LIVING PACIFIC SEAFOOD LLC

Fresh Pacific Seafood Wholesale

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"RFI Response: Interagency Seafood Trade Task Force"

Responses to:

Questions To Inform Recommendations for the Development of the Comprehensive Interagency Seafood Trade Strategy

1. Harmonized Tariff System (HTS) Codes – Crustaceans-0306.14.40.30
2. China
3. Japan, South Korea, India, UAE, to start. We are currently relying on the Chinese market for 95% or more of our sales because this market is willing to pay a significant premium for our live product over the existing domestic USA markets. This has created the dangerous possibility of market manipulation from a single source and drives the absolute need to find additional markets to maintain the value of the product. The shear size of the Chinese market makes it very inviting with several billion citizens, but we must try to diversify.
4. There are the "normal" difficulties created by the differences between American small business culture and those of the Chinese businesses who purchase our live Dungeness crab. The largest difference is the lack of transparency and sometimes deceptive practices of the Chinese businesses and Governmental agencies. This makes it difficult to determine what the true market conditions are, especially pertaining to value of our product and price.

   The Chinese Government agencies deploy an ever-changing array of controls on the flow and safety of imported goods, many times

appearing arbitrary in nature, but upon analysis, we find are rooted in political or issues seemingly unconnected to our products. These controls are aimed at the importer as well as the Chinese businesses who are buying our product. Many times there will be actions by the Chinese Government that cause damage to all involved, even though the intent was to be directed at a specific player.

After many years of doing business within China, you develop some knowledge of the "hows" and "whys" of these actions and realize they are part of the cost of doing business with a communist led nation and there is nothing you can do but accept and react. Some examples of these tactics are as follows:

A. Stalling Customs clearance of shipments of live Dungeness crab leading to the death of the animals and thus the total loss of the value. Live Dungeness crab is shipped dry and must be returned to water in no more than 24-30 hours or they begin to die off.
B. Sudden rejection of loads due to possible tainting from increased Domoic Acid levels due to algal blooms in harvest areas, real or fabricated. There are valid questions surrounding the true danger of domoic acid in Dungeness crab, in my opinion. There is no doubt of the true danger posed with mollusks such as clams.
C. Sudden, unannounced prohibitions of product from specific harvest areas connected to other trade disputes to create enhanced leverage.
D. Additions of tariffs on USA origin products not applied to competing nation's products.

   In defense of the Chinese agencies making these decisions, many of these tactics are employed to address the wholesale corruption and even smuggling to avoid taxes by the Chinese companies.

5. See above, 4.
6. The Chinese Government has different trade agreements with all its' trading partners. The ones that we are concerned with are those that create an uneven marketplace for our products. For example,

Australian seafood products enter China under their free trade agreement without tariffs we face. This creates a definite advantage to the Australian products over us in price to the Chinese wholesale markets by making their products cheaper to the end user as well as improving the profit margins for the wholesale buyer. Our product has been subjected to a 25% tariff while Canadian Dungeness crab is exempt. Manipulation of airfreight availability is also a choke point for the free flow of goods to market, allowing the larger exporters to freeze out smaller exporters by monopolizing available space on air freighters.

7. I will use question 7 as a segue to the crippling impact of the Covid-19 virus from China. The pandemic has closed or dramatically reduced function of the majority of the world's restaurants, resorts, casinos and cruise ships eliminating much of the world market for seafood. Many buyers have been forced to curtail or even stop brokering seafood due to uncertainty and low demand, on top of the fact that many freezers are still full of last years products that have not had market thus removing demand and lowering value of current catch.
   The Covid-19 virus has also made seafood processing extremely difficult and much more expensive due to necessary protocols to protect the large crews necessary to process products efficiently. In spite of these precautions, many processors have suffered outbreaks in there facilities here in Oregon.

In closing, thank you for the opportunity to submit my opinions and facts.

Sincerely,

member

Geoffrey M Molfino