenges with such apathy.

In the last two years, the Oregon shrimp industry has applied for – and achieved – certification as a sustainable fishery by the Marine Stewardship Council, an internationally recognized body. As part of that process, fishermen in all three west coast states made changes to their fishing gear to reduce bycatch by installing grates that exclude fish while retaining shrimp. In coming years, we expect to invest more money in fishing gear alterations to avoid bycatch of eulachon (smelt) which were recently listed under the Endangered Species Act as a threatened species. Shrimp vessels are required to carry federal observers on request. Shrimp trawling is prohibited in Habitat Areas of Particular Concern established off the west coast, as well as in most California state waters and all marine reserves. Shrimp vessels are required to carry electronic tracking devices under the federal Vessel Monitoring System. All of these requirements to promote conservation, sustainability, and sound fisheries management come at a cost, and not one which is borne by the federal or state government. Yet we still must compete based on price. When the price we can afford to pay to the boats gets too low we work together the best we can to figure it out. Contrast this with what occurred in the Newfoundland shrimp fishery last year when low prices led to the government waiving payment of landing taxes and subsidizing payments to fishermen.

As to the effects of European tariff discrimination, they are hard to separate out from other economic factors but I will leave you with this statistic: in 1985, there were 78 actively used shrimp peeling machines in the west coast fishery – 9 in Washington, 54 in Oregon, and 16 in California. In 2008, there were 24 actively used machines – 8 in Washington, 16 in Oregon, and 0 in California.

Pacific cold water shrimp continues to be an important component of the west coast fisheries. Over the past 10 years, average annual landings in Oregon were 22.4 million pounds with an average annual value to vessels of \$8.04 million dollars and an average annual community economic impact of \$20.09 million. If we had the opportunity to fully and fairly compete in the European market, that value could increase substantially. But to do that, we need to see aggressive action on the part of our trade agencies similar to what Canadian agencies have done for their shrimp industry. We are not asking for subsidies and we are willing to help in whatever way we can, but it's not something that one small industry can do by itself; we need the support of our government, whether in multi-lateral trade talks or one-on-one meetings with European authorities at levels higher than simply the local trade attaché.

Finally, a few words about other issues affecting international seafood conservation and trade. As I mentioned above, the U.S. seafood industry is mostly unsubsidized and pays its own costs for everything from marketing to conservation requirements. Much of the attention on seafood industry subsidies has been focused on those used to build or equip vessels, the theory being that more powerful or efficient vessels will somehow more quickly deplete the world's ocean resources. In reality, it is the absence of strong conservation and management laws – or their lack of enforcement – that leads to over-fishing, not merely the presence of more efficient fishing vessels. Where subsidies truly hurt is when they are applied to the marketplace and penalize product from those countries such as the U.S. where the seafood industry bears the cost of implementing conservation measures and developing their foreign markets. I hope that both the Subcommittee and private groups who have made subsidies a rallying issue will recognize that there is more involved than simply building better boats.

Regarding illegal, unregulated, and unreported (IUU) fishing, although such practices have not had a direct effect on the U.S. seafood industry they certainly are worth paying attention to for reasons of resource conservation and management if nothing else. Our Association has been active in several international efforts in this regard, including development of finfish product traceability standards by the International Standards Organization, negotiations for a North Pacific Regional Fishery Management Organization covering harvests on the high seas, and participation in bilateral treaties with Canada for the conservation and management of Pacific albacore and Pacific Hake/Whiting.

I would also like to add a word of praise here for the National Marine Fisheries Service in dealing with the practical aspects of stopping IUU fishing. The European Union recently established new regulations requiring seafood companies either to provide assurances that seafood landed or imported into the EU is not a product of IUU fishing or face complete traceability to the individual vessel level. In some fisheries, such traceability is impossible as fish catches get mixed on board boats or when processed at plants. NMFS negotiated an agreement with EU authorities which would allow NMFS to certify that fish were caught in compliance with state or federal law and therefore were not a product of IUU fishing. This has removed what could have been a huge dam in the stream of international commerce and for this NMFS should be commended.

Last but not least, I want to call the Subcommittee's attention to an effort being made by segments of the U.S. industry to deal with economic fraud, including fraudulently packaged imported seafood. In 2007, the National Fisheries Institute developed the Better Seafood Bureau (now the Better Seafood Board) as a means of policing economic fraud within the seafood industry. Along with supporting economic integrity among its own membership and with similar organizations, NFI has actively worked to promote standards in domestic and international trade. Efforts such as this, along with governmental efforts to halt IUU fishing, will go a long way to promote sound fisheries conservation and management.

Again, thank you for giving me the opportunity to testify. I would be happy to answer any questions I can or provide further information to the Subcommittee.