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**Analysis of How Consumers Have Failed to Benefit  
From Dumped Shrimp Imports**

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*Performed by*

**Southern Shrimp Alliance**

*On behalf of the*

**Domestic Shrimp Industry**

July 2004

**Final Report**

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## As Shrimp Import Prices Have Plummeted, Large Corporations Reap Exorbitant Profits: Middlemen Take A \$4.2 Billion Bite Out of America's Favorite Seafood

[ Chart 1 ]

The Consuming Industries Trade Action Coalition's (CITAC) recent reports on the shrimp market illustrate the exorbitant profit margins captured by middlemen involved with America's favorite seafood:

### In the Food Store Sector:

- CITAC estimates that total grocery stores sales of shrimp in 2002 were **\$2.901 billion**.<sup>1</sup>
- The total U.S. market value of imported and domestic shrimp was **\$4.072 billion** in 2002.
  - CITAC provides the value of 2002 domestic shrimp shipments as **\$664 million**.<sup>2</sup>
  - According to the U.S. Census Bureau, the value of shrimp imported into the United States in 2002 from all countries was **\$3.408 billion**.<sup>3</sup>
- The U.S. International Trade Commission ("ITC") reports, and CITAC endorses, that the share of consumption for grocery and other similar food stores is "about 20 percent of the U.S. market for shrimp."<sup>4</sup>
  - Multiplying the CITAC estimate for the total value of the U.S. shrimp market (\$4.072 billion) by ITC's estimate for the share sold at grocery and other similar stores (20 percent) provides an estimate of the value<sup>5</sup> of shrimp sold in these stores of **\$814 million**.
- The American Seafood Distributors Association ("ASDA") endorses the National Marine Fisheries Service's ("NMFS") calculated 33.4 percent mark-up of fishery inputs for retail trade from stores as "reasonable" and "the most relevant publicly available information

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<sup>1</sup> CITAC, "U.S. Shrimp Sales at Grocery and Other Similar Stores Have Been Growing Thanks to the Availability of Abundant Supplies of Affordable Shrimp" at 2 (June 2004) ("CITAC Grocery Sales Report") <<http://www.citac.info/shrimp/>>.

<sup>2</sup> The Trade Partnership, "Shrimp Antidumping Petition Would Jack Up Prices to Shrimp-Consuming Industries," at 4 (June 10, 2004) (CITAC sponsored study) <<http://www.citac.info/shrimp/>>.

<sup>3</sup> IM-145 data, U.S. Bureau of the Census.

<sup>4</sup> Certain Frozen and Canned Warmwater Shrimp from Brazil, China, Ecuador, India, Thailand, and Vietnam, Inv. Nos. 731-TA-1063-1068 (Preliminary), USITC Pub. No. 3672 at 23, 25, I-4, II-2 and II-7 (Feb. 2004); CITAC Grocery Sales Report at n.1.

<sup>5</sup> This value is at the first transaction level: landed duty paid import price and the price paid to the fishermen dockside.

on seafood industry profit margins . . .”<sup>6</sup> This markup “includes wages, salaries, interest, depreciation, rent, taxes and profit.”<sup>7</sup>

- Applying the 33.4 percent NMFS and ASDA-endorsed markup to the **\$814 million** purchase value of imported and domestic shrimp by grocery sales yields a **\$272 million** markup, for a total of **\$1.086 billion**. This figure is the estimate of what consumers should have paid for shrimp sold in the food store sector.
- The difference between the total value of store sales of shrimp as paid by consumers (**\$2.901 billion**) and the estimated value of what consumers should have paid (**\$1.086 million**) was **\$1.815 billion** in 2002 (see Table 1).

### **In the Food Service Sector:**

- The ITC estimates, and CITAC endorses, that the food service sector supplies 80 percent of the market for shrimp.<sup>8</sup>
  - Using CITAC’s estimate that \$2.901 billion is 20 percent of the market, the estimate of the total market in 2002 is **\$14.5 billion** paid by the final consumer for all imported and domestic shrimp. Of that, **\$11.6 billion** (80 percent) are sales by the food service sector.
- Multiplying the CITAC-based estimate for the total value of the U.S. shrimp market (\$4.072 billion) by the ITC’s estimate for the share sold at restaurants and food service providers (80 percent) provides an estimate of the value<sup>9</sup> of shrimp sold in this sector of **\$3.258 billion**.
- ASDA endorses the NMFS calculated 182.4 percent mark-up of fishery inputs for retail trade from food service (i.e. restaurants) as “reasonable” and “the most relevant publicly available information on seafood industry profit margins . . .”<sup>10</sup> This markup “includes wages, salaries, interest, depreciation, rent, taxes and profit.”<sup>11</sup>

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<sup>6</sup> See *Economic Activity Associated With The Use of Imported Shrimp in the U.S.*, Thomas J. Murray & Associates, Inc. at 18, 12, n.7 and Table 3 and 10 (Jan. 2003) (prepared for ASDA) at <http://www.freetradeinseafood.com> (ASDA website).

<sup>7</sup> *Fisheries of the United States 2002*, NMFS, U.S. Department of Commerce, Sept. 2003 at 91 (emphasis added); see also *Fisheries of the United States 2001*, NMFS, U.S. Department of Commerce, Sept. 2002 at 91.

<sup>8</sup> *Certain Frozen and Canned Warmwater Shrimp from Brazil, China, Ecuador, India, Thailand, and Vietnam*, Inv. Nos. 731-TA-1063-1068 (Preliminary), USITC Pub. No. 3672 at 23, 25, I-4, II-2 and II-7 (Feb. 2004); CITAC Grocery Sales Report at n.1.

<sup>9</sup> This value is at the first transaction level: landed duty paid import price and the price paid to the fishermen dockside.

<sup>10</sup> See *Economic Activity Associated With The Use of Imported Shrimp in the U.S.*, Thomas J. Murray & Associates, Inc. at 18, 12, n.7 and Table 3 and 10 (Jan. 2003) (prepared for ASDA) at <http://www.freetradeinseafood.com> (ASDA website).

<sup>11</sup> *Fisheries of the United States 2002*, NMFS, U.S. Department of Commerce, Sept. 2003 at 91 (emphasis added).

- Applying the 182.4 percent NMFS and ASDA-endorsed markup to the **\$3.258 billion** purchase value of imported and domestic shrimp by the food service sector yields a **\$5.943 billion** markup, for a total of **\$9.201 billion**. This figure is the estimate of what consumers should have paid for shrimp sold in the food service sector.
- The difference between the total value of food service sector sales of shrimp as paid by consumers (**\$11.6 billion**) and the estimated value of what consumers should have paid (**\$9.201 billion**) was **\$2.4 billion** in 2002 (see Table 2).

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### **Conclusion**

According to CITAC and ASDA data, **middlemen extracted \$4.2 billion from consumers in 2002** (Table 3).<sup>12</sup> Even relying on the NMFS estimates for reasonable expenses,<sup>13</sup> endorsed by ASDA (as this analysis does), these additional profit margins are truly exorbitant. Clearly, consumers do not benefit from dumped imports.

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<sup>12</sup> \$1.8 billion through the food store sector and \$2.4 billion through the food service sector.

<sup>13</sup> Fisheries of the United States 2002, NMFS, U.S. Department of Commerce, Sept. 2003 at 91 (“includes wages, salaries, interest, depreciation, rent, taxes and profit”).”

**Calculation of the Exorbitant Profit Earned by Middlemen  
Engaged in Importing and Distributing Shrimp**  
(all figures in \$ millions)

**Table 1. Food Store Sector**

\$3,408	Value of imported shrimp (U.S. Census Bureau)
\$664	Value of domestic shrimp (CITAC)
<u>\$4,072</u>	Total value of shrimp market
\$814	Food store sector share of total (20%) (USITC)
\$272	NMFS recognized markup (including profit - 33.4%) (NMFS)
<u>\$1,086</u>	Total caclulated value of shrimp sold in food store sector
\$2,901	Actual retail price of shrimp sales in food store sector (CITAC)
<b>\$1,815</b>	<b>Profit by middlemen (Actual retail value - calculated retail value)</b>

**Table 2. Food Service Sector**

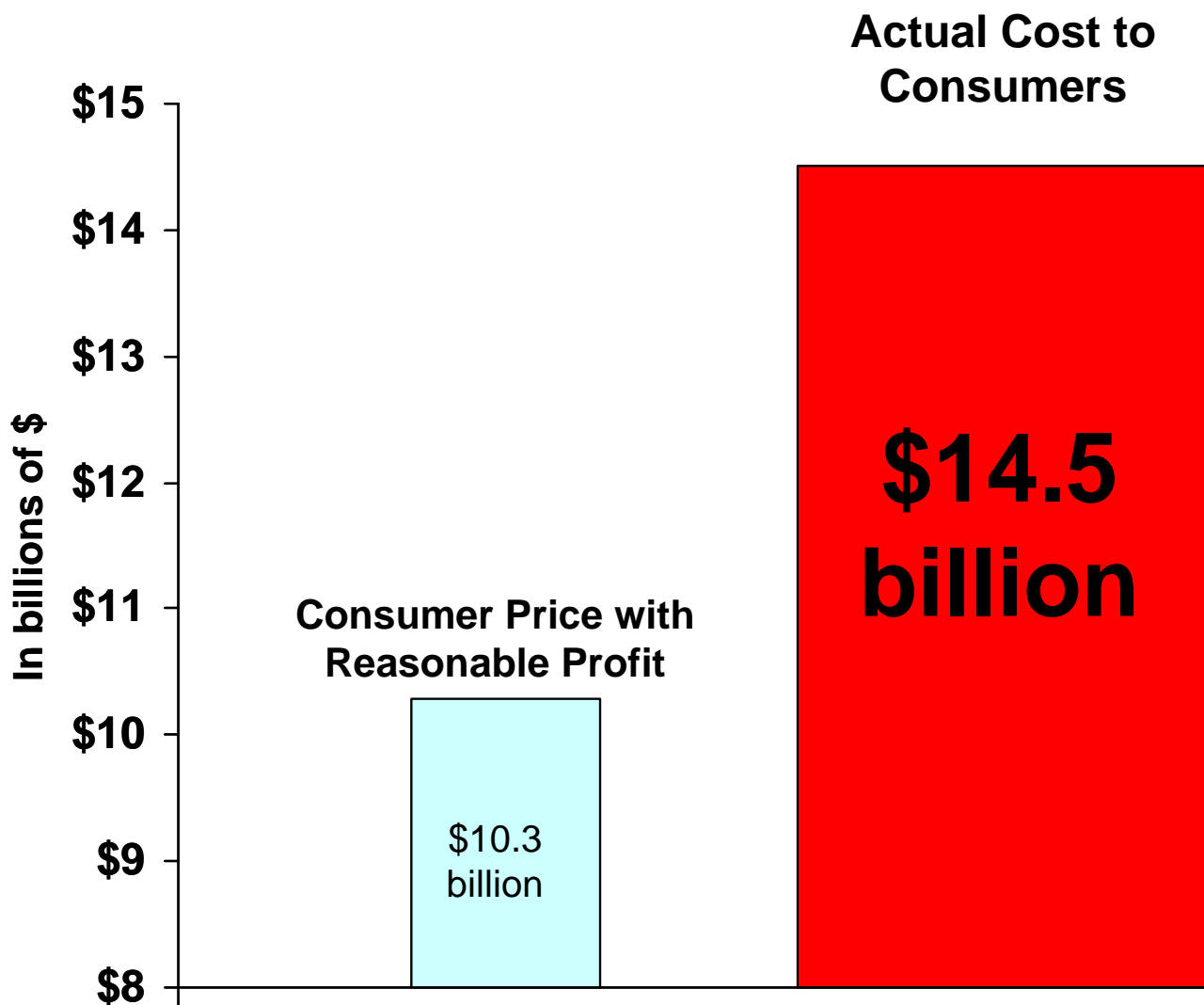
\$3,408	Value of imported shrimp (U.S. Census Bureau)
\$664	Value of domestic shrimp (CITAC)
<u>\$4,072</u>	Total value of shrimp market
\$3,258	Food service sector share of total (80%) (USITC)
\$5,942	NMFS recognized markup (including profit - 182.4%) (NMFS)
<u>\$9,200</u>	Total caclulated value of shrimp sold in food service sector
\$11,604	CITAC-based estimate of actual value of shrimp sold in food service sector
<b>\$2,404</b>	<b>Profit by middlemen (CITAC-based estimate of retail value - calculated retail value)</b>

**Table 3. TOTAL ANNUAL "SUPERPROFITS" BY MIDDLEMEN -  
Above NMFS recognized, industry endorsed, amounts for expenses and profit**

\$1,815	Excess Food Store Sector Middlemen Profit
\$2,405	Excess Food Service Middlemen Profit
<b>\$4,219</b>	<b>Total Annual Excess Middlemen Profit</b>

# Middlemen Gouge \$4.2 Billion From Consumers

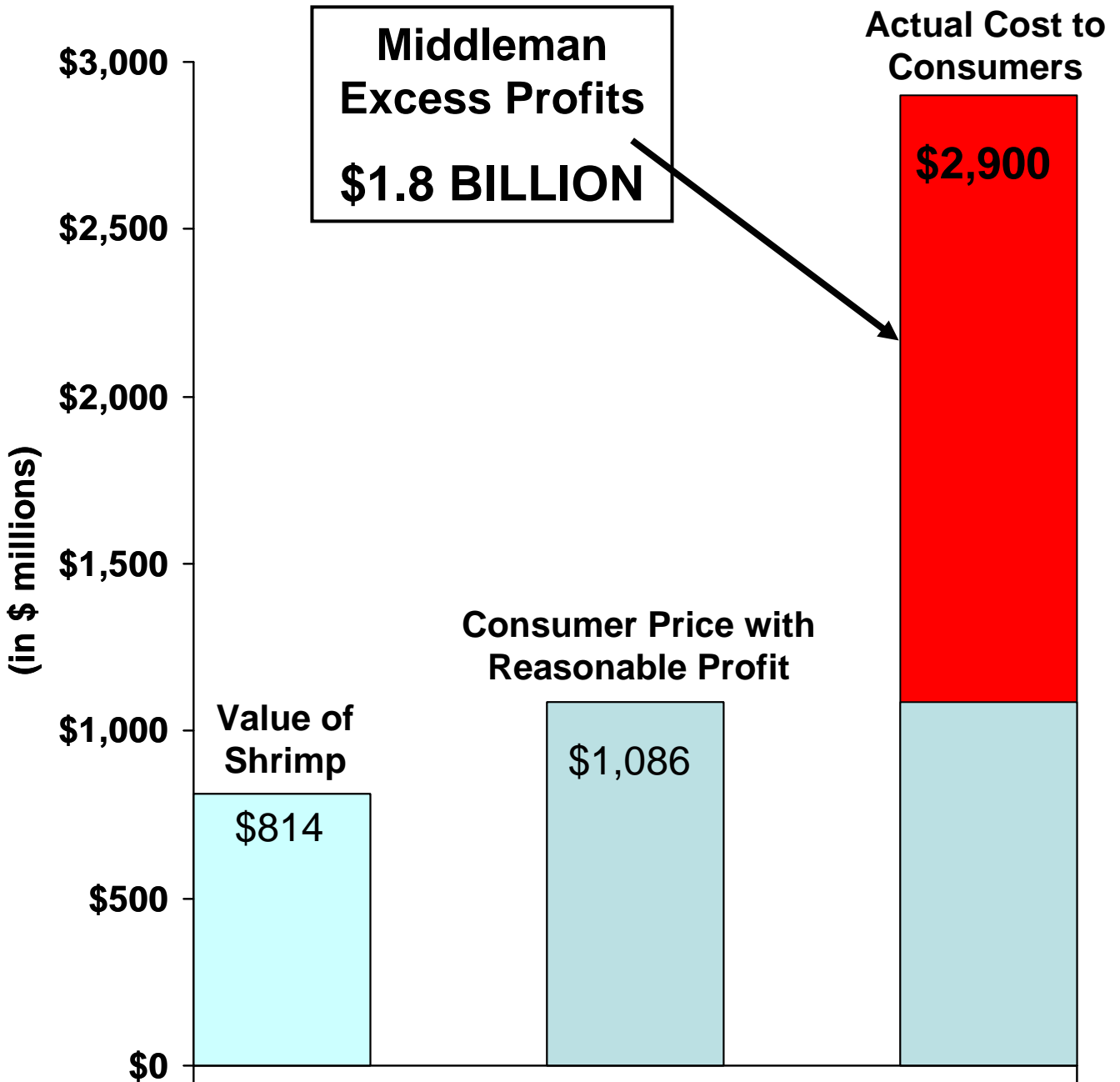
Shrimp import prices plummeted 32%, and large corporations are reaping exorbitant profits. Each year, middlemen gouge \$4.2 billion from consumers beyond what even the industry calls “reasonable” profit margins



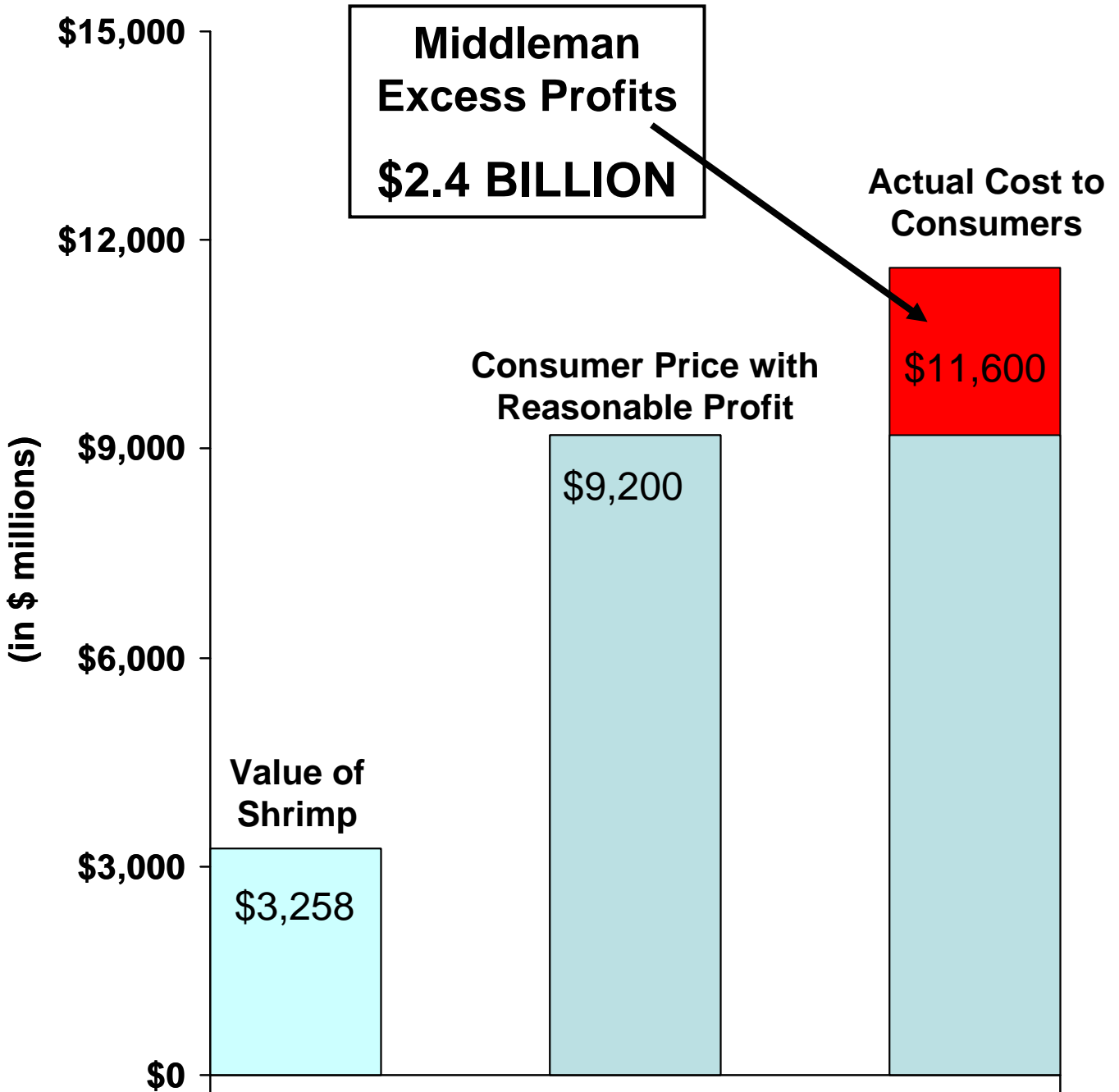
**Note:** Analysis includes values for expense and profit by the food store, food service and processing sectors, based on NMFS estimates which ASDA endorses as “reasonable.”

**Sources:** IM-145 data, U.S. Census Bureau; [Fisheries of the United States 2002](#), NMFS, U.S. Department of Commerce, Sept. 2003; [Certain Frozen and Canned Warmwater Shrimp from Brazil, China, Ecuador, India, Thailand, and Vietnam](#), Inv. Nos. 731-TA-1063-1068, USITC Pub. No. 3672 (Feb. 2004); CITAC, “U.S. Shrimp Sales at Grocery and Other Similar Stores Have Been Growing Thanks to the Availability of Abundant Supplies of Affordable Shrimp” (June 2004); CITAC Trade Partnership, “Shrimp Antidumping Petition Would Jack Up Prices to Shrimp-Consuming Industries” (June 2004); ASDA, “Economic Activity Associated with the Use of Imported Shrimp in the U.S.” (Jan. 2003); Economic Activity Associated With The Use of Imported Shrimp in the U.S., Thomas J. Murray & Associates, Inc. (Jan. 2003) (prepared for ASDA).

# Middlemen Profits in the Food Store Sector



# Middlemen Profits in the Food Service Sector



**Shrimp Import Prices Plummeted 32%,  
But Consumer Prices for Shrimp Entrees at Restaurants Actually *Increased* by 28%**  
[ Chart 2 ]

Consumers have not benefited from dumped shrimp imports. As part of its preliminary determination that the domestic shrimp industry is injured by imports, the U.S. International Trade Commission also found that despite a “significant” increase in shrimp imports and a “substantial” decline in import prices, “consumers have not yet seen lower prices for warmwater shrimp at grocery stores or restaurants.”<sup>1</sup> Consumer prices for shrimp entrees actually skyrocketed 28 percent instead of decreasing, transforming billions of dollars from consumer wallets into middlemen profits. After five years of increasing consumer shrimp prices and decreasing imported shrimp costs, it seems highly unlikely that consumers will ever benefit from unfairly traded shrimp.

From 2000-2003, import volumes of shrimp from Brazil, China, Ecuador, India, Thailand, and Vietnam increased from 466 million pounds to a 795 million pounds. The average unit value of shrimp from these countries was \$5.12 in 2000 and fell to \$3.48 in 2003.<sup>2</sup>

Food Beat Inc. tracks menu prices and its analysis is relied on by the Consuming Industries Trade Action Coalition (“CITAC”), a Washington, DC lobbying group opposed to the antidumping investigation.<sup>3</sup> Food Beat data indicate that shrimp entrees at major restaurant chains have risen 28 percent, during a time when imported shrimp prices declined by one-third.<sup>4</sup> For example, Food Beat data show that shrimp entrees at Landry's Seafood House went from \$10.99 to \$14.02; and a Red Lobster shrimp salad jumped from \$8.99 to \$10.13 last year.<sup>5</sup> Data released by CITAC indicate that consumers were more than five times as likely to pay more for any type of shrimp item as pay less from 2000-2003, despite the abundance of low-priced imported shrimp.<sup>6</sup>

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<sup>1</sup> Certain Frozen and Canned Warmwater Shrimp from Brazil, China, Ecuador, India, Thailand, and Vietnam, Inv. Nos. 731-TA-1063-1068 (Preliminary), USITC Pub. No. 3672 at 26, 27, II-7 (Feb. 2004).

<sup>2</sup> IM-145 data, U.S. Census Bureau.

<sup>3</sup> Food Beat, Inc., “Shrimp on Chain Menus: A 5-Year Review (1999-2003) of Menu Mentions and Pricing Activity,” (June 2004) (“CITAC Menu Study”) (“Menu information, including item and price, is entered into a relational database that is regularly tapped by both restaurant operators and foodservice suppliers...” <[http://www.citac.info/shrimp/new\\_releases/FoodBeatJune2004.pdf](http://www.citac.info/shrimp/new_releases/FoodBeatJune2004.pdf)>).

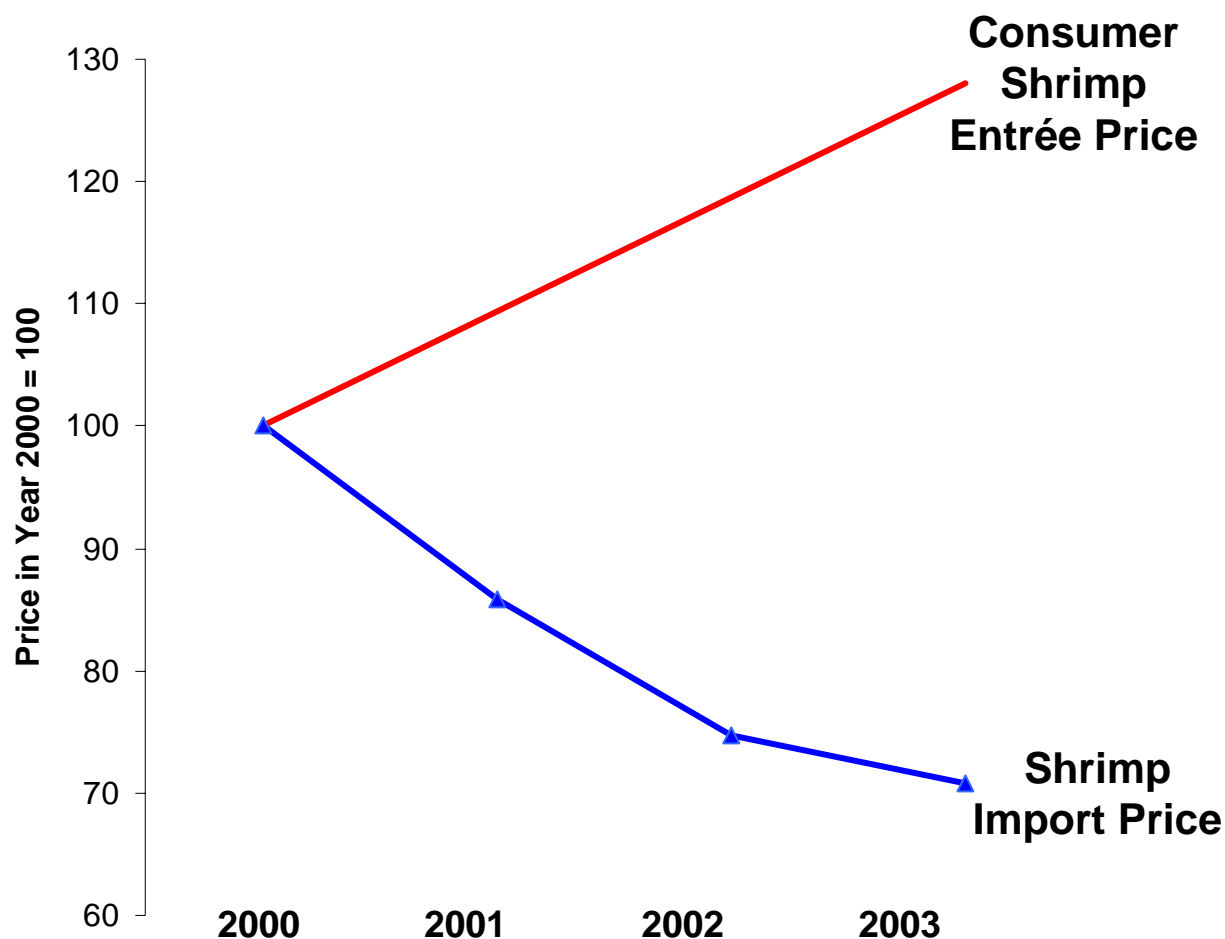
<sup>4</sup> CITAC Menu Study at 4 (shrimp entrée items are 67 percent of all shrimp menu items); AP (Mar. 11, 2004); Washington Post (Feb. 25, 2004); Michelle Higgins, “Consumers Get Skewered By Shrimp Prices,” Wall Street Journal (Oct. 17, 2003); Mark Minton, “Shrimpers lose to imports: Prices drop at boats, not retail” News Observer (Raleigh, NC) (Feb. 11, 2004).

<sup>5</sup> Id.

<sup>6</sup> CITAC Menu Study.

# Consumers Subsidize Middlemen Profits

**Shrimp Import Prices Plummeted 32%,  
But Consumer Prices for Shrimp Entrees at  
Restaurants Actually *Increased* by 28%**



Shrimp import prices of the targeted countries plunged from \$5.12 per pound in 2000 to \$3.48 in 2003. Food Beat Inc. data indicate shrimp entrée prices at restaurants increased by as much as 28%. U.S. International Trade Commission confirms: “[C]onsumers have not yet seen lower prices for warmwater shrimp at grocery stores or restaurants.” After many years of these diverging trends, it is unlikely consumers will ever benefit from unfair trade.

**Despite a One-Third Drop in Import Prices, Shrimp Menu Prices at Chain Restaurants  
Were Five Times as Likely to Increase as Decrease**  
[ Chart 3 ]

The American Seafood Distributors Association (“ASDA”) has commissioned a study on the pricing activity of shrimp menu items at chain restaurants.<sup>1</sup> The study purports to document that shrimp items increasingly appeared on restaurant menus from 1999 to 2003, and experienced price changes consistent with changes for all menu items.<sup>2</sup> The study does not mention that the import price of shrimp, the main ingredient in a shrimp entrée, plummeted 32 percent.<sup>3</sup>

- To examine pricing activity during the period of investigation for the shrimp antidumping cases, this analysis focuses on the data for years 2000-2003.
  - The ASDA study shows the percent of menu items that decreased or increased for entrees, appetizers, and salads. Collectively, these items account for 90 percent of shrimp items that appear on menus.<sup>4</sup> To calculate the total percent of shrimp menu items that experienced a price change, these figures were weight averaged across all shrimp menu items for a particular half year period.
  - The data indicates that, on average, 3.08 percent of shrimp menu items experienced a decrease in price from half-year to half-year.<sup>5</sup> Conversely, on average, 16.4 percent of shrimp menu items increased in price. Finally, 80.52 percent of shrimp menu items experienced no change.
- **Thus, according to ASDA data, shrimp menu items were 5.3 times as likely to increase as decrease** ( $16.4 / 3.08 = 5.32$ ), despite wholesale prices falling to unprecedented levels.

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<sup>1</sup> Food Beat, Inc., “Shrimp on Chain Menus: A 5-Year Review (1999-2003) of Menu Mentions and Pricing Activity,” (June 2004) (“ASDA Menu Study”)  
<[http://www.citac.info/shrimp/new\\_releases/FoodBeatJune2004.pdf](http://www.citac.info/shrimp/new_releases/FoodBeatJune2004.pdf)>.

<sup>2</sup> ASDA Menu Study at 2. Irrespective of the fact that while shrimp import prices plummeted constantly over the period, wholesale prices for other menu inputs increased.

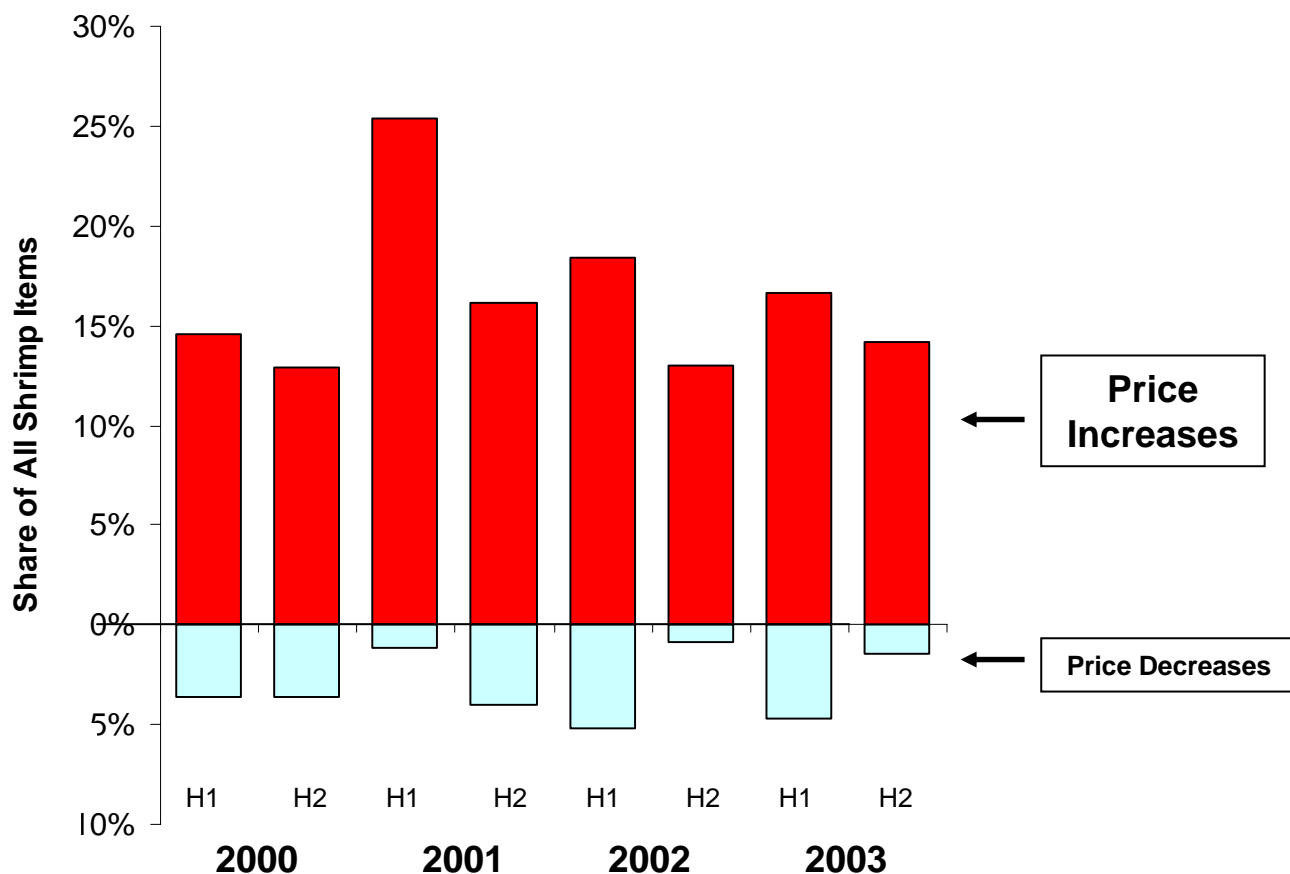
<sup>3</sup> IM-145 Data, U.S. Census Bureau.

<sup>4</sup> ASDA Menu Study at 4.

<sup>5</sup> For several data points in ASDA’s table on menu price decreases (Table 2), the percent of items experiencing a decrease was left blank. ASDA offers no explanation for this anomaly. As a conservative approach, these points were averaged as a zero.

# Consumers Pay More At Restaurants

**Despite a One-Third Drop in Import Prices, Shrimp Menu Prices at Chain Restaurants Were Five Times as Likely to Increase as Decrease**



According to new data obtained by the American Seafood Distributors Association, for every one shrimp menu item that decreased in price, 32 other shrimp menu items increased in price or remained the same.