

TESTIMONY OF RAY RENFROE

Good morning. My name is Ray Renfroe, and I am the National Accounts Sales Manager of Harvest Select Catfish, a large processor with operations in Uniontown, Alabama and Eudora, Arkansas. I have been with Harvest Select since October of 2008, but have spent some 17 years in the seafood industry, selling not only catfish while at Southern Pride Catfish and later American Seafood, but a variety of seafood from many sources. I am responsible for calls on foodservice distributors and national and regional multi-unit restaurant chains. I am pleased to be here today because I wanted to briefly explain to the Commission some of the ways that we are competing with Vietnamese basa and tra imports. Even though labeling laws prevent the boxes from being labeled as "catfish" when they are sold to importers or food service companies, I want to make just a couple of brief points as they apply at the operator or restaurant level.

First, Vietnamese basa and tra does not have its own identity in the market place at the restaurant level. That means when this fish is put on a menu, it's usually identified as something the consumer recognizes such as catfish, or with a "generic" type of identifier suggestive of catfish, such as "southern fried fish".

There are many examples of restaurants offering basa and tra in these ways, both of which directly compete with catfish. I will give you just a few. Recently, a member of our marketing team went into a restaurant chain that operates in Texas to sell catfish. The restaurant had previously been buying 600-675 pounds of catfish per week, or 34 thousand pounds per year. The restaurant had a banner out front that read, in large letters, "ALL YOU CAN EAT CATFISH". When our salesman asked about

the product being served and was shown what was stored in the freezer, the boxes were correctly labeled "basa" and "Product of Vietnam." Texas is one of the largest catfish consuming states in the U.S. and here you find basa being held up to the public as catfish. Our salesman did not make a sale.

Another type of common situation is found in the large multi-unit restaurant chains which serve all-you-can-eat buffets or specialize in inexpensive meals. These restaurants have increasingly moved away from using U.S. farm-raised catfish while leaving the menu offering intact by labeling it as "Southern Fried Fish" or something similar. One large chain we had sold catfish to for years (in as large as truckload quantities) recently cut back substantially on its purchases. We learned that it had swapped out the catfish for basa. The generic "southern style" menu description they used allowed them to purchase a cheaper alternative, and from what I've seen, basa and tra from Vietnam have consistently been the cheapest alternative, and have been less expensive than Chinese catfish and U.S. farm-raised catfish. This may be tougher in Mississippi or Arkansas where there are labeling laws that are enforced at the restaurant level, but outside of those states, there is no hesitation to substitute basa, tra or Chinese catfish for our domestic product. In the case of other large national chains, many have opted to switch all their locations outside the key catfish producing states to basa, while maintaining only a small amount of domestic catfish use in Mississippi, Arkansas, Alabama, Louisiana, etc. Use of generic names, while suggestive of the traditional catfish dishes, permits this easy substitution.

Second, we as domestic processors do not always know precisely how or when sales are lost. Much of the frozen fillet volume that we sell goes to food service distributors. Those distributors will often carry our catfish, as well as basa and tra and sometimes Chinese catfish. The distributors will offer both, but for customers who will not take the higher end, perhaps better product, the distributor will "push" a lower cost substitute. If a Sysco or a U.S. Foodservice, or other distributor, thinks he can sell more volume –or even make a better margin—on cheaper product, he will "push" that product as a suitable substitute for the higher priced one. This is exactly what is happening with catfish and basa and tra. When I worked for American Seafoods, and earlier, for a large seafood importer and distributor called Tai Fong USA, I saw first hand how seafood products are sold at the distribution level and how distributors identify substitutes for catfish and move cheaper goods into marketing spaces.

From the sales perspective, it is frustrating, because we often don't know who is choosing to buy basa from the distributor or how much. This happens with respect to multiple individual restaurants or institutions who may be taking only one to two, 15 pound cases per week. All we see is that our sales to the distributor are down. Sometimes, the distributor will come back to us and suggest that our price needs to be lower to help them move more fish and other times the volume simply disappears without explanation. We have most definitely seen our sales decline over the last two years as Vietnamese imports have ramped up.

Finally, I just want to tell you from my own experience that we are losing market to basa and tra. I cannot tell you how many times that our other sales personnel and I

have sat in front of buyers—sometimes big ones—distributors and national restaurant chains alike—who tell us that they cannot use our product because they can get Vietnamese product for so much less and their customers want a cheaper product, particularly in this economy. Recently, we were on a call with a very large distributor in Florida. The buyer told us that 85% of the domestic catfish he used to buy has now been replaced with basa. He went on to say that it would be pointless to continue our conversation unless we were willing to drop the price of our product by at least \$10/ case, which is about \$0.67/ lb. Needless to say, the conversation didn't occur.

We are competing heavily with the Vietnamese imports, and I hope that these comments help to explain how that happens. Thank you very much for the opportunity to speak with you today. I would be pleased to answer any questions you may have.