

LOUISIANA SHRIMP TASK FORCE

MINUTES

September 28, 2009

ROBERT BARHAM
CHAIRMAN

LOUISIANA ROOM
LOUISIANA DEPARTMENT OF WILDLIFE & FISHERIES
2000 QUAIL DRIVE
BATON ROUGE, LOUISIANA

AGENDA

- I. Call to order
- II. Roll Call
- III. Approval of 09.14.09 Minutes
- IV. Introduction of Advisory Panel Spokesmen
- V. Presentation - Shrimp Industry Trends, Dr. Jack Isaacs
- VI. Presentation - Integrated Marine Systems, Doug Short
- VII. Agency Updates
- VIII. Hear and Consider Motions by Shrimp Advisory Panels
 - a. Harvester Advisory Panel
 - b. Processor Advisory Panel
- IX. Set Next Meeting Date
- X. Public Comment*

MINUTES OF THE MEETING

OF

THE LOUISIANA SHRIMP TASK FORCE

Monday, September 28, 2009, 1:30 PM

Randy Pausina, Louisiana Department of Wildlife & Fisheries, presiding.

Jody Montelaro – Louisiana Governor’s Office
Dr. Mike Strain – Louisiana Department of Agriculture and Forestry
Rachel Farmer standing in for Kelsey Short – Louisiana Department of Economic Development
Cathy Breaux – Louisiana Workforce Commission
Stacie Deblieux – Louisiana Attorney General’s Office
David Guilbeau – Louisiana Department of Health and Hospitals
Kris Van Orsdel – Louisiana Recovery Authority

Roll was called

Breaux and Van Orsdel arrived shortly into the meeting and all members present

Randy Pausina requested a motion to approve the minutes of the September 14th meeting.

Motion to approve minutes from the 9/14/09 Shrimp Task Force meeting made by David Guilbeau. Seconded by Jody Montelaro. Motion carried unanimously.

Mr. Pausina mentioned that audio of the meeting was to be tested and live-streamed via the internet and encouraged all to speak clearly into microphones.

Mr. Pausina informed the Task Force that the State Legislative Auditor was not in favor of allowing LDWF to bypass checks designed to ensure completeness of Cooperative Research Surveys as a means of getting fisheries disaster assistance funds out to participants more quickly.

Mr. Pausina stated that two letters have been drafted with one addressed to major shrimp buyers encouraging them to purchase and re-sell Louisiana shrimp. The other letter would be addressed to state institutions and agencies encouraging them to purchase and serve Louisiana shrimp.

Motion by Dr. Mike Strain to release letters for approval. Seconded by Cathy Breaux. Motion carried unanimously.

Mr. Pausina mentioned requesting approval for the placement on the Task Force of the two ex-officio members from the advisory panels along with five other ex-officio members from other entities including Louisiana Sea Grant and the LSU Fisheries and Agriculture extensions. He expects approval from the Governor's Office later in the week.

Mr. Pausina asked the Task Force to schedule their next meeting in two weeks, to allow the entire group of current members and once approved, the ex-officio members, to all be present and ready to work on the current tasks. He recognized Clint Guidry for being selected as the representative of the Louisiana Shrimp Harvesters Advisory Panel and Danny Babin as the representative of the Louisiana Shrimp Processors Advisory Panel.

Mr. Pausina then asked the Task Force for comments on any updates from the agencies they represent. He stated that both Advisory Panels have developed motions to present to the Task Force, to be followed by any questions the Task Force members may have for each panel's representative.

Mr. Pausina then welcomed Dr. Jack Isaacs with the LDWF Socioeconomic Research Section who gave a presentation on current trends in the shrimp industry.

Dr. Isaacs pointed out:

- The current decline in the value per pound of Louisiana shrimp.
- A roughly 50% decline in the number of shrimpers.
- The existence of 17 processors in Louisiana according to NMFS.
- Louisiana ranks second in processing volume.
- A total of 1.2 billion U.S. shrimp imports.
- Three major importers: Thailand, Indonesia, and Ecuador accounted for 60% of imports in 2008.
- Imports enter predominantly along the Pacific and Atlantic coasts.
- The drop in price per pound on imports.
- Reviewed notes on European imports.

Mr. Van Orsdel requested that Dr. Isaacs provide a breakdown of what type of shrimp imports are coming into the inland Port of Entry, Nogales, Arizona.

Dr. Strain requested that Dr. Isaacs provide the Task Force with a copy of his power-point presentation and asked that it also be made available on the Task Force website.

Doug Short from Integrated Marine Systems, a refrigeration equipment company from the Pacific Northwest, gave a presentation to the Task Force highlighting the various marketing opportunities that could be implemented to improve sales of Louisiana shrimp products. He recognized Louisiana shrimp for having promotional opportunities in the unique wild taste, rich storied history and culture of Louisiana, and in the current growth of the natural foods markets. He outlined several steps that need to be taken in order to sell product including competing with imports, tailoring to consumer wants, marketing to new outlets, brand marketing, attending special events for advertising, maintaining a high quality product, and improving fishing techniques.

Mr. Pausina called for agency updates.

Dr. Strain asked that electronic copies of all presentations at the meeting be made available to serve as a great source of pertinent information. He then asked Ms. Deblieux to serve with him and Dr. Carrie Castile on the Seafood Safety Task Force, which had a meeting last week.

Ms. Deblieux agreed to serve on the Seafood Safety Task Force.

Mr. Strain mentioned that the Seafood Safety Task Force is working with DHH, FDA, LDWF, and other groups looking at seafood safety. He recalled meeting with fellow commissioners with USDA discussing food safety. He sent a letter to Bonnie Borris, Director of USDA Cooperative Programs Foreign Agriculture Service, asking her to assist the Task Force in identifying the opportunities that are available in the Trade Adjustment Assistance Program.

Mr. Guilbeau provided Mr. Van Orsdel with information he previously requested on the number of LDHH inspections there have been and how frequently they were done. He said that 266 inspections were performed in 70 facilities since September 23 of last year.

Mr. Van Orsdel told the Task Force that an additional 5 million dollars has been allocated to the Gustav/Ike recovery funds, bringing the total to 32 million dollars.

Dr. Strain and Mr. Montelaro made a motion to request the numbers of current LA shrimp (poundage or count) in cold storage (from LA processors) in holding facilities. Motion seconded by Mr. Van Orsdel. Motion carried unanimously. [This is the amended motion, see below.]

Eddie Hayes, a lawyer representing American Shrimp Processers Association, told the Task Force that he would provide this information and the processors would be happy to assist as long as a confidentiality agreement is included.

Dr. Strain replied that no other information would need to be disclosed, all the Task Force is requesting is a count.

Ronnie Anderson, member of the Louisiana Shrimp Harvesters Advisory Panel, said he would hope that the motion is for Louisiana shrimp. He stated that he made some comments at the Processors meeting and had pictures in response to the processors saying that the shrimp under confiscation was packaged in Texas. He suggests an ongoing investigation with NOAA Fisheries concerning the re-boxing issue. It may be determined that a lot of shrimp that is in our boxes is not Louisiana shrimp, although it's only allegations until proven guilty. He could show the Task Force some pictures that were taken of the confiscated shrimp in Delcambre, LA. He said we need to make sure that it's Louisiana shrimp that we sell and promote, but does not see how we are going to carry that out until the testing of shrimp begins.

Mr. Babin commented that the current shrimp in storage by some processors are in state cold storage holding facilities and that Louisiana shrimp are not stored exclusively in Louisiana.

Following comments from Mr. Babin the Task Force amended the previous motion that originally asked for a count of shrimp in cold storage in Louisiana, to now include all cold storage facilities that contain Louisiana shrimp, not just those facilities located in Louisiana.

Mr. Van Orsdel asked Mr. Hayes if he would get a count of the number employees at each processor in addition to the amount of product available.

Mr. Pausina then recognized Representatives Harrison and Gisclair for helping in this process. He mentioned that Ewell Smith with the Louisiana Seafood Promotion and Marketing Board was not far from having a draft of what the shrimp certification process would look like, including chain of custody and cold storage. He responded to Ronnie Anderson, saying it is a critical decision to decide whether to push Louisiana shrimp products first or wait until inspection and certification process is running which would insure that Louisiana shrimp is actually the product being sold and promoted.

Mr. Pausina then called upon Clint Guidry to walk through the motions that were made at the Shrimp Harvesters Advisory Panel meeting.

Mr. Guidry thanked everyone for allowing the voice of the shrimp harvesters to be heard. He said imported shrimp is the bulk of the current problem and federal issues are not being carried out properly to regulate the imports. He asked the Task Force to get the support of Louisiana legislators, who could branch out and get the support of other Gulf States legislators who would provide one strong voice in Washington to enact legislation that would monitor and fix the problems with imports, increasing the marketability of domestic shrimp. He said new legislation could be filtered in with related bills that are currently seeing action and review.

Mr. Guidry continued, saying that enforcement and branding are important in the efforts to promote a Louisiana product. He suggested the formation of a tracking system to insure that

price gets down to the fisherman as the demand and price of Louisiana shrimp products increases.

Mr. Van Orsdel commented that LSU Health staff asks if the shrimpers would be willing to give a small grant to get LSU started on developing a tracking system. He asked Mr. Guidry, what would be allowable by shrimpers to funding such program? He stated that utilizing the expertise of colleges and universities would help in moving in the right direction.

Mr. Guidry brought up the fact that current facilities, machinery, etc. would need updating in order to maintain a high quality product that could be promoted as such. He suggested a funding source be looked into which would put consistent value in the product. He thanked Mr. Pausina for improvements in the short-term relief grant programs, stating that shrimpers are starting to see checks at an increasing rate. He then spoke of making the cost of inspections paid for by the importing company.

Mr. Van Orsdel commented that the cost of inspections would be a subject that is dealt with at the federal level.

Mr. Guidry stated that the Advisory Panel suggests putting the shrimp industry under the Louisiana Department of Agriculture, asked that the Task Force evaluate the potential for cooperatives, country of origin labeling by the restaurant association, and enactment of legislation to limit imports when the price of shrimp is low.

Mr. Van Orsdel made a suggestion that the shrimpers work with the Commissioner of Agriculture and his staff on the subject of cooperatives. He asked Mr. Guidry if there is a consensus that a single voice will be brought forth

Mr. Guidry stated that this is the last hurrah for the shrimpers and if any harvesters are not willing to come together as one voice at this time, they need to become educated on the current task at hand.

Dr. Strain responded to the idea of placing the shrimp industry under the Dept. of Agriculture, saying that his agency doesn't have the necessary enforcement that LDWF has and that what they see as the best method is a continued long term cooperative approach between all agencies each serving a key role in managing the industry.

Mr. Hayes suggested that the Task Force act on the imports from Thai companies which may be violating child labor laws. He said he spoke with Loyola Law School and has a group ready to work on the Trade Adjustment Assistance tasks.

Mr. Guidry asked that the Task Force provide an application for certificate approval.

Dr. Strain said that a copy of a letter to Bonnie Borris, USDA, will be given to each Task Force member.

Mr. Pausina then invited Danny Babin to speak on the motions developed by the Louisiana Shrimp Processors Advisory Panel.

Mr. Babin began by saying that the harvesters and processors are in this together and are both suffering. He placed the main problem on the importing of shrimp and poor tracking regulations. He said the European Union destroys bad product, while the United States ships bad product back which in turn gets resold in ways that get around tariffs. He recognized that there is an inspection problem. Mr. Babin proceeded to thank state government for forming the processors advisory panel and said that without action this would be the beginning of the end of the shrimp industry. He then said that lower cost of diesel fuel last year had led to the increased amount of shrimp currently in inventory. He estimated the current U.S. inventory to be around 500 to 600 million pounds. Mr. Babin stated that it is easier for 15 to 17 shrimp processors to agree on something, than it is for the large number of shrimpers to reach an agreement. He reviewed the motion pertaining to the potential conflict of interest among harvester panel members and the motion that would allow processors to stop doing business with harvesters who were guilty of such conflict.

Mr. Babin reviewed the motion that the Task Force request an investigation by the Attorney General's Office pertaining to the ability to stop doing business with members of the Harvesters Advisory Panel who have signed on to a potential lawsuit and to whether that would be a conflict of interest among the Harvester Advisory Panel members.

Ms. Deblieux asked Mr. Babin if that request has been made directly to the AG's Office. She said that she can't make such request and that it has to be made by elected officials, a political subdivision, and may or may not include the Shrimp Taskforce. She stated that it is the AG's civil department that can help put such request into the correct format. She then restated that making such request in an open forum will not get you there.

In response Mr. Babin said that he is aware of that and the motion was made not to create an advisory role, but to clear the air and get everyone on the same page. He wants everyone to work together on the common problem, imported shrimp coming into the U.S.

Mr. Pausina asked Ms. Deblieux to get information from her department on who can handle such requests.

Mr. Babin also reviewed the motion that legislation be developed to increase the excise tax by 24 cents per barrel which would be devoted to domestic shrimp promotion and marketing. He brought forth the request to create a separate marketing board that would target shrimp. He provided an example from a WDSU television program that initially recognized that the Louisiana shrimp industry is currently facing many problems, however, it went on to show oysters during the broadcast. Mr. Babin continued with the idea of potentially allocating tariff earnings to the domestic shrimp industry and requiring country of origin labeling. He stated that 90% of consumption is in imports and that selling shrimp has been successful, it is just that the U.S. is not bringing in enough domestic product which leaves the U.S. industry at a disadvantage. He said that it is not an advantage for the processors to lower the price paid to

harvesters; processors need to compete with the markets. Mr. Babin closed his comments reiterating that shrimp harvesters and processors need to work together.

Mr. Van Orsdel asked Mr. Babin what percentage of the 17 Louisiana processors are suspected of augmenting with imported shrimp.

Mr. Babin suggested approximately 40% of processors and that the only reason processors are buying imported product is to meet the needs of their own markets when Mother Nature doesn't supply them with the product they need to maintain business.

Mr. Van Orsdel asked what amount of inventory is normally held by the processors.

Mr. Babin said 100 to 200 million pounds, at the most 300 million pounds regularly in storage; half of what they currently have stored.

Mr. Van Orsdel asked if the processors are hesitant to invest in modernization because of the associated risk.

Mr. Babin said tough economic times make it difficult to afford the necessary equipment upgrades.

Mr. Van Orsdel asked Mr. Babin to bring forth a list of "Asks" that his group has to get them up to those high end markets.

Ms. Breaux told Mr. Babin that both the harvesters and processors are losing money and that she wants to see both groups increase their profits, asking shrimpers and processors to bring forth firm requests. She said it is a work force issue for her agency and that she doesn't want to see more job loss.

Mr. Van Orsdel requested to the Advisory Panels to bring forth their best recommendations, a clear list of "Asks".

Mr. Babin expressed his hope that the term will soon become the shrimp industry, not the shrimpers and harvesters.

Dr. Strain asked Mr. Babin how the dockside price is determined by the industry each day.

Mr. Babin said there is currently no standardization. He said it's usually determined by supply and demand, but that philosophy is now out the window.

Dr. Strain asked, if there is no standard, how prices would not be uniform.

Mr. Babin responded that prices are based on last week, inventory, etc.

Dr. Strain asked what modifies the floor price.

Mr. Babin said base price has been determined inventory in the last few years.

Mr. Van Orsdel said that he has done research into New York agriculture markets and there is information flow between channels, they are spot markets.

Mr. Babin stated that Red Lobster, Outback Steakhouse, and Shoney's buy imported shrimp because of the consistent supply and size. He explained that Louisiana cannot compete because we cannot supply the quantity these restaurant chains want in their required specifications.

Mr. Van Orsdel said that matching that consistency is the challenge.

Dr. Strain, Mr. Van Orsdel, and Mr. Babin agreed that a good working CO-OP would establish good competition to the pond raised consistency.

Mr. Pausina asked the Task Force to see what can be done to limit the class action lawsuits against the processors. He said the production of a separate shrimp task force where processors and harvesters work together may remove the need for the advisory panels and have proven to work great for other seafood industries.

Dr. Strain mentioned that it would take until July to get official legislation passed, but asked if the processors would be willing to move forward on inspections and other goals.

Mr. Babin said that as long as the inspections are made with a specific goal in mind the industry would not object to them.

Dr. Strain said it would be a team of inspectors put together by the Task Force to move this process along. He said this would help in getting a consistent product with quality control parameters.

Mr. Babin said that we need to be cautious to try and not legislate ourselves out of business.

Dr. Strain reiterated that it would be done to insure a superior, quality product.

Mr. Van Orsdel said it would be an opportunity for voluntary quality control inspections, in light of legislation in July.

Dr. Strain said he sees a cooperative effort working to develop the inspection guidelines. He mentioned that his agency is currently working on a similar system with vegetable certification.

Mr. Guilbeau asked if this is part of establishing a certified product.

Dr. Strain, with input from Dr. Carrie Castile, stated it would be a voluntary self-audit and said there are currently similar programs being established in the pecan, beef, fruit, and vegetable businesses.

Motion by Mr. Van Orsdel to draw up voluntary inspection guidelines for the shrimp industry. Motion seconded by Mrs. Deblieux. Motion carried unanimously.

Mr. Pausina recommended that the Task Force set their next meeting date October 12 at 1:30pm in the Louisiana Room at LDWF.

Representative Harrison updated the Task Force on current work stating that he met with Representative Mills in a discussion about food safety guidelines and was disturbed to hear in a recent phone call from a committee in Washington that said currently there are no inspections taking place. Rep. Harrison said the inspections need to become a strong effort at the state level. He said there is a conservative effort in getting some money from the Bryd Amendment. He also expressed the need for a floor product import tax that would protect against the unfair trade practices of other countries.

Rep. Gisclair mentioned that recently the law firm Herman, Herman, Katz & Cotlier was trying to gather information by requesting trip ticket information from the past three years while on a fact-finding mission.

Acy Cooper, member of the Louisiana Shrimp Harvesters Advisory Panel, commented that if the volume of shrimp inventory is so high, those processors who keep dealing with imports are the problem, leading to more imports being brought in.

Mr. Babin clarified that his previous mention of 40% of processors dealing with imports is not what is brought in all year. He said he used 40% as a total number, not as the number of processors bringing in imports all year.

A.J. Fabre, member of the Louisiana Shrimp Harvesters Advisory Panel, mentioned that buyers have looked at the shrimp currently in cold storage and refused to buy it. He mentioned New York as an example that refused to buy due to the quality. He said Red Lobster uses more shrimp than Louisiana produces and Louisiana didn't meet the standards last time when they attempted to purchase our shrimp. He ending saying that quality assurance and inspection is needed.

Ronnie Anderson commented that from the SSA, 29 processors received 89 million dollars in tariff money while shrimpers received less than half of that. He said 3 of the 5 processors inspected are currently under further investigation. He then commented that the minutes of the Task Force and Advisory Panel meetings do not reflect the full comments that he and Kristen Baumer made at the Shrimp Processors advisory meeting. He asked why we take minutes if they don't show everything that went on at the meetings.

Ms. Breaux asked that when people present facts and statistics at the meetings, would they please provide the source of their information. She called for transparency amongst both sides in order to develop proper, conclusive decisions.

Dr. Strain stated that the Byrd Amendment has expired, but it will be re-established and asked that if legislation is to come forth we need to allocate those funds in ways that will best help the industry.

Mr. Hayes mentioned that he had worked with the law firm that drafted the Byrd Amendment and he thinks much of the finding will be minimal in relation to the shrimp industry. He said that the American Shrimp Processors Association and the Louisiana Shrimpers Association are fighting the 3rd and 4th administrative reviews to maintain tariffs. Mr. Hayes said the maintenance of the tariffs is in review and that future congressional action is critical.

Ms. Deblieux stated that she personally can't give opinions on law from her agency. She said there is a specific legislative process to accomplish that and she is willing to give assistance on the process to anyone who needs it.

Motion to adjourn made by Dr. Strain. Motion seconded by Mr. Guilbeau. Motion carried unanimously.

Meeting adjourned.