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The SC SHRIMP INDUSTRY:

Potential Infrastructure needs over the next five years

(Presented to the Shrimp Industry Task Force by Mark Henry on April 8, 2004)

At the industry level, broadly defined to include trawlers, docks, jobbers, processors, wholesale distributors and retailers, our site visits to 24 commercial docks in SC, mail survey responses from some 250 shrimp trawler owners/captains, interviews with individuals in the industry and review of industry trends suggests the following key infrastructure issues:

- **Docks:** Some of the current docks are likely to shut down without short term conversion to alternative uses; some will become more oriented to direct marketing to tourists/local retail activities; some will be converted to “highest and best uses” as commercial/residential development.

IMPLICATIONS FOR INDUSTRY INFRASTRUCTURE: Fewer docks remain as home ports for commercial shrimpers. This will increase the demand for slots in the remaining docks suggesting higher tie-up fees and increased time spent transporting catch to a dock. This increase in costs for shrimp trawler owners/captains will put added pressure on profits.

POTENTIAL USE OF FUNDS IN the South Carolina Shrimp Fishery Assistance [SCSFA] project. Establish a seed capital fund that dock owners/shrimp trawler owners can use as matching funds for Small Business Administration or other funds to maintain *flexibility* in responding to changing demands for dock space as the current stock of dock space evolves. These would be full service docks providing fuel, ice, packing and freezer capacity.

- **Freezer capacity:** Several dock operators and trawler owners have plans to expand the capacity to freeze and store shrimp so that they can respond to retail and the food service industry needs in a timely fashion. While this means added storage costs (including time costs) to the docks, there are several reasons why this makes sense. One, the clear objective of marketing efforts is to establish a market niche for wild caught US shrimp that will command a price premium over imports. Two, many retailers and restaurants expect that the costs of storage will be borne by the processor/wholesaler with quick access to the frozen product as needed. To compete with frozen imports, SC docks that intend to market wild caught US shrimp will have to provide similar access.

IMPLICATIONS FOR INDUSTRY INFRASTRUCTURE: Few docks provide freezer capacity needed to store frozen shrimp for the year round market envisioned in the marketing plans for a premium product.

POTENTIAL USE OF FUNDS IN **The South Carolina Shrimp Fishery Assistance [SCSFA] project.** Establish a capital fund that dock owners/shrimp trawler owners can use as matching funds or supplemental funds required for state or federal programs or as an incentive for private investments as the niche market for wild caught premium shrimp develops over the next five years.

- **Shrimp Processing/Marketing Cooperatives:** Establishment of a viable coop to process and market SC shrimp will require an effective business plan and ongoing excellence in management and marketing. Shrimp trawler owners/captains will have to rely on full time professionals and patience if the coop is to succeed in bringing increased profits to the shrimpers.

IMPLICATIONS FOR INDUSTRY INFRASTRUCTURE: There is no active coop in the shrimp industry in SC though planning is underway in at least one area. Coops in Georgia and in SC in the past have not fared well. Lessons can be learned from these failing coop efforts as well as in those that have done well.

POTENTIAL USE OF FUNDS IN **the South Carolina Shrimp Fishery Assistance [SCSFA] project.** Provide loans or grants to dock owners/shrimp trawler owners needed to examine the feasibility of a SC coop(s) and/or to implement plans for a coop by providing working capital loans and/or small grants.

Each of these possible infrastructure initiatives could have proposals that are awarded on a competitive basis. Each would be an attempt to stabilize the long term profitability of SC trawlers as market conditions change. The **key is to provide flexibility** for the individual shrimper and dock owner to respond to market forces. In contrast, short term subsidies tend to reinforce current activities as the market changes. If producers do not adapt to these changes, then it is unlikely that they can maintain profitability in the long run.