

January 19, 2005

SHRIMP INDUSTRY INVENTORY/MARKETING: Progress report

Since the last progress report, the following tasks have been accomplished:

1. Site visit to the Georgia Shrimp Company, LLC operations in Brunswick was completed. Information on dock activities, business profiles and marketing channels were obtained for a draft report.
2. A Rural Business Value Added Development Grant, USDA, was written and funding of \$49,000 awarded to Carolina Seafoods for analysis of the potential for shrimp processing in McClellanville or proximate areas.
3. The economic feasibility of establishing a new shrimp processing plant or expanding existing operations was examined. A Working Paper that provides details of the analysis is available from the Department of Applied Economics and Statistics at Clemson University. *The title page and abstract from the report are attached.* The complete report is available on request.
4. Completed a report on marketing wild caught shrimp. *The title page and abstract are attached.* The complete report is available on request.

Remaining tasks include documenting the potential for shrimp processing to maintain the trawler fleet in South Carolina, completing the overall infrastructure document, and assessing the impact that tariffs imposed on certain countries will have on the viability of the industry. Abstracts of research in progress that address these issues include:

F. Vinuya and M. Hammig. *Technical Efficiency of South Carolina Shrimp Fishery and its Implications for the Local Industry.* This paper examines the technical efficiency of South Carolina shrimp trawlers using the results of a survey of shrimp boat operators. We apply a stochastic frontier method to get estimates of production efficiency and assess its correlates to various factors important in shrimp fishery. Initial estimates point to production inefficiency. Further results from the analysis would inform policy makers and industry participants on what directions to take to improve the economic viability of the local shrimp industry.

F. Vinuya and M. Hammig. *Exchange Rate Pass-through and Competition in the US Imported Shrimp Market.* The decline in U.S. shrimp prices has prompted domestic producers to lobby for antidumping duties against the main shrimp exporters to the U.S. The last fifteen years show a change in import sources as Asian countries took over the Latin American share in the U.S. market. In this paper, we examine the role of exchange rate fluctuations in price setting by the shrimp exporters. Employing a detailed shrimp import dataset we use cointegration techniques to investigate how prices by foreign producers interact and investigate their ability to pass-through the effects of exchange rate fluctuations for each specific shrimp product type.

OPTIONS FOR PROCESSING SHRIMP LANDED IN SOUTH CAROLINA

By

Mark S. Henry, Professor

David L. Barkley, Professor

Ferdinand Vinuya, PhD Candidate

Brian Gantt, Graduate Student

Department of Applied Economics And Statistics

Clemson University

REGIONAL ECONOMIC DEVELOPMENT RESEARCH LABORATORY

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ABSTRACT

Many participants in the South Carolina shrimp industry believe that capturing more of the value added in processing locally landed shrimp can add to the economic viability of the industry. In this report, the options for added processing activity in SC are reviewed and the economic feasibility of each option is discussed. These options include expanding existing processing and storage at current sites in the state, adding processing and storage facilities in new sites, contracting with out of state processors and business as usual. Detailed financial analysis of establishing a new processing plant or expanding existing facilities suggests that these operations are viable with reasonable assumptions regarding sales prices. Two scenarios are constructed. One assumes that Fall 2004 ex-vessel prices are paid to trawler owner-operators for shrimp landed in South Carolina, while the second adds a premium to those prices to reflect quality control benefits.

- **At Fall 2004 ex-vessel prices for head on shrimp**, for a 2 million pound (heads on) processing plant, adding hauling costs to the processing plant, dockside packing fees, and processing costs results in per pound *breakeven prices (zero profit)* for headed shrimp products at the plant that range from about \$4.58 for 26-30s to \$3.16 for 61-70s.
- **Adding \$1 per pound to the Fall 2004 ex-vessel prices of head on shrimp** -- the mark of quality premium -- results in per pound breakeven prices at the plant ranging from \$6.25 for 26-30s to \$4.83 for 61-70s. .
- **If market prices exceed these breakeven prices**, then profits from the processing plant will be available for distribution to Coop or LLC members. With a 2 million run plant and a 10% profit markup over breakeven prices, sales prices for 26-30s would be \$5.03 with Fall 2004 ex-vessel prices and \$6.56 for mark of quality shrimp. A 1 million run plant sales price with 10% markups would be \$5.56 with Fall 2004 ex-vessel prices and \$7.06 for mark of quality shrimp for 26-30s.

Marketing Wild Caught South Carolina Shrimp:
Lessons Learned From Agricultural
Niche Marketing Programs

By

Joseph A. Fuduric
Research Associate

And

David L. Barkley and Mark S. Henry
Professors and Co-Coordinators
Regional Economic Development Research Laboratory
Department of Applied Economics & Statistics
Clemson University, Clemson, SC

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ABSTRACT

The purpose of this research is to provide an overview of a sample of marketing programs for agricultural commodities. The programs discussed are grouped into three categories: generic marketing to promote the consumption of a general commodity, brand marketing to promote a specific type of an agricultural commodity, and local marketing to encourage the development of local markets for a good. Of particular interest for each marketing program are the organizational structure, sources and uses of funding, and examples of marketing and promotion activities. This overview of past programs enables South Carolina shrimpers to identify the “best practices” from earlier marketing efforts and to develop a niche marketing program that best meets their needs. The objectives of a wild-caught shrimp marketing program, as with any niche marketing programs, are to convince consumers that the product has special characteristics and that those characteristics warrant a higher price. The previous case studies of niche marketing programs indicate that the successful niche programs shared characteristics with respect to maintaining product quality, intra-industry cooperation, and providing a sustained marketing effort. The availability of shrimp processing/packaging facilities in South Carolina would facilitate the establishment of a local brand and resulting market program. A niche marketing program offers much promise for increasing the demand for and value of wild caught South Carolina shrimp. To provide the greatest benefits to the state’s trawlers and dock owners, the program should promote product quality through a sustained marketing campaign financed and administered by the industry.