

**Testimony of Kristen M. Baumer,  
President,  
Paul Piazza & Son, Inc.**

**Before the United States Senate Committee on Appropriations,  
Subcommittee on Homeland Security**

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Madam Chairman, Ranking Member Coats, members of the committee, thank you for the opportunity to testify before you today. My name is Kristen Baumer, and I am the president of Paul Piazza & Son, Inc., a fourth-generation, family-owned Louisiana shrimp processing and wholesale distribution company which was established in 1892.

There is a Lady who stands tall in New York Harbor with a message which says, "Give me your tired, Your poor, Your huddled masses yearning to breathe free . . . I lift my lamp beside the golden door." Many of our ancestors heeded the call of the Lady of Liberty, and found their destiny on the golden shores of America. My great grandfather, Paul Piazza, was no exception.

Approximately 135 years ago, Paul Piazza left his home town in Sicily when he was fifteen years old with dreams of a better life for himself and his family, and landed near the banks of the Mississippi River, in New Orleans, Louisiana. He supported himself by walking the streets of New Orleans selling shrimp from a basket on his back. Later, that basket became a horse-drawn wagon selling seafood. Shortly thereafter, he established Paul Piazza & Son, as an open marketplace in the French Market with his son, my grandfather, Vincent "Rene" Piazza. They would buy seafood from local fishermen to distribute to local restaurants and markets. Through honesty, integrity, dedication, and hard work, combined with consistent quality domestic shrimp products, my great grandfather, my grandfather, as well as my father and uncle, transformed Paul Piazza & Son, Inc. into one of the largest domestic shrimp processors and distributors in the Gulf South.

Today we process, inventory, and supply many foodservice companies and retail grocery stores throughout the United States, as well our nation's military, with approximately 20,000,000 lbs of domestic shrimp each year. Yet, we very much remain a family business headquartered in New Orleans, Louisiana. I run the business along with my brother Shep and brother-in-law, Kory, and the many valued employees of our company, many of whom have been with our company since I was a small child.

Personally, I worked in the business during my high school and college years. After law school and ten years in the legal profession, I returned to our family's business to help rebuild our company after Hurricane Katrina destroyed millions of dollars in inventory and nearly collapsed our business. Through the hard work of our extended family, the hard work and sweat of our Gulf fishermen, and the protection and financial support we have received from the CDSOA, Paul Piazza & Son Inc. has continued to process and sell

domestic shrimp to the citizens of our country. We have also taken a leadership role in protecting and preserving our domestic shrimp industry despite the many challenges posed by imported seafood. I have been an active board member with the Louisiana Seafood Marketing and Promotion Board and Louisiana Shrimp task force, as well as an active member of the American Shrimp Processors Association.

The shrimp industry contributes about \$1 billion annually to Louisiana's economy. The industry is also responsible for employing thousands of hard-working Louisiana citizens in shrimp harvesting and related production and distribution activity. Shrimping is a way of life for many of Louisiana's citizens. In most cases, shrimping operations are small, family-run businesses, and many fishermen's families have been trawling the same waters for generations.

The Gulf shrimp industry has survived Hurricanes Katrina, Rita, and Ike, and the Gulf oil spill, but perhaps the most dire threat we have ever faced has been unfair competition from imported shrimp. Nearly 90 percent of the shrimp consumed in this country is imported, which makes our industry particularly vulnerable if that imported shrimp is not traded fairly. In 2003, our industry was in crisis. A massive wave of foreign shrimp was being dumped in our market at less than fair value, driving down prices for the rest of us and eating into our market share. As a result, many of our shrimp boats were forced to simply tie up at the docks because they could not afford to go out and harvest.

The industry took action. We invested a huge amount of time, effort, and resources to obtain antidumping orders on shrimp from six countries: Brazil, China, Ecuador, India, Thailand, and Vietnam. These are some of the most economically important orders to be imposed in recent years – in 2005, when the orders were imposed, shrimp imports from these six countries totaled \$1.7 billion dollars.

Without these orders, I doubt our industry would have survived the past six years. They stopped the downward spiral in prices and stabilized the market. While dumping has continued, duties collected under the orders have imposed needed price discipline on importers. In addition, duties redistributed to the affected domestic industry under the Continued Dumping and Subsidy Offset Act have allowed many of us to regroup and rebuild after being hammered first by dumped imports, then by successive hurricanes, and, last year, by the Gulf oil spill.

Unfortunately, much more needs to be done to ensure these orders are actually restoring conditions of fair trade to our market. Foreign producers and importers have gone to extraordinary lengths to evade the antidumping duties they owe, greatly undermining the effectiveness of the orders we fought so hard to obtain. Their actions fall into three general categories: 1) the non-payment of duties; 2) transshipment of shrimp through countries not covered by the orders; and 3) misclassification of covered shrimp as product not covered by the orders.

The non-payment of duties is the most well-documented of the three enforcement problems. Since the orders were imposed in 2005, shrimp importers have failed to pay

more than \$75 million in duties they owe to the U.S. government. China is by far the biggest source of the problem, accounting for 78 percent of the unpaid duties on shrimp, and 93 percent of the unpaid duties on seafood imports overall. When these duties go uncollected, it means that unfairly dumped shrimp is being allowed to enter our market with no price discipline. It also deprives the U.S. government of revenue it is owed. In addition, to the extent the duties were owed on imports covered by CDSOA, it has robbed our own industry of part of the compensation it was owed under the law.

This is a massive problem that is not limited to shrimp alone. Another iconic Louisiana industry, crawfish, has also suffered – crawfish importers have failed to pay more than \$560 million in antidumping duties they owe. In all, Customs has been unable to collect over \$1.5 billion in antidumping and countervailing duties since 2001. This is a staggering amount. It means that one out of every three dollars of unfair trade duties due to our government are simply not being paid at all.

We are very grateful to Senator Landrieu for her championship on this important issue, which is of great concern not only to the shrimp and seafood industries but to the many domestic producers across our country who have been irreparably harmed by non-payment of duties. We look forward to working with the Committee to finally fix this gaping hole in our trade remedy system.

Foreign producers and importers further undermine our trade relief through transshipment and misclassification. We applaud Customs for the work they have done to uncover and prosecute these fraudulent schemes, but they need more tools and more resources to prevent these schemes from weakening our trade laws.

In 2005, for example, Customs discovered that more than \$6 million in shrimp from China had been illegally transshipped through Indonesia to avoid antidumping duties, and Customs recovered more than \$2 million in duties owed on this shrimp. Unfortunately, those duties were not collected until late 2007, after the shrimp had already entered the market at dumped prices and the harm had been done. In 2007, Customs also found Chinese shrimp being transshipped through Malaysia to avoid an FDA import alert regarding the presence of unapproved drugs in seafood from China. Such evasion is particularly troubling given that, according to a GAO report released last month, only a mere 0.1 percent of all seafood imports from countries not under an import alert are tested by the FDA for banned drug residues.

Another example concerns so-called “dusted” shrimp, shrimp that is coated with flour but not fully breaded. In 2007, Customs sampled shrimp being entered as “dusted” product from China, which at that time was not subject to the antidumping order, and found that a full 64 percent of the sampled shipments did not in fact qualify as dusted shrimp and should have been entered under the order. While Customs estimated that the duties potentially due on the sampled shipments were about \$5 million, the total loss in antidumping duties, assuming a similar rate of fraud going back to the issuance of the orders, was estimated at more than \$130 million.

While these enforcement actions by Customs have sent a needed signal to importers that they will be held accountable for such fraudulent schemes, we need more tools and resources that allow Customs to collect duties more quickly, anticipate risks proactively, share information more openly, and keep such fraudulent imports out of our market in the first place. Otherwise, the relief is often too little, too late for the domestic industry.

Our trade remedy laws provide the first, and often the only, line of defense for American companies, farmers, fishermen, and workers when they are forced to compete with dumped and subsidized imports. Congress created these laws to ensure that opening the doors of foreign commerce does not unfairly distort the playing field for U.S. industries here at home. A healthy trade remedy regime is key to continued domestic support for our engagement in the global economy. But these laws mean little if they are not vigorously enforced. I hope this hearing will be a first step towards strengthening that enforcement and fulfilling the promise of our trade remedy laws.

I thank the committee for the opportunity to testify today and for your interest in this important issue. I look forward to any questions you may have.