

## Asian imports devastating catfish industry in Texas and across the South

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Paul Stoll moved from Arizona to the small Northeast Texas town of Blossom in 1999, attracted by reports of lucrative catfish farming and an insatiable regional market -- Texans being the country's biggest consumers of the bewhiskered species, after they're dunked in buttermilk, rolled in cornmeal and deep-fried.

"I had always been intrigued by fish farming," said Stoll, who bought 150 acres and built two 1-acre ponds, then four more, and filled them with catfish fingerlings, which he fed a soybean-based diet. "There's no manure to deal with."

Eleven years ago, market prices were good, demand was strong and foreign competition was not a big factor.

"Unfortunately, the fish didn't work out like it was supposed to," Stoll said. He has been so whipsawed by costly feed prices, weak demand and cheap Asian fish that he keeps afloat only by doing part-time construction work and by operating two chicken houses whose broilers he sells to Pilgrim's Pride.

"Prices we're paid have stayed far enough below cost of feed that we've been operating at a loss three years now," he said. "I'm on the verge of making a call to shut the farm down."

And Stoll is not alone.

Chinese and Vietnamese cousins of the channel catfish -- sold here as pangasius, basa, swai and tra -- have combined with the economic downturn to devastate the U.S. industry, itself less than 50 years old since beginning on converted grazing pastures and rice fields in the South around 1968.

Catfish and pangasius imports in January soared 49 percent from the year before.

Helped by a highly competitive price, the value of Chinese catfish imports has increased from \$203,000 in 2000 to \$52.7 million in 2008, before declining to \$40.7 million last year, according to the U.S. Department of Agriculture.

Vietnam's sales of pangasius similarly exploded, hitting \$121 million last year from \$1.15 million in 1998.

### Allegations fly

The U.S. industry alleges that the Chinese -- whose fledgling industry received technical aquaculture assistance from the American Soybean Association since at least 1997 -- are heavily subsidizing their aquaculture activities and exporting catfish to the American market at prices below production cost.

It accuses Vietnam of using unsound practices that will environmentally hurt the country's Mekong Delta.

Moreover, evidence indicates that both countries do not always adequately police use of antibiotics banned in the U.S. Domestic producers have demanded more inspections of imported fish.

After numerous cases of contaminated Chinese pet food, shrimp and milk products made headlines around the world, China passed a strict food safety law in June, but a USDA research report said its effectiveness will depend on how well the Chinese enforce it.

While some frozen-fish shipments from China and Vietnam are still being rejected, even Alabama's state lab, which tests to a far lower tolerance than federal inspectors, says it is discovering fewer cases of fish contaminated by broad-spectrum veterinary antibiotics, known as fluoroquinolones.

"We're not finding real high levels like we were finding initially," said Lance Hester, director of the department that oversees the Alabama lab. In 2005, 50 percent of Vietnamese fish tested positive for the banned antibiotics, Hester added.

The Catfish Institute, an Alabama-based industry group, is fighting foreign competitors by getting the country of origin listed on signs and menus of restaurants in most major producing states. It hopes to lobby the Texas Legislature for a similar law in the 2011 session, said Roger Barlow, its president.

It's a strategic move because an estimated 70 percent of catfish is consumed in restaurants. But dependence on restaurants is a double-edged sword since fewer families are dining out because of the economic downturn, translating into overall decreased catfish demand.

One national fast-food chain has reportedly switched from imported to U.S. farm-raised fillets in states that have passed the menu-labeling law. A spokeswoman for the chain, Captain D's, declined to disclose its sourcing of frozen catfish in all states, citing competitive reasons.

Meanwhile, mandatory labeling of imported, farm-raised catfish is not always followed in supermarkets.

Last week, there was no counter sticker or small sign denoting that catfish fillets were from China at the fish counter of a Super Plaza supermarket in south Fort Worth. Federal regulations require such country-of-origin markings.

Bill Bradley, district manager of the 11-store, Dallas-based chain, said there should have been a sticker and had no immediate explanation.

### **Plummeting production**

For many producers, the industry's activism might be too little, too late.

"Times are very difficult for catfish farmers," said Jimmy Avery, an aquaculture extension expert in Mississippi, the biggest catfish-producing state.

"There are farmers deciding to grow grain rather than feed grain," Avery said. "You see ponds being drained. And we have such a great product that we're growing environmentally.

Water surface acreage of U.S. catfish ponds has dropped 42 percent since 2002, from 196,590 acres to 114,809 acres, according to the USDA. In Texas, which ranks among the top five producers, acreage dropped nearly 24 percent last year, from 3,800 acres to 2,900 acres, the USDA said.

While U.S. production drops, Asian imports soar -- largely due to price.

Peter Schroeder, owner of Fort Worth's Old Neighborhood Grill, says he serves only U.S. farm-raised catfish, but his suppliers offered him Chinese catfish fillets at a 4 percent to 17 percent savings, or Vietnamese basa at 9 percent to 30 percent less. And that's after a dozen years of competition have kept U.S. farm-raised catfish prices down.

The Vietnamese fish sells at such steep discounts despite anti-dumping duties of up to 63.9 percent for several exporters, and as high as 80 percent for at least one firm. Those penalty rates were imposed following a 2002 dumping complaint filed by Catfish Farmers of America. Despite high duties, imports surged 377 percent between 2005 and 2008, according to Informa Economics, a research firm.

The glaring price disparity has led to smuggling rings repackaging Vietnamese frozen fillets as higher-priced U.S. fish.

Last year, a federal judge sentenced Virginia fish importer Peter Xuong Lam to five years in prison and ordered him to pay \$12 million in tariffs for selling 10 million pounds of Vietnamese pangasius as sole, grouper, flounder, snakehead, channa and conger pike, The Associated Press reported.

In late January, a federal grand jury in Alabama indicted a woman and two men on 28 felony counts for importing 283,000 pounds of falsely labeled Vietnamese pangasius, as well as misbranding tons of them as more expensive grouper, sole and snapper.

The Vietnamese sold basa at times as "China sole" and "river cobbler" earlier this decade, according to SeaFood Business, a trade magazine. "Although it creates a lot of confusion in the marketplace, that confusion could be worth an extra 50 cents a pound or more to an importer or distributor if the customer doesn't know, or doesn't care, what real basa is," it said.

To further confuse the public, a New Orleans-based importer marketed another Vietnamese fish, tra, as "Cajun Delight Catfish," it said.

In 2004, the U.S. industry successfully lobbied to have the Vietnamese prevented from selling their exports as catfish, even though their native basa, pangasius, tra and swai are among the more than 3,000 species considered catfish by marine biologists.

Now, ironically, American producers want them all deemed catfish to ensure heightened inspections. The Catfish Institute's Barlow insists that it isn't a flip-flop. Though the fish are different,

the industry group still wants them tested -- by the USDA, as required by the current farm bill, and no longer by the Food and Drug Administration.

Vietnam has complained that the industry is trying to erect a trade barrier.

While U.S. catfish producers have targeted Vietnamese rivals, they have not raised dumping allegations against China with the Commerce Department, a department spokesman said.

### **Asian methods**

Just how do China and Vietnam produce catfish fillets so cheaply?

Is it cheap labor? No, says Carole Engle, an agricultural economist who is director of the Aquaculture/Fisheries Center at the University of Arkansas at Pine Bluff.

Both Asian countries use hand labor to gut and fillet fish, said Engle, whose travel to both nations was underwritten by the Catfish Farmers of America. "But I don't think the cost is a lot less, because you need to hire more workers to do the same job that machines do here," she said.

The USDA was not so sure, according to a research paper last year.

"Processing costs are so low that some fish, poultry, berries and other products are imported to China, processed in factories along the Chinese coast, and re-exported," the agency wrote. In addition, Chinese authorities keep prices low by giving tax concessions, providing infrastructure and land, arranging low-interest bank loans and organizing farmer supply chains, it added.

In Vietnam, Engle found that yields of fish can be 20 times higher than in the U.S. South because natural water flows flush out the earthen raceways into the Mekong Delta. U.S. farmers have to more carefully contain potentially harmful waste, she said.

"We choose not to do that to the environment," Engle said of Vietnamese practices.

As for China, she said, "when I put costs to it, catfish farming is not profitable. What makes it profitable are the subsidies -- including 16 to 18 different subsidies from the Chinese government. One farmer told me he pays only one-third of the feed bill out of his own pocket."

And that's on top of \$100,000 in grants and interest-free loans to get started, she added.

With signs of an economic recovery, the industry has decided to respond to its array of woes by going upmarket.

The Catfish Institute is promoting what it calls delacata, a thick, premium grade, twice-processed catfish, grown without antibiotics, that has its gray filaments removed from slightly larger fillets, weighing 5 to 7 ounces.

It hopes that white-tablecloth restaurants will embrace delacata and create entrees fetching \$20 a plate.

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