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THE STATUS OF ALABAMA'S SHRIMPING INDUSTRY: AN INTERIM REPORT

April 1980

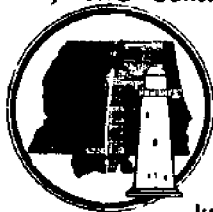
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William Hosking, Economist Marine Resources
 Alabama Sea Grant Advisory Service
 Alabama Cooperative Extension Service

Our State and nation have been undergoing dramatic changes brought about by increased pressures for the use of resources, rapid developments in the world-wide energy situation, and major fluctuations in the economy. These influences have been felt in all sectors of the business world, but have exerted a disproportionate amount of pressure on Alabama's shrimping industry. When coupled with the adverse effects of three natural disasters in a 12-month period which also impacted upon the supply of shrimp, the survival of the industry thus far serves to underline the resilience of our fishermen.

The actual and potential effects of these natural phenomena have not yet been fully documented; however, it is expected that results will not be positive. Heavy spring rains in 1979 caused an increase in the stream discharge in the Mobile Bay estuary, reducing the salinity in the Bay. This reduction may have had adverse effects on juvenile shrimp and fish that use this area as a nursery ground. Due to the fresh water intrusion, oysters suffered high mortality and as a result of a request by the Alabama Department of Conservation and Natural Resources were declared a disaster industry. Because of this declaration, \$1.25 million in federal funds were made available for replanting of oyster shells to aid in the re-establishment of reefs by the National Marine Fisheries Service under PL-88-309, the Commercial Fisheries Resource Disaster Assistance Program.

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Sea Grant Advisory Service

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The

**Alabama
 Cooperative
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"EDUCATION IS OUR BUSINESS"

Issued in furtherance of Cooperative Extension work in agriculture and home economics, Acts of May 8 and June 30, 1914, in cooperation with the U. S. Department of Agriculture. J. Michael Spratt, Director, Alabama Cooperative Extension Service, Auburn University. The Alabama Cooperative Extension Service offers educational programs and materials to all people without regard to race, color, or national origin. It is also an Equal Employment Opportunity Employer.

The shrimping industry did not escape the devastation of Hurricane Frederic in September of 1979. Although the majority of the shrimp fleet did not sustain major damage, many seafood processors and support industries were heavily damaged. Further details of the effects of the Hurricane are noted in the enclosed report, "HURRICANE FREDERIC: PRELIMINARY DAMAGE ASSESSMENT, COMMERCIAL SEAFOOD INDUSTRY". The storm resulted in the suspension of seafood processing activities on the Alabama Coast for a period that averaged four-to-six weeks. The time interval required for many support industries to resume normal operations has been considerably longer and in some cases, normal operations have not yet resumed.

April 1980 also brought heavy rainfall in Alabama, and resulted in excessive quantities of fresh water entering the estuarine system. Heavier than normal river discharge into the Mobile Bay estuary is still occurring and the results of this new intrusion of fresh water into the delicately-balanced ecological system will not be known for several months.

The attached letter from Hugh A. Swingle, Director of the Division of Marine Resources, gives his assessment of the effects of the 1980 floods on the shrimping industry. He states that the flooding will have an adverse impact on the shrimp fishery along the northeastern Gulf during the approaching season.

As presently structured, Alabama's seafood industry is based primarily on shrimp which account for 70 percent of the volume and 90 percent of the value of the State's landings. Alabama ranked 13th in the nation based on the value of commercial seafood landings in 1978. The combined dockside value of seafood products landed in Bayou La Batre and Bon Secour-Gulf Shores, our two major fishing ports, was \$35.1 million during that year. It has been estimated that the economic impact of the Alabama seafood industry on the State and the nation exceeds \$140 million annually. The seafood industry's employment of unskilled and semi-skilled labor is of great importance to the economy of Alabama's coastal counties. More than 400 shrimp boats are Alabama-based. These vessels and others involved in commercial fishing provide jobs for nearly 2,000 commercial fishermen. Landings of seafood products support 57 processing plants that provide employment for 1400 year-round and 2,000 seasonal workers.

In recent years numerous shipbuilding and support industries have developed in south Alabama because of the shrimp fleet. Shipbuilding has become particularly important both as an employer and as a revenue producer. During 1977, local yards produced 43 shrimp vessels for the Gulf fleet in addition to numerous others including oil rig crew boats, vessels for use in both the East and West Coast fisheries, and substantial quantities of fishing boats for export. It has been reported that shipyards in coastal Alabama produce more seafood trawlers and work boats than any other area in the United States. This industry, which was initially developed because of the local shrimp fleet, provides direct employment to more than 1300 skilled workers.

The seafood and related support industries are presently very important to the economy of the entire State, but have the potential to make an even larger contribution not only to the region, but to the entire nation. This potential was identified in a recent study entitled "Prospectus for Development of the United States Fisheries" which was prepared for the National Marine Fisheries Service.

In this publication, the groundfish resources of the Gulf of Mexico were acknowledged as one of the U. S. fishery resources that showed the most potential for development. If fishery development efforts as detailed in this study were accomplished, the result would be the expanded use of a fishery resource that is now under-utilized because of a lack of acceptance by the domestic market. The groundfish resource would be processed for export and would be expected to help reduce the \$2.2 billion deficit in our balance of trade in fishery products alone.

The study specifically identified an area between Bayou La Batre/Pascagoula, Mississippi as the site of fishing, freezing, and shipping activity during the initial five years of development. After that time, it is expected that 80 percent of fisheries export operations in the Gulf will be localized in the Bayou La Batre/Pascagoula area.

Despite past performance and future potential, the Alabama commercial seafood industry is currently facing an economic crisis of grave severity. This condition is not restricted to Alabama, but also reportedly exists in almost all parts of the Gulf. The FISHERY MARKET NEWS REPORT dated April 4, 1980 provides a summary of trends and conditions in the Gulf and South Atlantic for the month of February 1980. In comparison to the February landings for 1979, the 1980 shrimp landings were as follows: Alabama - down 132,000 pounds; Louisiana - down 232,000 pounds; Texas - down 543,000 pounds, the poorest monthly volume in Texas since 1956 when detailed records were started. This resulted in the Small Business Administration declaring the Texas shrimp and related industries as Economic Injury/Disaster Loan areas as explained in the attachments to this report.

Attached also is a letter from Bon Secour Fisheries, Inc. which typified the situation facing Alabama shrimpers. Mr. Nelson's letter states "March 1979 production for our fleet of 70 boats was 67,124 pounds, March 1980 was 7,820 pounds." This situation effects both the fleet owner and the fisherman that owns and operates only a single boat.

The crisis is the result of a combination of factors which include: (1) increasing price of diesel fuel, (2) decreasing price of shrimp to the boats, and (3) low levels of shrimp harvested. Because of the cyclic nature of the harvest, this time of year has traditionally been one of low productivity and hence lessened shrimping activity. However, in the past it was possible for a shrimp boat to operate at a reduced profit level during this time. Under present circumstances, most Alabama shrimpers are not even able to meet fuel expenses with the proceeds of the sale of their catch.

The table below shows the decline in Alabama landings when compared to the same month in previous years. March 1980 landings were 37 percent below those reported in 1979.

ALABAMA SHRIMP LANDINGS

(thousands of pounds, heads-off weight)

<u>YEAR</u>	<u>M O N T H</u>			
	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>
1980		444	330	177
1979	850	483	462	281
1978	988	440	488	501

The trend in ex-vessel price per pound (price paid to the boat) for the largest size shrimp, under 15 count per pound, is as shown below. Although only five months are shown, the price has steadily declined from a high of \$6.61 in June 1979 to the March low. This price has continued to fall and reached a low of \$3.65 in Bayou La Batre during the last week in April. Prices paid for smaller sizes of shrimp have declined proportionately.

EX-VESSEL PRICE PER POUND, HEADS-OFF SHRIMP
WEIGHTED AVERAGES (All species)
Based in 9 Northern Gulf Ports

Size	<u>1979</u>			<u>1980</u>		
	Nov.	Dec.	Jan.	Feb.	Mar.	
Un 15	\$5.44	5.37	5.17	4.98	4.80	

Source: "Shrimp Statistics" - Dec. 1979 - March 1980, U. S. Dept. of Commerce, NOAA, National Marine Fisheries Service, New Orleans, LA.

While both the catch and the price paid per pound have been declining, the price of diesel fuel needed to operate the shrimp vessels has been rapidly climbing. It has been estimated that the cost of fuel makes up nearly 65 percent of the vessel operating cost. Fuel prices in the Gulf during February 1979 ranged from \$0.43 to \$0.52 per gallon; in February 1980 the price range was from \$0.79 to \$1.00 per gallon, or double the price of a year earlier.

Alabama's shrimping industry is presently facing a severe financial crisis. Unless the industry is able to obtain assistance, it is almost inevitable that it will be severely crippled if not destroyed. This crisis will force both individual and fleet owners to allow their vessels to be repossessed thereby creating massive unemployment in the fishing industry. The area's seafood processing plants will also face severe supply problems and will be forced to reduce or suspend operations entirely. The numerous support industries that have developed to support the shrimp fleet will also feel the effects of this reversal. Marine electronics suppliers, net and board shops, the local shipbuilding industry and many other allied industries will all be adversely and severely effected.

The commercial seafood industry in Alabama must adjust to changes in the economic conditions that face our nation. Concerted efforts must be made to bring about changes in the structure and operation of the industry. Long-term solutions must be sought and found if our fishing industry is to survive. However, some method of relieving the short-term problem must be found if the industry is to have a chance of survival.

A Small Business Administration Economic Disaster Designation, if approved, would allow the SBA to make relatively low interest rate loans (7-3/8%) available to fishing vessel owners. These funds would allow the payment of overdue notes, loans, and previously incurred losses. This action would enable vessels to remain in operation until they could begin to generate a reasonable amount of income during the peak of the shrimping harvest.

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ALABAMA
GOVERNOR

CHARLES A. FORSTER
COMMISSIONER

P. O. Box 188
DAUPHIN ISLAND, ALABAMA 36526

April 24, 1980

HUGH A. SWINGLE, DIRECTOR
DIVISION OF MARINE RESOURCES

Dr. Mac V. Rawson
Auburn University Extension Service
3940 Government Boulevard
Mobile, Alabama 36609

Dear Mac:

I know there is considerable interest in the flood and its affect on this years shrimp crop. As you know, we have a full-time monitoring program on both postlarvae and juvenile shrimp in the bays and sounds. Our monitoring program has shown two things which may indicate that we may have a poor year or at least a delayed opening of the shrimp season this year as a result of the strong flood this spring.

1. The number of postlarval brown shrimp collected in Portersville Bay area declined significantly between samples taken during the first part of April and samples taken near the end of the month. This indicates that either the postlarval shrimp have been killed by the flood waters or that they have been forced southward towards the Gulf.
2. More significantly is the fact that we have not collected any appreciate number of small juvenile brown shrimp as of this date. Normally these juveniles should be relatively abundant in areas such as Heron Bay and Portersville Bay by this time of year. During both 1978 and 1979 we found them numerous by mid-April.

There is no question in my mind that both the postlarval and juvenile brown shrimp have been adversely affected by this years flood waters. This is also confirmed by the Gulf Coast Research Lab at Ocean Springs, Mississippi (i.e., a decrease in postlarvae and no juveniles).

Whether we will have a poor year or only a delayed opening cannot be determined at this time. However, either will adversely impact the shrimp fishery along the entire northeastern Gulf.

Sincerely,


Hugh A. Swingle, Director
Marine Resources Division

cc: Mr. Roy Nicaud
Mr. Stevens Heath

HAS/sh

BON SECOUR FISHERIES, INC.

TELEPHONES
205-949-7411

P. O. BOX 60
BON SECOUR, ALABAMA
36511

April 24, 1980

Dr. William Hosking
Alabama Cooperative Extension Service
3940 Government Blvd.
Suite #5
Mobile, Alabama 36609

Dear Dr. Hosking:

March 1979 production for our fleet of 70 boats was 67,124 pounds, March 1980 was 7,820 pounds. By this you can see the drastic reduction. Anything you can do to get us some Government Aid, via disaster finance will be appreciated.

We are enclosing a list of boat names, owners, crew members and addresses.

Sincerely,

BON SECOUR FISHERIES, INC.



John Ray Nelson
President

jrn/le
enc.





IMPORTANT NOTICE

TO: All Owners with Vessels Financed Under the Fishing Vessel
Obligation Guarantee Program 

FROM: F/UD5 - Michael L. Grable, Chief, Financial Services Division

SUBJECT: Small Business Administration Economic Injury/Disaster Loans

The Small Business Administration has declared parts of the Texas portion of the Gulf of Mexico to be an economic disaster area due to severe storms and flooding during 1979 and, thus, eligible for economic injury loans.

There are currently 3 separate disaster programs which may assist you to make mortgage payments, pay accounts payable, and provide working capital. If you owned a fishing vessel prior to January 1, 1979, and operated in Gulf of Mexico waters off Texas for at least a 2-month period during 1979, you may be eligible to apply for one of these economic injury loans. Loans may be granted at a very low 7-3/8 percent interest rate for a 7 to 10 year maturity (and, under unusual circumstances, for up to 30 years). As we understand it you do not necessarily have to be a resident of Texas or have your place of business there to be eligible.

The deadline for filing an application for an economic injury loan on one of the above programs expires April 28, 1980 (the application period for others are somewhat longer). If you anticipate a need for one of these economic injury loans, we encourage you to immediately apply for assistance. You may obtain an application and additional information from:

Small Business Administration
District Office
222 E. Van Buren, Suite 500
Harlingen, Texas 78550
Telephone Number: (512)423-8934

If you think you may be eligible, it is very much to your advantage to pursue this alternative immediately as a means of obtaining funds to make vessel loan payments and for other working capital needs during this difficult time in the shrimp industry.

Applications are presently being processed by the Small Business Administration in about three weeks time, with final disbursement about three weeks after approval.



FACT SHEET
ECONOMIC INJURY LOANS
SHRIMP INDUSTRY

Because of economic injuries suffered by the shrimping industry during 1979, SBA is authorized to make disaster loans to shrimping and related businesses.

Applicant must have owned business prior to January 1, 1979. The interest rate will be 7 3/8%, with maturity set according to borrower's ability to repay, but in no case to exceed 30 years.

Economic injury Disaster Loans are to permit the applicant to meet obligations which he could have met had the disaster not occurred. Economic injury would be reflected in a build-up or delinquency of accounts payable, inability to meet debt service, abnormal inventories, or slowdown of receivable collections. For the most part, the loan will be confined to maintaining a reasonable working capital position during the post-disaster period. The amount of the loan to be granted shall be determined by the needs of the applicant in fulfilling his requirements for working capital for continued operations.

Lost sales or profits are not the measure of an applicant's economic injury. In no instance will loss of anticipated profits be considered as a part of the injury incurred nor will the difference in sales volume be considered the economic injury.

Proceeds of the loan shall be used solely to effect relief from economic injury attributable to the disaster. No loans shall be approved for expansion of facilities, purchase of equipment, or increasing inventory above pre-disaster levels.

(Note: These are the guidelines under which the Texas Shrimp Industry Disaster Loan Program operates.)