

TESTIMONY OF RANDY RHODES

Good morning. My name is Randy Rhodes and I am the President of Harvest Select Catfish, a processor located in Uniontown, Alabama. Six years ago, I had the opportunity to speak before the Commission about the remarkable changes that I had observed during my tenure in the catfish industry which, at that point, had been about 20 years. I asked the Commission to impose antidumping duties to help address the unfair pricing of the Vietnamese basa and tra frozen fillet imports that had been severely impacting the market for catfish that the U.S. industry had worked so hard to develop.

When I last spoke here, I was a senior V.P. of sales and marketing and officer of American Pride Seafoods, which was the owner and marketing arm of another Alabama processor, Southern Pride Catfish Company. I left Southern Pride in 2006 for other opportunities, including 2 years of experience with Inland Seafood, a seafood importer and distributor based in Atlanta and operating in the Southeast. I returned to the U.S. catfish industry in May 2008 as the President of Harvest Select. I have returned to the catfish industry because it is an innovative and exciting industry on the cutting edge of sustainable food sources, which is so important in the world today.

In an effort to assist the Commission, I would like to briefly describe what happened after the Order was put in place and the changes that have occurred in the composition of the U.S. industry in recent years.

At the outset, it's important to understand that the U.S. industry has invested for over 40 years in standards, quality, and infrastructure that allow us to produce one of

the best aquaculture products in the world. The U.S. industry provides sustainable products using best practices that follow U.S. government rules and regulations. For example, Harvest Select was recently certified as having the Best Aquaculture Practices as part of the Global Aquaculture Alliance, demonstrating our commitment to produce a safe and sustainable product. But, these certifications and compliance with government regulations come at a significant cost, making it difficult for Harvest Select and other processors to lower their selling prices much further and continue to cover their costs.

The antidumping order has been a tremendous help to us. Immediately after the Order was put in place, import volumes fell off dramatically and our prices and profitability rebounded. But, those benefits proved to be short-lived as exporters and importers quickly began circumventing the order. They brought in large volumes by misdeclaring the basa and tra at the border as other species of the fish, like sole or grouper, in order to avoid payment of duties. More recently, they have been transshipping their products through third countries. In the last 2 years, some of the Vietnamese exporters are going through the process at the Commerce Department to get reduced duty rates. As they have done so, Vietnamese imports have resumed at record levels and at prices well below our own. Although these prices are well above what they would be without the Order, these Vietnamese imports have continued to grab significant market share and continue to pressure frozen fillet prices paid to catfish processors and consequently pond bank prices paid to catfish farmers.

Even though there are labeling laws on the books, the basa and tra from Vietnam continue to compete with catfish. Vietnamese product was imported into the

U.S. market during the investigation period in significant volumes, was marketed as catfish, and was substituted for U.S-produced catfish. The biggest buyers, particularly the food service distributors, came to be familiar with basa and tra on that basis. In addition, the labeling laws do not prevent the importers and food service companies from selling this product as a catfish substitute, and they do so. During my 2 years in the seafood distribution business, I can tell you that is exactly what occurs. A distributor offers a customer interested in catfish a "choice" of products — typically U.S. farm-raised catfish and basa or tra — and now, Chinese catfish as well.

Since 2003, our industry has continued to experience pressure from these low-priced imports. Several processors that were in operation during the investigation have ceased production. Southern Pride, my former employer, exited the catfish processing business and sold its assets to Heartland Catfish. Aquafarms, Prairie Lands, Pride of the South, and Seacat exited the industry as well. There is no major processing left in Arkansas. Delta Pride and Consolidated Catfish Companies combined their operations in 2008 to form a new entity, Consolidated Catfish Producers. Only the most efficient farmers and processors can remain in this environment.

As a result of some processors consolidating and others going out of business entirely, U.S. production capacity for frozen catfish fillets has fallen from 145 million pounds in 2003 to 136 million pounds in 2008 – as your own data shows. There has been a significant reduction in pond acreage and live fish supply. Nonetheless, since the Order was imposed, there have been increases in frozen catfish fillet prices and

industry profitability, even with the new challenges such as increasing costs and new competition from frozen catfish fillet imports from China.

It is my firm belief that the antidumping order has enabled the industry to maintain some level of profitability even while facing these challenges. Vietnamese basa and tra capacity and production have grown at an astonishing pace. Our industry has watched in disbelief at what the Vietnamese have done in targeting other markets. Although imports from Vietnam have increased into the U.S., the levels would have been several times greater and at far lower prices without the order. If we had experienced the import volume increases experienced in many other countries since 2002, the U.S. industry likely would be a fraction of what it is today.

If the Commission removes the duties on basa and tra imports from Vietnam, there would be an almost immediate and huge influx of Vietnamese frozen fish fillets into the U.S. market that would effectively eviscerate the industry. Imports from Vietnam will be so much cheaper than U.S. farm-raised catfish that U.S. processors and farmers will face impossible competition, causing both pond-bank prices and frozen fillet prices to decrease to unsustainable levels no matter what marketing efforts or improvements the industry undertakes. U.S.-produced frozen catfish fillet sales volumes would drop as Vietnamese imports continue to increase their market share. This would cause the U.S. industry to contract even further as more catfish processors and farmers go out of business or drastically reduce their capacity and pond acreage and lay off substantial numbers of workers.

Therefore, I respectfully urge the Commission to keep the Order against Vietnam in place so that the U.S. farm-raised catfish industry can continue to grow and develop.

I'd be happy to answer any questions that you have. Thank you.