

2011 greenpaper published by marketumbrella.org



greenpaper [gren-pa-per] - noun

1. a document that shares with those interested in the field of public markets marketumbrella.org's findings and learnings as practitioners
2. statements by marketumbrella.org not of policy or practices already determined, but of propositions for discussion
3. produced for the policymaking process, they hope to inform interested parties on specific topics in a brief, easy-to-digest format

Fishing for a Future in Coastal Louisiana

An Examination of Commercial Fishing Options after the 2010 BP Disaster

Executive Summary

The Louisiana fishing industry faced troubles before the BP oil spill plunged it into crisis. With strong competition from international seafood sources, domestic fishing has had great difficulty commanding profitable prices for products. Additionally, the industry has been slow to adopt new technologies, new business methods, and new ways of thinking. Now that the immediate crisis of the oil spill has passed, new problems have arisen for Louisiana fishers, most notably a degraded environment and damage to the reputation of Louisiana seafood. As is to be expected, Louisiana has lost market share: Longstanding customers, cut off from their steady supply of Louisiana seafood, have looked elsewhere to buy.

Will the Louisiana seafood industry learn anything from the BP industrial accident? Or as it slowly recovers from its immediate problems, will it go back to doing things as they were? If so, the industry is taking a risk. Even though it has faced increasingly severe problems for a long time, these deteriorating conditions have occurred gradually enough that the situation has yet to achieve the status of crisis. One day, however, a crisis may hit hard.

This *greenpaper* surveys the state of Louisiana's fishing industry in the immediate aftermath of the BP spill and presents ideas and possible solutions to reset the floundering industry. These ideas, which are primarily geared toward smaller, independent fishing operations include:

- Position Louisiana seafood as a premium product
 - For perception in consumers' minds to increase sales and command better prices
 - Establish a legal framework and certification standards
 - Leverage Louisiana seafood's existing advantage in the marketplace
- Modernize Louisiana fishing operations
 - Develop new ways of operating as small businesses
 - Adopt new technologies to boost seafood quality and cut operating costs
- Grow new distribution networks for Louisiana fishing operations
 - Direct sales to retailers, restaurants and consumers
 - In addition to traditional distribution methods, utilize:
 - Farmers Markets
 - The Internet
 - Community Supported Fisheries
- Take advantage of settlements paid out by BP
- Diversify the product mix harvested by the Louisiana seafood industry



cultivating the field of public markets for public good

200 Broadway, Suite 107 New Orleans, Louisiana 70118-3578 504.861.4485

marketumbrella.org

As an organization that stages farmers markets three times a week, we observe commercial fishers directly selling their products to consumers. We are in a position to observe both the challenges and successes of small commercial fishing operations once their product gets to market, and we are familiar with their daily struggles.

Part of our mission is to strengthen local communities as well as to forge ties at a regional level between rural and urban areas. Our activities spark conversations across south Louisiana about community, food, culture, and economics. We expect this *greenpaper* to add more fuel to these conversations and hopefully lead to a new outlook for Louisiana fishing communities.

The Disaster

Beginning with a thunderous explosion on April 20, 2010, the BP spill unleashed a river of oil into the Gulf of Mexico and attracted national and international attention to many of the region's problems. Certainly, the ecological problem of the uncontrollable oil threatening to destroy wildlife was a new one. So was the economic problem of vast areas of fishing suddenly closed to the fishing industry. But many ecological problems facing Louisiana's Gulf coast are not new-coastal land loss being the most serious. Likewise, Louisiana's fishing industry and the people who work in it have been struggling for sur-

vival for years. The BP oil spill sharpened the outlines of these problems. Now that the oil has stopped flowing, the aftermath ideally can be used as an opportunity to implement new solutions.

For fishers, the low prices they are paid for the seafood they pull from Louisiana waters has long been one of the biggest issues confronting them. "If fishermen could get higher prices, other incidental problems would be overshadowed by the fact that their trade would be profitable," says Rusty Gaudé, an LSU AgCenter fisheries agent for south of Lake Pontchartrain.

The United States is part of a global economy, and Louisiana fishers face competition on a global scale, most notably from fish farms in Asia. Despite the distances imports must travel under refrigeration, competitors are able undercut local seafood prices because they operate in less developed economies with lower operating costs. By contrast, Louisiana fishers face higher costs for fuel and ice and wages.

Sagging price volatility has been squeezing Louisiana fishers for years. Conversations at the docks almost always circle back to the 1960s when prices were robust - unlike "today." In August 2009, domestic shrimp prices plummeted to crushingly low levels. Dock prices of \$2.50 per pound for shrimp the previous year suddenly had dropped to 75 cents a pound (and less). Meanwhile, the same shrimp could be found in local supermarkets, marked up 500

percent or more (*The Times-Picayune*, August 18, 2009).

This hardship sent groups of fishers off the water and inland to Baton Rouge to protest at the state capital. Shrimpers threatened to strike, and many of them ended up doing just that. Their aim was to pressure the state government to in turn put pressure the federal government. Fishers believed establishing new tariffs on imported seafood or implementing new restrictions on imports could recalibrate an unfair competitive balance between domestic and foreign seafood operations.

After the Deepwater Horizon rig blew up, the oil spill closed fishing grounds and cut fishing families off from their livelihoods altogether.

Shockwaves

After long and fretful summer months, efforts to plug the well finally began to show some progress in July 2010. The well is now "dead," but the effects and the anxiety have yet to fully dissipate.

The lingering anxiety stems from many of the unknowns associated with the spill. Much of the oil seems to have disappeared from view, but there are suspicions of vast amounts mucking about on the sea floor. No one knows how the controversial dispersants that BP dumped on the oil, 1.9 million gallons of a chemical called Corexit, will ultimately affect wildlife health, human health and fertility. However, there is no doubt that the oil spill harmed the economy of Louisiana. An economic study from GNO,

Inc., a non-profit business organization that represents the Greater New Orleans region, puts revenue losses somewhere between \$115 million and \$172 million in total through 2013.

During the peak of the spill, the widespread closings of fishing grounds forced fishers to abandon their trade, at least temporarily, while customers looked elsewhere to fill their grocery cases and restaurant plates. The Louisiana fishing industry instantly lost market share. After all, once customers grow used to buying from other suppliers, it can be hard to reclaim them. By autumn 2010, Louisiana fishers began returning to the water, but in reduced numbers. Much remains uncertain.

“Estimates are that around 30% of fishermen are back fishing,” says Ewell Smith, executive director of the Louisiana Seafood Promotion and Marketing Board. “The challenge right now is to keep up the continuity of supply. But my bigger concerns are down the road, that we’ll permanently lose market share across the country.”

Fishing captain Lance Nacio, however, seems more optimistic. His customers were

inquiring about the shrimp throughout the spill and now are buying again. “Demand is still good. My first trip sold out, and this is only my second trip back on the water,” he said in October 2010. “In a couple of weeks I’ll know more how things go, but I think it will go well. People are supportive. I think most people are going to trust in inspectors that the seafood is safe.

“People associate Louisiana with seafood,” he adds. “One of first things that comes to mind when you think about Louisiana is shrimp. People find it tastes better. The brackish water creates shrimp that tastes sweet.”

Indeed, shrimp is the state’s best selling seafood product. Pre-BP oil spill, almost 60 million pounds of it was sold annually, creating over 14,000 jobs and an economic impact of \$1.3 billion dollars a year, according to statistics from the Louisiana Seafood Promotion and Marketing Board. And Louisiana has the largest shrimping production of any state.

Looking strictly at revenue, GNO, Inc., calculates that \$130 million of Louisiana shrimp are sold annually, followed by

menhaden (used for fishmeal) at \$46 million, oysters at \$40 million and blue crab at \$32 million. The entire Louisiana seafood industry is worth \$273 million annually.

Despite the size of the shrimping industry in Louisiana, it is actually quite small in the grand scheme of things. Only 5% of shrimp consumed in the United States comes from Louisiana, with estimates putting another 5% coming from other shrimping states. So far the majority of shrimp consumed by Americans is imported, thus filling up grocery store coolers and restaurant plates. When a diner orders all-you-can-eat shrimp at large seafood restaurant chains, that shrimp is coming from somewhere overseas. In the end, Louisiana shrimpers may have no need to be upset by this. After all, the state’s fishing families cannot produce enough crustaceans to be piled high on all the shrimp platters around the country. Moreover, these shrimp are frequently deep fried or cooked in such a way that would obscure a premium product’s complex flavor. Rather than fixating upon the imports that feed chain restaurants for budget dinners, Louisiana should instead focus on producing better products destined for consumers who care about quality.

A Premium Position

Since Louisiana seafood can fill the need for a premium product in the marketplace for discriminating consumers, the shrimp, crab, and other prod-

Chart 1

Projected Impact Scenarios for Revenue Losses in the Louisiana Commercial Fisheries Due to the Deepwater Horizon Oil Spill

Year	High	Mid	Low
2011	\$88,835,512	\$74,029,593	\$59,223,674
2012	\$56,459,735	\$47,049,779	\$37,639,823
2013	\$27,349,741	\$22,791,451	\$18,233,161
Total	\$172,644,988	\$143,870,823	\$115,096,658

Source: GNO, Inc.

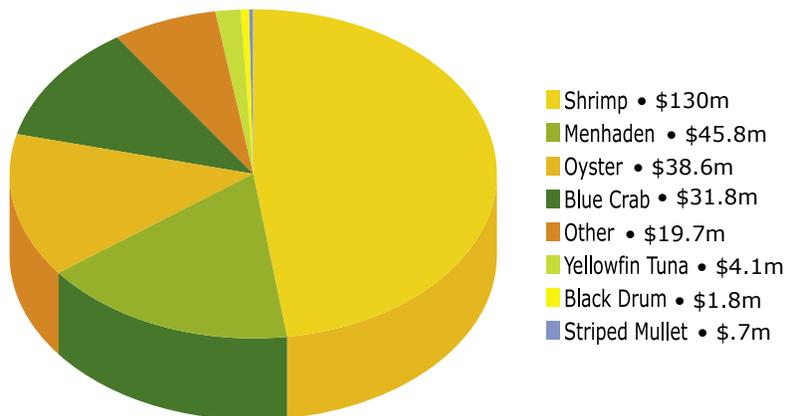
ucts would best be positioned as niche. Unfortunately, the BP spill has damaged the Louisiana brand. Despite the intense inspections and the declarations that what is on the market is safe to eat, misgivings about food safety understandably linger in the public mind. The challenge now is to overcome the damaged brand and reinvent Louisiana as a mark of quality.

Discerning diners already may look for Louisiana seafood, but to truly establish Louisiana as premium, stamping the word “Louisiana” on packages (which is already being done by some food processors) may not be enough. Proclamations of Louisiana origins are not regulated, say little about post-harvest handling, and ultimately have little meaning. To rectify that, there is a movement to create a legal framework to strengthen Louisiana as a place from where premium quality seafood originates.

Precedents for this endeavor exist. Other geographic regions around the world have established legally protected status for certain native foods. For example, true champagne can only come from a specific area of the Champagne region in France, and for cheese to bear the name Roquefort, it must be aged in particular caves in Roquefort-sur-Soulzon. Manufacturers who misleadingly call their sparkling wine “champagne” or their blue cheese “Roquefort” face legal action from the French government.

Certain seafoods lend themselves well to geographic

Chart 2
Sales of Louisiana Seafood Products



Source: GNO, Inc.

distinction—the immobile oyster in particular. In Maine, many individual areas in which oysters are harvested are sold under brands based on specific bodies of water. Similar branding efforts, in which regional oysters are developed into signature products, could work for Louisiana.

Even if the vast majority of consumers do not have the palates to notice, connoisseurs recognize subtle characteristics between carefully cultivated oysters. And connoisseurs lead food trends. For example, many consumers may not know if Angus beef is a certain cut of meat, a particular breed of cow, or what, but the term “Angus” has come to be associated with quality. Consumers looking for a premium meal will choose it when they see it on a menu. Likewise, connoisseurs can lead general consumers to associate Baratavia Bay oysters, for

example, with quality.

As yet, Louisiana has done little with marketing signature oysters, but marketumbrella.org was poised to launch a program before Katrina, albeit one not firmly based on geographic origin. “We were working with New Orleans oyster houses,” says Rusty Gaudé of LSU who serves as an advisor to marketumbrella.org. “They said we could market some oysters from a subset of their providers. So we hand picked four or five providers and called their oysters Select. Tight standards kept quality high, and the positioning created demand and exclusivity.”

In addition to wine and cheeses, France regulates geographic classifications of certain oysters, too. Also regulated under a single bureau, the Institut National des Appellations d’Origine (INAO), are specialty butters, hoof meat, honey, and

other food products. The INAO grants something called an appellation d'origine contrôlée, or AOC. Could something similar be done for Louisiana seafood?

Perhaps, but there are challenges. For one, the United States has never had as culturally distinct regional identities like those in France, and no counterpart to France's INAO exists. Also, under U.S. laws, geographic indicators like "New Orleans" or "Louisiana" cannot be trademarked, because a trademark can be granted only to one company, which would be unfair to others in the region.

But for a product to receive an AOC in France, it must meet more requirements than its manufacture in a certain geographic spot. The content of the product and its process also must meet certain standards. Even if no federal body regulates such standards in the United States, some state bodies do. The agriculture departments of Georgia and Idaho offer certifications of Vidalia onions and Idaho potatoes, respectively. Like with an AOC, onions marked "Vidalia" and potatoes marked "Idaho" must meet defined geographic, content, and process standards. Violators have faced product seizures, fines, and criminal liability charges.

Indeed, an effort to do the same with Louisiana seafood has begun. As it is the state's most profitable seafood product, shrimp is up first. "We want to separate Louisiana shrimp from the commodities market and put them in the

quality market," says Marie Breaux, an intellectual property lawyer at Milling Benson Woodward, LLP, who has been involved in the effort. She says earlier efforts to certify "Wild American Shrimp" through a cooperative effort among several seafood-producing states were not successful. Interstate cooperation was uneven, and there was not enough policing.

At present, the Louisiana Department of Agriculture is working on standards for "Certified Louisiana Shrimp" or "Certified Wild Louisiana Shrimp" (the exact name being a work in progress as well). According to Breaux, shrimp is a difficult product to certify, because catches can be large and types of harvesters so diverse. Also, unlike onions or potatoes, shrimp swim across borders, making geographic definitions murky. It seems likely, however, that one of the requirements for certification will be that the shrimp must be caught by Louisiana licensed vessels and landed at Louisiana facilities.

"Certification is now more important than ever," comments Louisiana Seafood's Ewell Smith who says the project is moving forward. He hopes everything will be in place by next May's shrimping season. "We need to get out of the commodity market. We can't compete on price. It's not where we need to be anyway. We hope to transition a significant portion of [standard dock sales] to a high-end product that will get fishers more money. These products will command a better price nationally

and open up markets overseas."

If this shrimp certification program turns out to be successful, another seafood product—be it oysters, crabs or something else—is likely to be next up for certification.

Adaptation and Modernization

Strong certification programs certainly would be welcomed by just about everyone in the Louisiana seafood industry, but they are not a panacea. Many industry observers believe fishers need to make changes in how they work.

"On the individual harvester level, many are operating under the same guidelines that their grandfathers were," says Rusty Gaudé of LSU. "They haven't made the technological jump to improve the quality of their catch or adopted available energy-saving innovations that would reduce fuel costs. What will save Louisiana fishers in not one particular thing; it's a lot of tools."

Despite the agreed-upon superiority of the taste of Louisiana shrimp, Louisiana fishers do not always deliver the best quality product, "quality" here meaning the product has suffered no thermal abuse from a break in the cold chain. As soon as seafood enters the net, there's a downhill slide on quality, so it needs to be frozen as soon as possible. When the product falls below premium standards, the shrimper needs to sell to the docks at a discount. Shorter trips that get product to the dock fast can help, but a series of short tows

costs more than one longer tow. Investment in new on-board freezers are another way to boost quality, but again that requires an outlay of capital.

Docks are an integral part of the structure of the industry. When fishers land with a boat full of seafood, they have a single customer willing to buy it all from them. The problem

is the fisher cannot dictate the prices they are paid, and the docks are often beholden to the processors who in turn buy from them. Despite the low prices,

the docks do have their benefits. They can provide informal credit or send help if there is a problem on the water. They provide ice and diesel. Fishers tend to value their relationship with their docks and the community that springs up around them. Nonetheless, breaking free from the dock system is a good way for fishers to command better prices.

To do so, fishers need to find other buyers for their products. They can sell directly to restaurants, to retailers, or even directly to consumers at farmers markets or online. As Louisiana attempts to move to premium standards, direct selling needs to ramp up, too.

“It doesn’t make sense to do a lot of stuff to improve quality and then sell shrimp at the dock. You’d still get the same price. You got to take your

efforts the whole way,” says Gaudé. “Fishing now is brain work as well as muscle work. If you’re a smaller operation, if you don’t have a big boat and a big bank roll and can dump your stuff at big docks, then you have to be clever.”

Of course, cultivating new customers takes effort, and many fishers are reluctant to

try. With all of the things fishers have to do, the simple exchange of product for cash at the dock is understandably appealing. By contrast, marketing

products to an array of buyers requires research, storage, delivery, patience and additional risk. Despite the potential for increased profits, direct selling can mean more time away from family and less time on the water.

Still, it can be done. Lance Nacio is an example of a shrimper who is making it work. His on-board flash freezer, which allows his crew to process shrimp as they are caught, gives his boat time for longer trips. When he lands, only 10% of his sales are dockside. His retail customers include Whole Foods, the Louisiana grocery chain Rouses, two grocers in California, and chefs throughout the country. He also sells at the Red Stick Farmers Market in Baton Rouge - a relationship that began after his participation in the 2004



White Boot Brigade campaign that introduced a community of fishers to Baton Rouge. Nacio’s Anna Marie Seafood employs support staff and has a website for direct sales to new customers.

“I’m definitely doing better financially than my peers who sell to docks,” Nacio says, “But there’s a lot of work involved, and there’s a lot of expense to get the boat ready. You have to keep customer base satisfied and supplied year round. Sometimes we have challenges in spring months with supply.”

Despite the challenges, he says it’s worth it. “I figured if I was going to be a shrimper, I wasn’t just willing to settle what people were willing to pay. I wanted to get what the product was worth,” he says. “There’s always a need for bulk product, but I don’t want to compete with the commodities market. I have gear that focuses on big shrimp, and I target just the bigger shrimp that I can sell myself.”

With the settlements from the BP spill, one might think that fishers now have money to invest in new systems, new gear, and new opportunities. For the most part, it isn’t happening.

“Right now, the claims process is so random,” says Emily Danielson, Coordinator of the Coastal Vitality Project at GNO, Inc. “Some people are getting more money than they expected, but most are getting just 10% of their expectations. Because they’re lacking documentation, almost 70,000 claims are in limbo now.” She adds that as the lump sum

payments are paid out, they have been creating an interesting and uneven economy not influenced by market forces. And since the payments are going to people unaccustomed to sudden windfalls, they are being spent in idiosyncratic ways. Some may be paying down debt, but others are buying nice cars.

“The claims are not necessarily going back into industry,” she says. “These fishermen are not necessarily modernizing... just investing in the status quo. And things are happening too fast for organizations to channel the funds.” With the uncertainty about the effects of the spill, modernizing may not be the best decision anyway, Danielson suggests. After the Exxon Valdez spill, some fishers in Alaska used their settlement money to modernize their fishing operations, only to find their expenditures wasted when faced with a precipitous decline in the herring population.

New Products, New Markets

The oil spill is proving to behave differently than the one in Alaska, and the general consensus is that the marine life in the Gulf will recover, although there is still uncertainty exactly how long it will take and the problems recovery will face.

As discussed, the Louisiana fishing industry is dominated by one product—shrimp. More specifically, it is dominated by what is known as the white and brown shrimp that live in the Gulf. Diversification of product

can help move reliance away from these shrimp and help establish the state as a source for premium seafood. There are other species in Louisiana that can be harvested, but people do not think of eating them.

Prior to the Great Depression, river shrimp were what people ate. River shrimp could be transported by horse and buggy. But in keeping with the American love for big things, tastes gravitated to the bigger Gulf shrimp and away from the smaller river species. Furthermore, better refrigeration and transportation options opened up Gulf shrimp to new markets. As a result, Gulf shrimp began to dominate.

For now, an entire product that could be harvested by Louisiana fishers is being ignored for lack of a consumer market. Other seafood products in the same position include clams, mullet, cuttlefish, and eel.

“We’ve been eating river shrimp a long time. Adventure-some consumers could cause it to catch on again,” says Rusty Gaudé. “If there is a premium paid on these novel culinary items, we can develop a market for them. It’s myopic of us to not consider all the seafood Louisiana produces.”

Along with direct selling and internet sales, community supported fisheries (CSF) is another way to open up new markets to fishers. CSFs are based on the model of Community Supported Agriculture (CSAs). In CSAs, individual consumers sign up for subscriptions to a weekly delivery of fresh produce. Whatever arrives in

the weekly box is a surprise; it depends on what the farmer planted and what is in season.

Belonging to a CSA causes people to cook differently. They do not choose a recipe and find the ingredients at the grocery store. Rather the ingredients come, and the subscribers have to find a recipe. In the new locavore movement, this idea is popular. Locavores, a name for devotees of locally sourced foods, believe that Americans have a false sense of entitlement. As a culture, we want to eat whatever we want whenever we want, no matter where the food comes from or if it is in season. Locavores feel CSA produce is fresher, more nutritious, and more environmentally sustainable. Also as with farmers market shoppers, their money goes straight to the farmer who can ultimately get a better price than when selling to a distributor.

Here is how a CSF works: A subscriber gets a box of weekly seafood filled with whatever the fisher caught that week. CSFs are already up and running in Port Clyde, Maine and are expanding throughout the New England area.

“The percentage of income was way up, in some cases 300 percent for low-value species like pollock,” says Glen Libby of the Midcoast Fishermen’s Cooperative (Boston Globe, March 18, 2009). “We got a lot more for them, and people really loved the pollock. A lot of them said it was their favorite fish.”

Similarly, a Louisiana CSF could help introduce seafood species not currently harvested,

like river shrimp, to the public and help develop markets for them. In Louisiana, fishers already share their seafood catches with their family members and neighbors. Many who live in these communities are used to this community way of cooking, of finding meals to make out of a box of fresh seafood handed to them. It already belongs to the state's culinary heritage. However, at this time, no formal CSFs appear to exist in the Louisiana, at least not ones in which an average consumer can participate.

Regardless of the challenges facing Louisiana fishers, they will keep fishing as long as they can. Simply put, it is part of them. In spite of the spill, few are seeking new careers or considering getting out of the business.

"We knew early on that we may need to be doing some work-force development, because who knew how many

people would want to remain in the fishing industry?" says Carmen Sunda, director of the Louisiana Small Business Development Center for the Greater New Orleans region, in *The Times-Picayune* (October 31, 2010). "The problem we're having is there are a number of people studying the issue, but the fishermen, they are not even thinking about this. When you talk to fishermen and you say, 'Is there anything else you would like to do besides fishing,' they look at you with a blank stare. Fishing is not what they do, it's who they are. It's a culture."

The devotion of fishers to their culture is an asset, one that should be maintained. There will always be a place for big operators running fishing operations on a large, commoditized scale. But the adoption of new technologies, new markets, and new ways of thinking can help the industry reinvent

itself. It can give Louisiana fishers new roads to travel down and allow them to leave the black blob of the oil spill at their backs. 🍷

Published with generous support from The Coastal Vitality Project of GNO Inc., the Louisiana Disaster Recovery Foundation, and the Wholesome Wave Foundation.

For more on these subjects:

GNO Inc. oil spill economic impact study: <http://gnoinc.org/news-events/gno-inc-unveils-oil-spill-economic-impact-study>

Go Fish on Film video project: <http://www.marketumbrella.org/marketshare/>

Louisiana Seafood Promotion and Marketing Board: <http://louisianaseafood.com/>

Louisiana Sea Grant: <http://www.laseagrant.org/>

Port Clyde Fresh Catch: <http://www.portclydefreshcatch.com/buyseafood.html>



200 Broadway, Suite 107 • New Orleans, LA 70118
(504) 861-8811 • admin@marketumbrella.org

Learning, sharing and growing, we cultivate community markets that utilize local resources to bolster authentic local traditions. We believe that ambitious social, health, environmental and financial goals are achieved if trust and respect are present. We envision communities of market umbrellas, like flowers in the field, opening all over the world for the public good. marketumbrella.org is an independent nonprofit 501(c)(3) nongovernmental organization.



We travel the world to learn how great markets work.

Through our marketshare project, we share what we learn.



Please join us so that we may learn, share, and grow together.

<http://www.marketumbrella.org/marketshare/>