

SUBJECT: Creating a self-funded marketing program for the Texas shrimp industry

COMMITTEE: Agriculture and Livestock — favorable, with amendment

VOTE: 4 ayes — Hardcastle, B. Brown, D. Jones, Laney

0 nays

3 absent — Miller, Burnam, Swinford

WITNESSES: For — Walter Zimmerman, Texas Shrimp Association; (*Registered, but did not testify.*) Ed McCarthy, Texas Shrimp Association; Sputnik

Against — None

On — Martin A. Hubert, Texas Department of Agriculture

BACKGROUND: In 1999, SB 1685 created the Texas Oyster Marketing Program (TOMP) at the Texas Department of Agriculture (TDA) to promote and advertise the Texas oyster industry, develop a marketing plan to increase consumption of Texas oysters, conduct a public relations campaign, and provide information, education, and training to consumers on safe and proper handling of oysters. It created a Texas Oyster Advisory Committee comprising producers and representatives from the retail, media, and restaurant industries. The program was self-funded through a “sack-tax” collected on oyster producers by the Texas Department of Health. Guidelines for the program are set forth in Agriculture Code, ch. 47.

Rules for the Gulf of Mexico shrimp fishery are implemented by federal regulations at 50 CFR part 622 under the authority of the Magnuson-Stevens Fishery Conservation and Management Act. Each year since 1981, the National Marine Fisheries Service has announced a “Texas Closure” between May and July to delay the harvest of brown shrimp in the coastal waters of Texas during their major emigration from Texas estuaries to the Gulf of Mexico. The closure prevents overfishing and waste and allows the shrimp to reach a larger, more valuable size.

License fees for catching, buying, selling, unloading, transporting, and handling shrimp in the state of Texas are governed by rules set forth in Parks and Wildlife Code, Ch. 77.

DIGEST:

HB 2785 would create a Texas Shrimp Marketing Assistance Program at TDA to assist the Texas shrimp industry in promoting and marketing shrimp harvested from the Gulf of Mexico and educating the public about the Texas shrimp industry and shrimp harvested from coastal waters. The program would have a \$250,000 annual budget funded by a 10 percent surcharge on eight commercial licenses and by private and governmental grants.

Promotion, marketing, and education. TDA would promote and advertise the Texas shrimp industry by developing and maintaining a database of Texas coastal waters shrimp wholesalers, operating a toll-free number to answer questions about where to buy certain types of shrimp and to make information available to the public, developing a shrimp industry marketing plan to increase consumption of coastal waters shrimp, educating the public about coastal waters shrimp through telephone and Internet promotion, and promoting shrimp and the shrimp industry through any other method the commissioner determined appropriate.

Advisory committee. A shrimp advisory committee would be appointed by the commissioner of agriculture and would comprise two owners of commercial bay shrimp boats, two owners of commercial gulf shrimp boats, one retail fish dealer, one wholesale fisher dealer, one researcher at an institution of higher learning or food science instructor, one member of the seafood restaurant industry, and one public representative. The board members would serve staggered three-year terms and would elect a presiding officer from among the membership. Five members would make a quorum. An annual meeting would be held to provide guidance to the commissioner.

Funding and program staff. A shrimp marketing account would be established in the general revenue fund and appropriated to TDA for the sole purpose of the Texas Shrimp Marketing Assistance Program. The fund would be exempt from rules under Government Code, sec. 403.095 regarding the use of dedicated revenue.

Texas Parks and Wildlife Department (TPWD) could increase fees in addition to a 10 percent increase starting September 1, 2003, in the commercial license fees for bay shrimp boats, bait shrimp boats, and gulf shrimp boats, and for shrimp boat captain's licenses. It also could increase by 10 percent the fees on wholesale and retail fish dealers' licenses, and wholesale and retail truck dealers' fish licenses. All revenues from the 10 percent increase would be deposited quarterly to the credit of the shrimp marketing account.

TDA could employ one or more persons to staff the program, paid for through program-generated monies, including the TPWD license surcharge. TDA could spend no more than \$100,000 per year to cover administrative and personnel costs, not including in-state travel.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS
SAY:**

TOMP has been an unqualified success, generating exports, jobs and sales for the state of Texas in what was previously an ailing industry. In 1998, the oyster industry in Galveston Bay shut down operations for five months because of a food-borne illness in raw oysters that made 367 people ill. Since the creation of TOMP in 1999, the turnaround in Texas' oyster industry has been extraordinary. Oyster producers have experienced an annual increase in oyster sale revenues of 54 percent, more than \$6 million per year. The \$200,000 annual funding for TOMP generates an estimated total economic benefit to the state of \$10.7 million, a return of \$53 in economic impact for every \$1 invested. This equates to a 500 percent return on investment.

HB 2785 would give the same chance for a turnaround to the shrimping industry, which also has fallen on hard economic times. The Texas shrimp fishery is not a high-margin fishery and can defer few expenses, thus Texas shrimp fishermen are highly leveraged, making it hard for them to handle downturns in the market. Several factors in the past 20 years have affected the profitability of the Texas shrimp industry: declining market prices caused by growing competition from foreign shrimp farms; rising fuel and operating costs; environmental concerns about the protection of by-catch species like sea turtles and red snapper; and an overcrowded industry that has led to high harvesting costs and too much by-catch. Further, the Texas Closure, which

shuts down the gulf coast shrimping industry between May and July each year, makes shrimping in Texas a seasonal rather than a year-round business.

The Texas shrimp industry has lined up behind HB 2785 and supports the license fee surcharge as an effort by a struggling industry to pull itself up by its own bootstraps. The shrimp fishery has a wide-ranging impact on the Texas economy, and supporters of the bill include shrimp trawlers, loading plants, fuel and ice docks, processing plants, suppliers, repair and maintenance services, shipyards, propulsion equipment and sales and service providers, lenders, restaurants, wholesale and retail fish dealers and other shrimp industry service entities. The TDA marketing program for oysters has made a huge difference for the oyster industry, and the shrimp industry is willing to make a similar investment in the future of Texas shrimping.

HB 2787 would allow the Texas shrimp industry to promote the health and environmental benefits of eating coastal waters shrimp rather than foreign-farmed shrimp. Wild-caught shrimp are far preferable to farmed shrimp, which are filled with antibiotics, fungicides, and pesticides. Farmed shrimp operations around the world have destroyed nearly one-quarter of the world's remaining tropical mangrove forests, and have caused salt-water intrusion into fresh water supplies in villages in India, Taiwan, Thailand, Malaysia, Ecuador, and the Philippines. Because of the Texas Closure, Texas shrimp grow to larger and more valuable sizes before harvesting, creating a 10 percent higher yield and allowing Texas shrimp to compete with foreign shrimp. Texas shrimp are freshly caught in the coastal waters and contain no harmful chemicals. They are more expensive for good reasons, and shrimp consumers deserve to know why.

HB 2787 would give the shrimp industry the opportunity to share with the public its environmental successes regarding the Kemp's ridley sea turtle. The shrimp industry now uses turtle-excluder devices on shrimp trawlers to protect Kemp's ridley turtles and is helping to bring the turtle back from the brink of extinction. The shrimp industry participates in a public-private partnership between the Mexican and American governments to conserve turtle habitat, has abided by the Texas Closure during the turtle's mating season, and has donated cash, in-kind contributions and time toward protecting turtle nests at their primary nesting site in Rancho Nuevo, Mexico and their secondary nesting site on Padre Island.

**OPPONENTS
SAY:**

By promoting the Texas shrimp industry and increasing demand for Texas shrimp, HB 2785 could lead to economic pressure to ban the Texas Closure, thus leading to overfishing in the coastal waters that potentially could harm the Kemp's ridley sea turtle. Environmentalists have fought for decades to protect the Kemp's ridley turtle, and a marketing program to sell shrimp from the Texas coastal waters could be harmful to a rare species of turtle that has barely begun making a comeback from the brink of extinction.

NOTES:

The committee amendment would authorize TPWD to increase by 10 percent the fees on wholesale and retail fish dealers' licenses, and wholesale and retail truck dealers' fish licenses, in addition to the fee increases on shrimp boats and captain's licenses specified in the bill as introduced. It also would allow TDA to spend no more than \$100,000 per year to cover administrative and personnel costs, not including in-state travel, up from \$50,000 per year including state travel as specified in the bill as introduced.

SB 937 by Jackson, the identical companion bill, has been referred to the Senate Natural Resources Subcommittee on Agriculture.