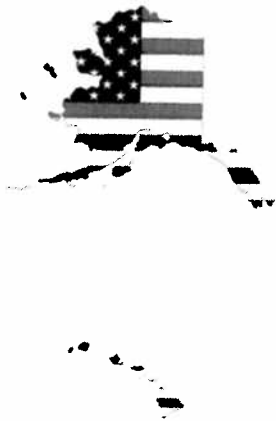


National Seafood Marketing Coalition



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Creation of a *National Seafood Marketing Coalition*

Executive Summary

U.S. seafood producers have common interests. These common interests are often overshadowed by a variety of conflicts, such as access and allocation. U.S. seafood producers can set aside conflicts in order to focus on areas of common interest.

U.S. seafood producers need parity with other U.S. food producers. The bottom line is that U.S. seafood producers are food producers and struggle with the same issues as other U.S. food producers. However, seafood producers are not included in many of the USDA programs which currently benefit farmers. For example, seafood producers do not receive specific funding for domestic marketing and product development which leaves us behind foreign competitors. Additionally, "wild caught" seafood producers cannot participate in the USDA Farm Service Agency's Loan Program due to the agency's definition of "fish."

These two examples, *marketing and affordable working capital*, address areas which are critical to the survival and success of the U.S. seafood industry. In order to affect positive change for U.S. seafood producers, we need to begin to think strategically. Below is an outline of those strategic steps.

Strategic Steps to Success:

- 1) Create a Coalition
- 2) Define the issue
- 3) Build support
- 4) Identify potential legislative vehicles
- 5) Wait for the correct timing

Step 1 – Create a Coalition: The formation of a *National Seafood Marketing Coalition* (Coalition) creates a forum on which to build grass roots support and effect the changes necessary in the industry. The creation of the Coalition is vital to the health of our industry and the survival of our coastal communities.

Step 2 – Define the issue: The first issue adopted by the Coalition could be the establishment of a National Seafood Marketing Fund which targets revenues from import duties on fish and fish products as an annual funding source. Other issues may be adopted by the Coalition in the future; however, beginning with one single issue allows the Coalition to focus on building its relationships and support around that issue.

A focused single issue and message with broad support is essential to achieving success. Marketing is an issue which will help all sectors of the industry by bringing higher demand and value to U.S. seafood products.

Step 3 – Build support: Grassroots support is the single most powerful influence on our Congressional Delegates. The Coalition must build support at the local, regional and national levels to create an unshakeable foundation of support for its issues. To do this, Coalition members must rally organizations, businesses, communities, and states with interest in the seafood industry, to support Coalition issues in Congress.

Step 4 – Identify potential vehicles: The next strategic step for success is to identify potential legislative vehicles on which to attach the Coalition's issue. A potential vehicle could be President Obama's Jobs Bill, mentioned in his State of the Union Address.

Step 5 – Wait for the correct timing: The political timing must be correct in order to accomplish our goal.

We must form a strong, supportive Coalition and be strategically smart. Remember, we have legitimate value in our goal; a healthy U.S. seafood industry is good for the economy and good for the country.

National Seafood Marketing Coalition



Proposal to Create a National Seafood Marketing Fund

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Need

American seafood products are increasingly forced to compete with imported seafood and many other sources of protein in the domestic marketplace. Consequently, United States fishermen and seafood producers struggle to maintain a healthy business profile. Ex-vessel prices are too low to sustain many domestic fisheries. Fishing jobs are being lost and fishery dependant communities are in decline. It is in the interest of the U.S. to maintain a strong domestic seafood industry.

Concept

Develop national legislation directing a portion of the import duties collected on fish and fish products be dedicated to a National Seafood Marketing Fund (NSMF). The NSMF would market domestic seafood which directly competes with foreign imported seafood. Secondly, the legislation would establish nine (9) Regional Seafood Marketing Boards to receive, manage and direct these dedicated funds.

Factual Background

Seafood imports generate two sources of revenue for the U.S. treasury. First, approximately \$300 million dollars annually (\$282 million in 2008) is generated through duties and tariffs on imported fish and fish products. Second, as much as \$400 million dollars may be generated annually from the antidumping/countervailing duties (AD/CVD) on imported fish and fish products.

The first source of revenue, money collected from import duties on fish and fish products, are funds for the U.S. Department of Agriculture (USDA) and the U.S. treasury. Annually, 30% of these funds are transferred from USDA to the U.S. Department of Commerce (USDC) National Marine Fisheries Service's *Promote and Develop Fisheries Products* (P&D) account. NMFS further allocates a majority of the P&D account to Operations, Research and Facilities (ORF). The remaining portion funds the Saltonstall-Kennedy (S-K) program, which traditionally has few or no proposals to "*promote and develop fisheries products.*" To date, it has been difficult to find the disposition of the

remaining funds retained within the USDA. A breakdown of the appropriation of these funds for fiscal years 2007 & 2008 is listed below:

Revenue from Import Duties on Fish & Fish Products (millions)

Year	Total Duties in USDA	P&D Account	Remaining in USDA	P&D Account Breakdown	
				ORF	SK
FY07	\$ 276.05	\$ 82.82	\$ 193.23	\$ 79.00	\$ 3.82
% of Total Duties	100%	30%	70%	29%	1%
FY08	\$ 281.98	\$ 84.59	\$ 197.39	\$ 77.00	\$ 7.59
% of Total Duties	100%	30%	70%	27%	3%

The 1956 S-K Act was amended in 1983 to require that 60% of the P&D, or approximately \$50M, be used to fund the S-K program annually. Further, it is interesting to note that the amount of funds used for the S-K program since 1983 has never met this minimum of 60%; the average for this period is 11.8% (including promotional and marketing funds).

From FY1978 to FY2008, import duties on fish and fish products have grown from \$43.3M to \$282M. However, funds available for the S-K program have shrunk from \$13M to \$7.6M. The average for this period is \$7.3M.

The second source of revenue, the antidumping/countervailing duties (AD/CVD), is not currently allocated for any use by domestic seafood producers, although domestic seafood producers are dramatically affected by imported products often subsidized by foreign governments. AD/CVD funds collected from imported seafood have been difficult to definitively identify; however, it is believed to be as much as \$400M annually.

Funding Source

This proposal suggests an annual funding mechanism for the National Seafood Marketing Fund by utilizing equal portions of the revenue from import duties on fish and fish products and the revenue from AD/CVD. The portion of revenue from import duties on fish and fish products should be equal to the congressional intent of 60% of the P&D account (approximately \$50M annually) which would then be matched with an equal amount from the AD/CVD.

To be clear, the import duties on fish and fish products targeted for this proposal are the 70% remaining in USDA, not the 30% transferred to NMFS for ORF and S-K.

Structure of Regional Seafood Marketing Boards

1. Nine (9) Regional Seafood Marketing Boards (Boards) would be established in order to include all U.S. seafood producers which would include mariculture and aquaculture. Eight (8) Boards would geographically parallel the 8 Regional Fishery Management Councils authorized by the Magnuson-Stevens Act. The 9th Board would represent inland domestic seafood production. Marketing activities of each Board would be directed toward seafood caught or products produced in each region.
2. Establish a statutorily “fixed” annual funding mechanism using an equal portion of the import duties on fish and fish products and the AD/CVD. The total amount appropriated annually would be divided into thirds:
 - One-third distributed equally to all 9 regional Boards.
 - One-third distributed based on the comparative regional value of seafood produced in the most recently reported year.
 - One-third distributed based on the comparative regional volume of seafood (metric tons) produced in the most recently reported year.
3. The Boards should be limited in scope to promotion and marketing, including new product development, of seafood harvested and/or produced in each region (e.g. no imported products). “Promotion and marketing, including new product development” should be defined broadly enabling Boards to respond quickly to market needs.
4. Boards serve as the regional “umbrella funding” entity. The Boards’ activities should be limited to the awarding of grants and the distribution of funds through a Request for Proposal process. Boards would not manage marketing programs. Existing marketing or development entities, such as the Wild American Shrimp, Inc., Louisiana Seafood Promotion and Marketing Board, Maine Lobster Promotion Council, Alaska Seafood Marketing Institute, or the California Salmon Council could also apply to the Boards for funding to support their programs.

In addition, the Boards, as regional “umbrella” entities, should be encouraged to also focus on smaller (niche) marketing initiatives by requiring Boards to distribute a specific portion of their annual funding to “small businesses” as defined by the Small Business Administration.

Boards can spend no more than 10% of their annual funding for administration and operational expenses.

5. Cooperation between Boards should be encouraged by requiring the Board chairmen to meet semi-annually to discuss common species, marketing projects and issues of concern. Semi-annual meetings could also include representatives from various existing seafood marketing organizations as well.