

TESTIMONY OF JOEY LOWERY

Good morning. My name is Joey Lowery. I have been a catfish farmer for over 25 years and own a 500 acre catfish farm in Newport, Arkansas. Earlier this year I was elected President of the Catfish Farmers of America. I appreciate the opportunity to talk to you this morning about the effect of this Order from the perspective of a catfish farmer. I realize that farmers were not included within the definition of the industry, but catfish farmers and processors are very closely linked. I believe that the Antidumping Order has been beneficial for the entire U.S. catfish industry, and if the Order is not continued, this industry may lose everything it worked so hard to build.

I would like to start by giving you some background on our industry. Catfish farming is the largest aquaculture industry in the United States. Our catfish are raised in man-made ponds and are fed a diet of high protein feed made primarily from corn and soybeans. The feed floats on the surface and the catfish swim to the top to eat. Our catfish are not bottom feeders like their wild cousins. It takes one and a half to two and a half years to grow a catfish from 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 largest cost components of catfish farming are feed expenditures and the capital needed to build and maintain the farm. Fuel and energy have been increasingly larger cost components over the last few years. Today, there are some 1300 catfish farms in the United States, principally in Mississippi, Arkansas, Alabama and Texas. A year ago we had 1600 farms.

When my family began catfish farming 25 years ago, the catfish industry was

relatively new and the market for farm-raised catfish was a fraction of what it is today. Over the years, U.S. catfish farmers have built an industry, pond by pond, and have worked hard to build a market for the catfish produced in our ponds. I know processors have similarly invested a lot in their production facilities and marketing to grow the industry. The result has been broader name recognition for catfish and a largely expanded market outside the traditional catfish base in the south. Prior to 2001-2002 and the increase in imports from Vietnam, the industry experienced growth in demand for our product, and made the necessary investments to support that growth.

Like all other catfish farmers, I sell the vast majority of my fish to processors to move the fish to market. The processors, most of whom are wholly or partially owned by farmers, were formed solely to produce high quality processed products from the fish we are raising. These processors typically do not process any product other than catfish.

Financially viable processors are essential to fish farmers; without them there is nowhere to move our fish. When processors cannot sell their product to the market, they stop buying our fish. This is especially true for frozen fillets, which are the most economically significant processed product in our industry. When processors receive less money for frozen catfish fillets, we farmers receive a lower pond bank price. When processors lose sales to imports, we move less product.

When I took over the family farm in 1985, we were growing mostly row crops with only small scale aquaculture. However, in order to diversify our operations we

began to invest more resources in catfish aquaculture, and the result is what you see today – a 500 pond-acre farm devoted solely to catfish aquaculture. This farm is the primary means by which I make a living.

Unfortunately, since 2003 I have had to take approximately 25 percent of my water acres out of production. These ponds are currently dried and remain unused for any purpose.

When imports of frozen basa and tra fillets started coming from Vietnam, sales of fish from my farm were cut in half, while my production remained the same. Until the summer of 2001, I averaged 72 cents per pound for my fish. During 2001 to 2003, my prices averaged 55 cents per pound. The processors were forced to reduce their sales of frozen catfish fillets due to competition from the lower price of the Vietnamese fish. As a result, I had no place to sell the fish that were growing in my ponds. Because of this, I estimate that from 2001 to 2003, gross sales from my farm were cut by approximately \$1 million.

Imports from Vietnam continue to compete in the market, but because of the Antidumping Order, frozen catfish fillet prices have increased, and pond bank prices for fish have risen to 77 cents per pound. I am aware of the huge increases in pangasius farming operations and processing facilities in Vietnam, and the significant increase in their exports of frozen fish fillets to other markets. I am convinced that if the Order had not been in effect, the U.S. catfish industry, including catfish farming, would have been wiped out. The 55 cent per pound pond bank price we had been driven to in 2002 was simply unsustainable.

Things definitely improved once the Order was in place, although many farmers never fully recovered their losses from that period. Over the past few years, the industry has again been severely strained. Feed and fuel costs have risen significantly. Feed accounts for approximately 50 percent of my direct production costs, and in 2008, feed costs were up by approximately 50 percent. Diesel and gasoline costs for trucks, and electricity costs for pumps and aerators has also increased since 2007. When the cost of growing fish increases, we seek higher prices for sales to processors. However, processors can only pay this higher price if the market for the end products, principally frozen fillets, will support it. Although continued pressure from the Vietnamese imports, and now China, have kept prices in check, we have been able to maintain average pond bank prices of 77 cents per pound or more over the last three years. However, with increasing production costs, catfish farmers are under tremendous pressure, even at these price levels. Credit lines are strained or unavailable, making it hard to obtain the cash flow needed to maintain production. Many farmers have not been able to reinvest in their farms, in improved farming techniques and technology, or to buy new equipment. In 2008, our industry lost 18,900 pond acres that had been in production in 2007, and an additional loss of 16,200 acres in the four largest catfish farming states is projected for 2009.

Before Vietnamese imports began flooding the U.S. market, the U.S. catfish industry was on a steady growth path of 7 percent each year. Since 2001, the industry's growth has been on steady decline. Overall, the industry's production has

declined by about 152 million pounds from 2003 to 2008, a decline of 23 percent. Because Vietnamese basa and tra originally came into the United States under the false label of farm-raised catfish, importers got used to buying so-called Vietnamese catfish at lower prices. Ever since, the U.S. catfish industry has been fighting to rebound from that low price point and the expectations of importers. Although we lost tremendous market share to the Vietnamese, and continue to compete with imports today, the Order has allowed us to survive.

I hope the Commission will recognize how important it is that this Order remains in place. We have invested our entire livelihoods into our farms, and we just would like to continue to make a reasonable return on our investment.

Thank you.