

SCOMM

126:36



SENATOR ALAN AUSTERMAN

Alaska State Legislature

Interim: 112 Mill Bay Road, Kodiak, Alaska 99615 (907) 486-8872 • Session: State Capitol, Juneau, Alaska 99801 (907) 465-2487
senator_alan_austerman@legis.state.ak.us

SPONSOR STATEMENT **SENATE JOINT RESOLUTION 15**

“A Resolution urging the United States Government to impose import restrictions and higher import tariffs on Chilean farmed salmon”

The U.S. Government is in the process of negotiating a free trade agreement with Chile. Meanwhile, exponential increases of Chilean farmed fish are flooding markets and driving the price of salmon down to levels that jeopardize Alaska's industry.

This resolution points out that Chilean fish farms are not competing on an even basis with Alaskan fishermen. Our laws requiring sustained yield and ecosystem management mean higher costs of production and lower volume of harvest than under the Chilean system. These factors make it increasingly difficult for our fleet to compete in the current market situation. This resolution urges the U.S. government to impose import restrictions and increased import tariffs on Chilean farmed salmon in order to allow Alaskan fishermen better access to the domestic market.

SJR 15 is the first step Alaska must take to fight the massive influx of cheap imports of farmed fish into the U.S. We in Alaska have made a commitment to our wild salmon industry and the communities it has built and continues to sustain. In the long run this commitment will pay off but today we must stand up and help our own industry compete against unfair foreign competition.

DISTRICT C
Kodiak Archipelago • Southeast Islands

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SJR 15
 (S) Publish Date: 3/19/01

Revision Date/Time (Note if correction): _____ Dept. Affected: none
 Title: Chilean Farmed Salmon BRU: _____
 Component: _____
 Sponsor: Senator Austerman Component Number: _____
 Requester: Senate Resources Committee

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: SENATE RESOURCES COMMITTEE Phone: 465-2828

Senator: SENATOR JOHN TORGERSON, CHAIR Date: 3/15/01

Hello, I am a reporter living in Chile. I work for the London Guardian and Boston Globe and Latin Trade magazine. I have included a recent article I wrote about Chilean Salmon Farming. I believe you will find it quite interesting. For example, salmon workers in Chile told me - when I interviewed them outside their Puerto Montt offices - that they work 12 hour shifts, 6 days a week and don't get paid overtime! Their average salary for this 72 hour work week was 120,000 Chilean pesos, which is approx. US\$204 dollars. (Current exchange rate is 592 Chilean pesos to 1 US\$.) I also interviewed antibiotic saleswoman who said that farmers here typically overdose with antibiotics, use unapproved medicines and turn the diseased carcasses into fishmeal. Let's be in touch, I would like to hear your opinions on this.

Jonathan FranklinJfranklin@interactiva.cl Tel 011 562 325
1211 Cel 011 569 345 2114

Against the Tide: Is Chilean salmon producer growing too fast-and too loose?
BY CASEY WOODS and JONATHAN FRANKLIN
PUERTO MONTT

Three meters of rain a year. Isolated cold water coves. Less sunshine than Seattle. The climatic conditions that make the bottom spur of Chile so inhospitable for humans are ideal for Atlantic Salmon. Never mind that this is the Pacific Ocean, the Atlantics thrive here. So do the companies that trade in what is arguably Latin America's chicest legal export: freshly farmed salmon fillets.

Sitting atop that pack is Mainstream Salmones y Alimentos. And that's no small distinction seeing that, if current growth continues, Chile will be the world's largest salmon producer by the end of the decade, passing Norway. Companies like Mainstream will be the reason why; it saw a 346% increase in revenues over three years and a whopping 1,730% boost in net income for the same period. But there's a dark side to Mainstream's stellar performance: Latin America's hottest growth company may be cutting too many corners, paying workers illegally low wages and overusing antibiotics in a quest for fast profits.

In 1985, Mainstream Salmones was among the first of companies to stake claim to the coastal waters of Puerto Montt, Chiloe, Chaiten and the unnamed inlets and fjords where South America points toward Antarctica. That early lead, combined with a systematic acquisition of other concessions and smaller companies, placed Mainstream firmly in the position of industry leader.

Mainstream's success is serendipitous in some respects, indirectly springing from an investigation by the U.S. Commerce Department that the company-and 8 other Chilean producers-were illegally dumping salmon on the U.S. market. Of the 59 companies that were cited by the US Department of Commerce, 50 were dropped from the investigation. Mainstream was not among them. The Commerce Department report "preliminarily determine[s] that sales have been made below normal value (NV)." Litigation is expected to continue for at least 5 more years.

As the Chilean companies scrambled for ways to stay within the law, they stumbled upon a market niche: Instead of whole fish, they began exporting fresh boneless salmon fillets.

Capitalizing on labor costs far below those of the United States and Norway, the Chileans could process the fillets and take them to market at a fraction of the price charged by competitors. 90% of the salmon that Chile sends to the United States is in the boneless fillet form. These exports amount to \$320 million, with which the Chilean companies lay claim to 70% of \$457 million dollar boneless fillet market. But the shift also brought a dramatic change within the salmon industry: The messy job of gutting and cleaning the salmon was transferred from consumers in U.S. kitchens to workers on Chilean assembly lines.

What's good for the consumer is not always good for the fish factory workers. Cheap labor seems to explain how Mainstream can consistently report profits above the industry average. Interviews with industry consultants, current and former company workers and government regulators reveal a company that talks

publicly about cost cutting and efficiency but, in fact, pays less than the legal minimum wage and invests little in worker orientation and safety training.

"Mainstream is currently under investigation for breaking Chilean labor laws," says Hector Moyano, an investigator with the Inspección del Trabajo, the Chilean government body responsible for monitoring labor law compliance. "It is paying its workers less than minimum wage for overtime. Those hours have to be at least minimum wage. If we can't negotiate a settlement, we will have to fine them."

Moyano says Chilean privacy laws prevent him from releasing details of the workers' complaints filed against Mainstream. Mainstream CEO Francisco Ariztia declined to speak to LATIN TRADE. Mainstream's financial manager, Ivan Cerda, also rejected requests for information.

"We work 12-hour shifts and at the end of the month, instead of paying for all 40 extra hours, they say that you can be paid for 10 now and the other 30 when you retire from the company," says one worker leaving Mainstream's processing plant in an industrial park outside Puerto Montt. It was 8 am and she had been working since 8 pm the previous night. Asked if workers were forming a union, she quickly explained. "If you even mention 'syndicato' (labor union) in there you would be fired."

Safety-of both workers and consumers-has also become a hot topic at Mainstream. "There are companies that send workers to training classes and build them housing with double-paned glass and suitable working conditions, but Mainstream does not invest anything but the minimum for training or safety for its workers," says Mariela Romero, an industry veteran who monitors outbreaks of disease among salmon and trout species.

As representative of pharmaceutical company Schering-Plough's Animal Health Division, Romero is called in to analyze and squelch parasitic or bacterial outbreaks in the close confines of the salmon breeding pens. She says Chilean salmon companies do not respond wisely to those outbreaks, over-using antibiotics instead to control them.

A report published in August 2000 by Chile's non-profit Terram Foundation concludes that when infections break out, the Chilean salmon industry introduces antibiotics directly into the lakes where salmon are cultivated. Thus healthy fish are medicated along with the ill ones, as well as dosing the entire aquatic ecosystem. (Antibiotic saleswoman Romero confirmed this practice.) The report finds that Chilean salmon industries use 75 times more antibiotics per kilo than their counterparts in Norway. The co-authors of the report, Marcel Claude and Jorge Oporto, warn that excessive and indiscriminate use of antibiotics "create a resistance to future medications that attack diseases." The report, does not specifically single out individual companies, was slammed by the Chilean salmon industry. In the industry's official reply, representatives insisted that the report used inadequate sources of information, commenting "These declarations are unjust and reveal a profound ignorance of salmon farming."

The report also recommended that no further salmon farming concessions should be granted, a suggestion that the salmon companies treated as not just as objectionable but unpatriotic: "This position is an attempt on the growth of the country, because in the coming years the expansion of salmon farming will create another pole of development."

Still, antibiotic saleswoman Romero says demand for her company's products are on the rise, adding that sales went up

"approximately 200-300% during September to November." Stung by critics, Chilean producers seem to be changing at least some of their ways. "This comes from problems with resistance to other antibiotics on the market, which are no longer effective, or there was uncontrolled use of those antibiotics," she explains. "Not only does the Chilean industry use unproven antibiotics, but it doesn't respect the therapeutic dose. It gives a little more than necessary. And that is the principal problem of the resistance now occurring."

The Chilean salmon industry expects to break the US\$1 billion mark in 2001, and industry officials estimate it has reached just a third of its total potential. But some industry insiders say that without better industry-wide standards and self-regulation, future growth could be threatened by both market and biological forces. As the most accessible fishing grounds have already been leased, future expansion will require road

construction, adding to costs. Similarly, the supply of cheap fish meal, the key ingredient in salmon food, is declining.

Mainstream's tactics-criticized as they are-may be a good investment gambit in the short term for its owners, however. Chile's nimble salmon-farming enterprises start life as domestic companies then often are scooped up by multinationals. In August 2000, Norwegian firm Statkorn Holding purchased 77% of Mainstream Salmones y Alimentos for an estimated US\$115 million, a sale subject to approval by the Norwegian Parliament.

Some industry leaders in Puerto Montt see the Norwegian purchase as a tactical move against the aggressive entry of Chilean salmon into the U.S. market. (U.S. imports of Chilean salmon in 2000 rose 42% from a year earlier.) Still, Mainstream, focusing on fast growth today, may find it has traded away its chance at stability for tomorrow.