

Chairman Chambliss, Ranking Member Harkin, and Members of the Committee:

My name is Bill Battle. I am currently President of the Catfish Farmers of America (CFA), a trade association that represents catfish farmers across the nation. My father was a pioneer in our industry, having built one of the earliest catfish ponds in Mississippi, in 1969. I grew up along with the industry, starting to work alongside my father when I was just 12 years old. I have witnessed some remarkable changes over the years.

Thank you for the opportunity to testify before the Committee regarding our industry's concerns and our thoughts on the 2007 Farm Bill and the role that the U.S. Government should play in trade policy that affects the seafood industry.

Background of U.S. Catfish Industry

The U.S. catfish industry is a true American success story. Twenty years ago, catfish was still considered a regional product, with limited demand and name recognition outside of Mississippi, Alabama, Arkansas, and Louisiana. Over the last two decades, U.S. catfish farmers have literally built an industry pond by pond, making catfish farming the largest aquaculture industry in the United States with farms comprising approximately 156,000 water acres of ponds. At the same time, through the considerable commitment of time and resources, catfish farmers and processors developed a significant national market for domestically farm-raised catfish. These efforts have been extremely successful as farm-raised catfish now has name recognition and a vastly expanded market. Catfish is the fifth most popular seafood in the United States today.

The largest cost components of catfish farming are feed expenditures and the capital needed to build and maintain the farm. Farm-raised catfish are fed a diet of high protein feed made primarily from corn and soybeans. This feed floats on the surface, and the catfish swim to the top to eat. They are not bottom feeders like their wild cousins. It takes between one and a half to two and a half years to grow a catfish from a fingerling to food size. Normally, farmers will add fingerlings each year so that there will be a constant supply of food-size fish to harvest throughout the year.

The catfish industry accounts for a significant share of the economic output and jobs in the local catfish farming and processing areas, which primarily consist of the Delta region along both sides of the Mississippi River and the region near the Alabama/Mississippi border. Approximately 13,000 workers, including many family farmers, derive their livelihood from the production and processing of farm-raised catfish. When also considering the jobs created by feed mills, equipment suppliers, fish harvesters and haulers, and other vendors, it becomes readily apparent how the production of U.S. farm-raised catfish is a vitally important component of the economic health in these regions.

Another critical aspect of this industry is the interdependence between the U.S. catfish farmers and processors. There are more than 30 catfish processors, most of whom are wholly or partially owned by farmers. These processors were created for the purpose of processing high-quality catfish products, in particular, frozen catfish fillets. They rely on U.S. farmers to provide them with live food-size catfish because they cannot turn elsewhere for supply. In turn,

each catfish farmer depends on one or more of the processors to move their fish to market because there is no other outlet for the fish. If processors cannot sell their products, farmers cannot sell their fish. And, when processors receive less money for their processed catfish products, farmers receive lower pond bank prices for their live fish. As a result, healthy, competitive processors are essential for the catfish farming industry.

Impact of Vietnamese Imports

Things began to change in the catfish industry when Vietnam began exporting frozen fish fillets to the United States. The Vietnamese fish, commonly known as "basa" or "tra," is a different species from U.S. farm-raised catfish, but is similar in appearance, texture, and flavor to U.S. catfish when filleted and fried. As a result, Vietnamese basa and tra fillets compete directly with U.S. catfish in the same market.

There was little consumer awareness of basa and tra when they first began entering the United States. Normally, it takes unknown seafood much time to develop a market. However, the exporters, importers, and resellers, targeted Vietnamese frozen basa and tra fillets at the U.S. catfish market and were able to establish a foothold in the U.S. market by marketing and labeling their products as "catfish." In fact, the Vietnamese fish was being sold in a way clearly designed to confuse the buyer through the use of names and symbols suggesting that the species was the same as U.S. farm-raised catfish.

As of 1998, total imports of frozen basa and tra fillets from Vietnam were approximately 2 million pounds. By bootstrapping their product into the U.S. catfish industry's successful marketing program, the Vietnamese exporters and seafood importers were able to take a significant share of the US market and drive down the prices of processed catfish and the price available to farmers. By specifically marketing their product as cheaper substitutes for U.S. farm-raised catfish fillets, total imports from Vietnam increased dramatically to 19 million pounds in 2000, 30 million pounds in 2001, and 46 million pounds in 2002. As the total imports increased, the prices per pound significantly decreased to levels that were below the production costs of our very efficient farmers and processors. Consequently, imports took a large share of the U.S. market for frozen catfish fillets.

Congress enacted legislation requiring that the different Vietnamese species of fish be labeled properly so as to avoid confusion with domestic catfish. Labeling laws, however, could not redress the flood of unfairly priced basa and tra imports, which continued to compete vigorously with and substitute for U.S. catfish even when properly labeled. The innovative industry that had been built over two decades was literally being destroyed, which had a devastating impact on domestic catfish farmers and processors and the thousands of workers whose livelihoods depend on this important industry.

In particular, the Vietnamese imports eroded the frozen fish fillet prices paid to catfish processors, which in turn caused pond bank prices paid to farmers for live catfish to fall from 70 cents per pound in 2000 to as low as 50 cents per pound in 2002. At those depressed prices, which had been the lowest in 20 years, catfish farming became unsustainable to such an extent that the entire catfish industry fell on the brink of collapse. As a result, sales volume and

revenues dropped significantly, while inventory levels increased.

As the U.S. industry rapidly lost market share to Vietnamese imports, many farmers began operating at losses and several were on the verge of bankruptcy. Some were forced out of business while others simply quit. Those farmers who fought to stay in business had to cut back on operations by reducing their overall pond acreage and stocks, curtailing expansion efforts, and laying off or cutting the salaries of their workers. Because the processors could not compete with the low-priced imports, however, they could not purchase as much live fish from the farmers. This meant that the remaining farmers had to keep fish in the ponds longer, which increased feed costs as well as mortality rates. Some farmers responded by feeding their fish less in order to reduce costs, but lower feeding rates meant that the fish yielded less meat. These reduced efficiencies and production yields further damaged the industry.

Imposition of Antidumping Duties

On June 28, 2002, the CFA and several individual processors filed an antidumping duty petition with the Department of Commerce and the International Trade Commission demonstrating that the catfish industry was being injured by unfairly priced imports of certain frozen fish fillets from Vietnam. After a long investigation, the Department of Commerce concluded that Vietnamese exporters had been unfairly selling their frozen fish fillets in the U.S. market at prices that were 44 to 64 percent below their fair market value. The International Trade Commission also confirmed that unfairly traded Vietnamese imports had caused material injury to the U.S. industry. As a result, antidumping duties were imposed against imports of frozen basa and tra fillets from Vietnam in August 2003.

The antidumping duty order should have provided relief to the industry. However, since its imposition, Vietnamese exporters and importers have engaged in various practices designed to avoid the payment of antidumping duties. For example, Commerce recently determined that circumvention of the order had occurred through an arrangement in which live basa and tra from Vietnam was marginally processed in Cambodia and then shipped to the United States as a product of Cambodia. Commerce confirmed these products were actually Vietnamese in origin and are subject to antidumping duties.

Furthermore, Vietnamese exporters began unlawfully exporting their basa and tra fillets to the United States fraudulently labeled as other species of fish - for example, as "grouper," "channa," "sole," or "pike." They have done this so that U.S. Customs will not know that the product is subject to an antidumping order and to evade the payment of antidumping duties upon entry into the United States. The mislabeling is rampant: millions of pounds of basa and tra fillets are being shipped to the United States improperly labeled. A recent study by the St. Petersburg Times published on August 8th found through genetic testing that half of the "grouper" appearing on restaurant menus in Florida were actually other species of imported fish, including Vietnamese basa.

This practice has been so extensive that several federal agencies have taken action, including the Commerce Department, the Department of the Interior, U.S. Customs and Border Protection, and the Food and Drug Administration. U.S. Customs and the FDA have identified some of this mislabeled fish and seized it, and federal criminal indictments have been brought recently in

the U.S. District Court for the Northern District of Florida, some of which have already resulted in the entering of guilty pleas. However, the practice continues to be a serious problem. In fact, since the issuance of the indictments against a number of Vietnamese exporters, the Vietnamese Government has indicated that nine Vietnamese companies in addition to those named in the indictment have been falsely labeling their seafood exports.

The catfish industry applauds the efforts to date and hopes that the U.S. Government will continue to aggressively ensure the proper labeling of imported seafood.

Health Concerns with Vietnamese Fish

There are other serious issues with Vietnamese fish imports. Imported basa and tra fillets that compete with U.S. catfish are routinely found to contain banned and dangerous substances. Among the banned additives that have been found through testing are malachite green (a strong industrial dye and known carcinogen) and fluoroquinolones, a strong family of antibiotics that include Cipro used to treat anthrax. Unnecessary ingestion of these drugs will cause consumers to build-up a resistance to these critical drugs.

Moreover, there is evidence that some Vietnamese fish farms fall far below U.S. standards governing quality of water, feed, and other inputs in the growing and processing of fish. The U.S. catfish industry's standards are demanding. U.S. catfish farmers, for instance, may only use chemicals in fish ponds that are approved for use in drinking water.

American consumers of seafood have a right to know what they are eating. When they eat basa and tra containing banned chemicals, or basa and tra misidentified as other species of fish, they are unwittingly being defrauded and, even worse, exposing themselves and their families to serious health risks.

Free Trade Must be Fair Trade

The U.S. catfish industry supports free trade, and we have supported establishing permanent normal trade relations with Vietnam. We believe that having Vietnam subject to the same rules as many other exporting countries will be a step in the right direction. Enforcement of WTO rules and processes and more stringent testing by the federal government of imported seafood from Vietnam will help protect American consumers by ensuring them the choice of healthful, high quality and properly identified seafood products. At the same time, it will provide a more level playing field for U.S. catfish producers.

We look forward to the day when fully informed American consumers can reliably choose which products they prefer to eat.

Concluding Remarks

In the past few years, the state of the U.S. industry has been improving, with pond bank prices recently reaching 80 cents per pound. However, this is not enough because higher prices of fuel and other inputs continue to cut into our profit margins. We must continue to address the unfair trade, mislabeling practices, and other issues that have hindered our industry's ability to

grow. On behalf of the U.S. catfish industry, I respectfully request this Committee to take all appropriate steps in the 2007 Farm Bill to ensure that our aquaculture industry is afforded the full benefits of the trade laws.

Once again, thank you for this opportunity.