Transcript of the Forum on Greater Hampton Roads as a Center for National and International Seafood Marketing

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Transcript of the Forum on Greater Hampton Roads as a Center for National and International Seafood Marketing

Edited by RON GRULICH
May 1984

A Publication of the Virginia Sea Grant Marine Advisory Program, Virginia Institute of Marine Science, College of William & Mary, Gloucester Point, VA 23062
Transcript of the Forum on
Greater Hampton Roads as a
Center for
National and International Seafood Marketing

Presented by the
Virginia Institute of Marine Science
and the
Virginia Sea Grant Marine Advisory Program

for the
Marine Research, Development, Production
and Aquabusiness Opportunity Group
Future of Hampton Roads, Inc.
Hampton, Virginia
May 31, 1984

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Introduction

Virginia is a dynamic growth area on the eastern seaboard of the United States. The area has many advantages including its central location, strong stable economy, and high quality of life. These factors should work together to stimulate additional growth in the future. The local governments in Hampton Roads will be faced with many decisions concerning the course of future development in the area.

The Future of Hampton Roads, Inc. was organized to highlight potential development opportunities in the area in order to assist the local communities to make the right decisions concerning development. Several groups were organized to highlight new opportunities within specific subject areas. One such opportunity group, the Marine Research, Development, Production and Aquabusiness Opportunity Group, was given the responsibility for identifying specific development opportunities associated with the marine environment.

The Marine Research, Development, Production and Aquabusiness Opportunity Group sponsored a forum to discuss the "Development of Greater Hampton Roads as a Center for National and International Seafood Marketing." The program was organized to include members of the local seafood industry as well as individuals from state and local government agencies involved in national and international trade and development.

The purpose of the meeting was to outline the advantages the Hampton Roads area offers as a major seafood distribution center and the problems which must be addressed before this development can take place. The meeting was held at the Sheraton Inn-Coliseum on May 31, 1984. The following transcript was developed from the comments of the participants. It is hoped that this transcript will provide the basis for discussion among those interested in this topic and serve as a catalyst to provide the framework necessary to bring this concept to fruition.
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Dr. Perkins:

Welcome to the Marine Science Research Development and Aquabusiness Opportunity Group of the Future of Hampton Roads, Inc. I also have the pleasure of introducing Admiral Harry Train who is Executive Director of the Future of Hampton Roads, Inc. We, as you know from the letters, are ready to discuss some rather substantive matters here tonight, the topic being Greater Hampton Roads as the Center for National and International Seafood Marketing. Rather than delay things further with a lot of introductory remarks, I will turn the program over to Ron Grulich of the Virginia Institute of Marine Science who will run the show and start off with introductions. By the way, I'm Frank Perkins of the Virginia Institute of Marine Science. Thank you for coming.

Mr. Grulich:

I'm very glad all of you could come tonight. As Frank mentioned, what we are here to discuss is Greater Hampton Roads, as a center of national and international seafood marketing. I don't want to spend a lot of time prepping this issue. Instead, I believe that we want to try to provide an open forum for discussion. We will have the participants on the panel discuss various issues that relate to seafood market development in this area. After the initial round of discussions, we will open the meeting up for questions from the audience as well as from one panel
member to another. Hopefully, we will come up with some constraints or issues that are of importance in furthering this cause or objective. What I would like to do is start by introducing each participant that we've asked to attend tonight. First, down on my far left is Mr. George Harrison of Sea Pride, Inc. in Newport News. To his right, is Mr. John Ligon who is with the Virginia Department of Consumer Services and Agriculture, in the International Trade Division. To his right, is Mr. J. Robert Bray from the Virginia Port Authority. To my left, is Mr. Jim Griffin from Fass Brothers in Hampton. To my right, is Mr. Charlie Amory of L. D. Amory Seafoods in Hampton. To his right, we have Ms. Shirley Berg, the new Director of the Virginia Marine Products Commission and to her right, we have Ms. Frances Kernodle who works as the Eastern Trade Representative of the Virginia Peninsula Economic Development Council.

The primary objective of this meeting is to identify the constraints to the development of the Greater Hampton Roads area as a center for national and international seafood marketing. Once we have identified the problems, we can then try to assess alternatives and provide concrete recommendations. In this way, we can give some focus to this problem for the leaders in the Hampton Roads business community, and for those involved in government, in the Greater Hampton Roads area. Hopefully, we will be able to identify a few important issues and/or courses of action.
necessary to bring this concept to fruition. One thing that I would like to emphasize is the manner in which this meeting will be conducted. Each of the participants has been asked to address a specific issue. I’ve outlined specific areas for them to discuss. We have provided a handout for you which we believe identifies some constraints for development. As we go through the meeting, I would like to hold off on questions until everyone has had their chance to present their issue. If something comes up in the meeting that you would like to address, you will notice on the last page we have a section that is completely blank. If you think there is an issue that needs to be addressed and it is not listed in the text, please write it down. At the end of all the presentations, we will open it up and everyone can ask the questions that they would like to have addressed. I’m going to begin on my far left.

Mr. Harrison:

You always pick those who have not finished their notes. First of all, I would like to apologize for Jim Wallace not being here tonight. We had hoped that his appointment would be finished early enough that he could get back, but unfortunately, that has not been the case.

The topic of development of the Greater Hampton Roads area as a Center of National and International Seafood Marketing is a rather interesting topic that can cover many, many things and you folks here tonight will hear from
several of us in the seafood industry, covering various aspects of this issue. One of the things Ron asked that I do was to tell a little bit of what my company does. I'll address that very briefly. First of all, my company, Sea Pride, Inc., does not engage in international seafood marketing so I cannot address that question with any authority. We are engaged in national marketing and currently supply something in excess of 2,000 retail supermarkets from Texas and Chicago, and all the way back to the East Coast. Virginia is rapidly changing from a producing state to a distribution state with regards to seafood sales. I think it's rather important that this distinction be made. In the late 1940's, as an example, we produced over 280 million pounds of finfish. Virginia supported nearly 5,000 oyster tigers, produced over 65% of the national oyster supply, produced over 65% of the national crab meat supply, and had several thousand pound nets. In 1947, as an example, the combined Virginia catch of just trout and croaker was over 56 million pounds. When you look at today's situation you become rather discouraged from the production front. We're down to less than 1800 tigers, we now produce only about 18% of the national oyster supply, we have less than 300 pound nets and the combined catch of trout and croaker today is less than 8 million pounds, down 48 million pounds. The only bright ray of sunshine in all of that is that we are still producing about 60% of the national crabmeat sales. So as you can
see, the blue crab industry is the only fishery that is really doing anything that could be called holding its own and it is doing that, fortunately, due to the biological strength of the species. Many other species have suffered dramatic losses and it's important to examine why these losses have occurred. It's a well known fact that the Chesapeake Bay and its tributaries are rather highly polluted, not dangerous pollution to humans as such, but destructive to the food chain that feeds our natural resources. The blame for this must lay at the hands of the politicians, primarily, given able assistance by each of us at this table, and our fellow man that inhabits the shores of the Chesapeake Bay and its tributaries. Our offshore industry, the trawl boats as most of you know it, is modern and efficient. However, we're back to the bureaucrats and politicians. They have vacillated on their programs for political expediency, causing a lot of waste and inefficiencies. As an example, sizing scallops was enacted a year or so after the beds were depleted. I don't know why they even bothered to enact the regulation. Quotas were implemented that forced fishermen to keep only the sizes that returned the most profit or money to the vessel. This policy resulted in the wasteful destruction of tons of fish. I personally believe that the quotas that were enacted by the National Marine Fisheries Service several years ago and inflicted upon our fishermen and the northeastern fishermen of this country, have a great deal to do with the low
catches of flounder and many other species of fish today. Those of us in the distribution side of the business are rather fortunate. We can bring products in from other areas and as long as we have access to good roads and keep a rather well maintained fleet of trucks, we can still do business under these circumstances. But the sad thing is that the basic producers, the fellows that catch the product and the packing houses that make their livelihood by packing the boats, can't just pick up and leave. They just can't acquire all their products over the road. They have to keep their fishermen in business if there is any way possible. This is the side that concerns me greatly. This gives me my greatest concerns for the future of the seafood industry in the Hampton Roads area. I moved here from Maryland 15 years ago because I felt that Virginia was one of the most progressive states I could have chosen to operate a seafood business in and be a part of the industry. I grow more concerned every day. I now hear that the Virginia Marine Resources Commission wants to install more management programs, as an example. That's about the last thing we need at this point. I'm sorry to have to step on a few people's toes. We need more bureaucrats managing our industry like we need three holes in the head because up to this point their track record is that any thing they have managed, they haven't managed well. So much for the down side of the industry.
I won't dwell on some of the other aspects I know several of the other people are going to hit upon, except to say that those of us who are equipped to bring product in from other states are probably in a more fortunate position to be able to market our products, either nationally or internationally, than some of the other folks that are tied to the production side and that's unfortunate. But I feel that if the good Lord be willing and the others hold on long enough, that the resources will turn around and become more abundant again. This is really my big hope, because I become very discouraged when I have to truck all my product in from out of state, from North Carolina, South Carolina, the Gulf Coast, Northeast and so on. With that I'll pass on to the next panelist and he can cover some of the other aspects important to this meeting.

Mr. Ligon:

I'm with the Virginia Department of Agriculture and our purpose is to try to work with you in locating buyers for your product overseas. I want to mention that I only work in the overseas area. We have offices in Brussels, Belgium and also in Japan. We work very closely with the Port Authority overseas. Both of us have limited staff; well I'll speak for myself. As far as the services that we provide, we used to concentrate on agricultural trade until several years ago, when at the request of your industry, we started working on seafood. We have had some limited
success in this area, promoting soft-shell crabs, for instance, over in Europe as well as in Japan. The seafood area is one area we have spent a lot of time promoting in recent years. I am not familiar with all of the details of our promotional work. Here's a pamphlet if anyone is interested in knowing how we solicit buyers overseas.

I was asked to address a couple of the problems related to exporting. The major problem we have in exporting is dealing with the high transportation costs. It can be very expensive to ship products overseas. Another problem we have to address is the length of time it takes for our Virginia producers to respond to an inquiry. Many times our Virginia suppliers get a request for product and are so busy with domestic sales that they ignore the request until they have more time. After two or three days, the foreign purchaser decides to buy from someone else. I think you must be prepared to follow-up on our leads quickly.

The other problem that you should be ready to address is the problem of properly documenting your shipments. Next, you ought to try to see that it's shipped on time, using the container you've agreed to use. Finally you should be willing to provide quality products and good follow-up to see that the customer is satisfied. We sell in the states, we're all salesmen, and we know what it takes to be successful. After you make a sale, you don't forget about your customer until they call again. But how frequently do you go back and check, especially a new
customer overseas? There are many things that can happen to a product while it is in transit. It's a longer distance. If you think that trucks have difficulty, just try to put product on a ship and send it 30,000 miles away. It's a lot different. I will say that in both of our overseas offices we work very closely with the Port Authority in locating buyers.

Now I can go on to a lot of other things involved with this issue but I think in essence of time, I'll move on and let the next speaker take his turn. I'll try to answer any questions you have when we get to the discussion phase of the program.

Mr. Bray:

As most of you know, the Port Authority owns the general cargo facilities in Newport News, Norfolk and Portsmouth. There are five such facilities and at four of the facilities, Newport News, Lambert's Point, Norfolk International Terminals and Portsmouth Marine Terminals, we have the capacity to handle refrigerated containers. Also at Norfolk International, we have 300,000 cubic feet of freezer space and at Lambert's Point, also in Norfolk, we have 115,000 cubic feet of freezer space. We do handle a very modest amount of Virginia seafood product for the overseas market. We do import quite a bit of frozen meat and seafood, so we are familiar with that type of commodity.
We can offer the same type of trade development services offered by John's office. We have trade development offices in Hampton Roads, Winston-Salem, North Carolina, Chicago and New York. These offices, while they primarily contact businesses in their region, also develop contacts overseas. There again, as John has told you, in the foreign market the State of Virginia has development offices in Brussels and other important centers of foreign commerce. You have headquartered in the same facilities the Port Authority, trade reps, John's people from the Department of Agriculture and also people from the Virginia Division of Industrial Development. We have such offices in Brussels and in Tokyo. In San Paulo, Brazil, the Port Authority has one trade representative and on occasion we share his time with the Departments of Agriculture and Industrial Development. Furthermore, the Port Authority has trading agreements with two ports in Europe, a major trading company in Brazil and, most recently, the State of Virginia signed a trading agreement with Mitsui and Company.

These trading agreements give us additional capacity to develop markets in new areas. Since we can send a request directly to these companies or ports, we can use their people to develop specific markets for us. In at least one instance we were able to generate a request for Virginia seafood but we were unable to develop the quantity of seafood required to fill the contract. The overseas market, is a difficult one to start with because of the overwhelming
documentation requirements. Once you get into it and get familiar with the type of paper flow, then it's like filling out your income tax. It's something you just do routinely. You don't like it, but you just do it routinely.

One other thing before I close. The Port Authority has formed its own export trading company called the Virginia Export Trading Company, the acronym is VEXTRAC. That company is working with Virginia producers to market scallops in France as well as a few other seafood products. Through VEXTRAC we can, if you're interested, guide you through the documentation and put you in contact with local banks to arrange your financing. VEXTRAC is in the business to market Virginia products abroad. As with the other speakers, at the conclusion of the opening remarks, I'll be glad to try and answer your questions.

Mr. Griffin:

Some of you in this room probably know more about Fass Brothers than I do. I just came to the company in January but we are very active in import and export. We send out several container loads of product a month all over the world and we import a good deal of product. We also handle fresh product from this area and therein lies one of the major problems I see for the future of the area.

There are several things happening in the market. As Mr. Harrison said, we are changing from a producing to a distributing state. He is certainly correct, although it's
not just happening in Virginia, but all over the country. Fortunately or unfortunately, Virginia and the Chesapeake Bay area is one of the largest seafood producing areas in the world. Therefore, the impact is going to be a lot greater here than it will be, for example, in some of the areas of South Carolina, where I worked before I came to Virginia.

The potential for conflicts between various interest groups will increase in the future. When I say conflicts, I mean things like sportfishermen and commercial fishermen arguing over various proposed regulations. They perceive the changes as having different values. The things that are important to the commercial fishermen are not as important to sportfishermen. We have a guy who puts a net up across the channel to provide fish for a processor. He will not be very popular with someone who wants to go out with a hook and line to catch fish.

There is also a great conflict on the utilization of waterfront property. If you put in an apartment or condo or even a single family residential home, that is in conflict with putting up a seafood plant, a production facility. The problem is aggravated by the high cost of waterfront property and the lack of waste disposal facilities in the area. A seafood processing plant is not the type of thing you want to have next door. There is a certain amount of odor that is associated with it, a certain amount of noise
from refrigeration equipment and I think there is a lack of understanding of the problems between both groups.

Good examples of this problem in Fass' past were the scallop shucking and dogfish cutting operations they had on Water Street. Both of those operations are no longer in business because of the lack of proper waste disposal facilities.

There are also conflict problems between those who want to use pleasure craft and commercial fishing vessels. Since you have all these conflicts in this area, there is a tendency to move to another type of business that presents a cleaner image. The only option available is to pack product. We can buy imports that are already in a skinless or skinned fillet form. We take these products out of a 50 lb. box and pack them a 2 lb. box. There is not as much waste, therefore, there is not as much of a scrap disposal problem. The noise or odor associated with it is not as great, so you don't get the complaints from neighbors.

Unfortunately, someday down the line, this trend is going to occur all over the world. It is happening very quickly in our country, but sooner or later these problems are going to be important all over the world. At that point, you are not going to have anybody to produce the raw product. You are not going to find people who are actually picking crab meat, shucking scallops and oysters, or cutting finfish. At that point, we will have lost a valuable commodity. It is amazing, but right now, probably the lowest return on your
money, in the seafood industry is in the processing sector. It is much easier, cleaner and quicker to get into the repacking business than it is to get into the processing business. Nevertheless, if we do not have the primary processors, one of these days the repacking business will disappear also. I think that is a concern all of us have as we look into the future.

Mr. Amory:

We are primarily in the fresh fish business and we try to obtain local product whenever possible. Some of the others have alluded to this, but we also have to count quite a bit on product brought in from New England and the Southern states. We distribute seafood to the Northeast, Southeast and mid-West primarily in a fresh state. My feeling is that this area could become major distribution center, not only nationally, but internationally. Our company does not do any direct importing. We have not exported directly as of this moment. We have exported indirectly since we have sold product to Fass Brothers, who does export, in years past. In addition, we have sold to other companies in the country who export.

There are a lot of things we need to overcome for this concept to work. Pollution, I think, is the single biggest factor that is hurting the overall seafood industry in Virginia today. Thank goodness, the legislature has come up with some 14 million or so dollars to help out, along with
Maryland and Pennsylvania. Any input and help that any of the organizations in these states can provide in the way of money or research to help the pollution situation is going to be one of the things that needs to occur to improve the seafood industry in Virginia. If these clean-up programs are implemented quickly, in the Bay area and in the rivers, I think we will see an improvement in the productivity of our fisheries. I believe that many of the species can recover to their original levels if we implement strong clean-up programs. I strongly disagree with the idea that the commercial people and sport people don't have a lot in common. I think that both the commercial and sport people in this State, and in most states, have a tremendous amount in common. Contrary to what most sport fishermen believe, commercial fishermen do not necessarily catch all of the fish and are not directly responsible for a decline in a particular species. A good example is the rockfish. I think an awful lot of that has to do with, and the people from VIMS can, of course, elaborate on this more than I can, year classes and cyclical changes in weather and environmental conditions. For instance, whether it's been an extremely cold or warm winter, whether there's enough food in the Bay for the fish to feed on, a whole lot of variable factors, with pollution of course, being one of the most important ones.

My feeling, getting back to the nitty gritty of the meeting tonight, is that with an increase in production,
which we should see in the next five to ten years, we will continue, because of our central location, to be a major seafood distribution area. This will occur regardless of whether the bulk of it is produced and processed locally or whether we are bringing it from north or south of us or even from Europe, for that matter. Our geographical location midway on the mid-Atlantic coast is certainly an advantage from a distributional point of view. In my case, we truck fresh seafood to the mid-West and we have some advantages that the Boston and Florida shippers, for example, do not have. We have had requests in the past, and we continue to receive them from people in the mid-West to bring products into Virginia from Boston and Florida and transship them to their retail facilities. Because of this situation, I feel that we're in the very best spot we could be in the United States if we are to try to become a national seafood distribution center.

Ms. Berg:

Basically, the Virginia Marine Products Commission is responsible for marketing, for promotion and for education for the Virginia seafood industry. When I took this job, I looked at the position just like I would if I were going into any kind of major food company. If you're going to a major food company, there are two things you have to do in order to survive:

1. To create new markets or develop new markets; and
2. To create new products.

I think that is what we have to do to survive in Virginia. In terms of creating new markets, I think in the last three to four years many of you who have worked with the Commission know that we made major steps forward in penetrating the supermarket network in this country.

In the beginning, a few supermarkets probably had fresh seafood counters, maybe there were 4,400, and now it’s up to 8,800. So in the last three years, the number of supermarkets that provide fresh seafood have more than doubled. We are projecting that this trend will continue to increase because of our promotional program. Also, we know that there are 44,000 more supermarkets out there that we have yet to reach, so we have got a tremendous goal ahead of us to convince these supermarkets to introduce fresh seafood. I think that the best mechanism to accomplish this task is through trade shows. It is a very cost efficient way to reach this market. In addition, we are trying to tie in with other seafood marketing organizations throughout the industry so that we can utilize their funds to support our Virginia programs. Another area that offers great potential is the food service markets. More people buy seafood when they go out to eat, than buy seafood when they eat at home. Our presentations at the food service shows include programs to show how Virginia products can be prepared. I think these are two ways that we’re creating new markets for seafood products. In addition to the supermarket and food
service sectors, we're going directly to the consumer. By going directly to the consumer, we are not quite reaching the top of the pyramid like we would with supermarkets or food service organizations. The MAT services that go out to newspapers throughout the United States, are designed to educate consumers about the best uses for their products. Consumers should be better informed about substitution. If one species is not available, they should be able to substitute one species for another. This is information that they wouldn't normally receive in a seafood recipe. These programs all tie together to create new markets.

There are many ways to create new products. Food companies sometimes just repackage existing products and sell it as a new product. A good example of this concept is crab pasteurization, where we can increase it's shelflife by using proven pasteurization techniques on an existing product. This technique permits us to create a new product by making the product more readily available to consumers as well as meeting demands from our supermarkets for having a steady supply. Any time we can do things like this, we are creating new products. I think one of the best examples I've seen of a whole group working together, and this is also how I would like to see us work together in Aquabusiness, is when we look at the soft-shell crab. We have done a lot of things to get the soft-shell crab into the market. First, we've decreased the number of soft-shell crabs that die. We can now be guaranteed that we get at
least a 40-50% survival rate from the crabs that we have available to us. In doing that, we've increased the supply of soft crabs. After we have increased the supply, we can go out and try to stimulate the demand in the market for soft-shell crabs. Soft-shell crabs have been introduced in Europe in an international trade show marketing effort to try to increase export demand. Another thing that has happened is the introduction of frozen soft-shell crabs. We can now go to the food service industry and say you can have a steady supply of soft crabs. These products are also going to be available to the consumer as well. I think that Virginia has a strong share of the soft-shell crab market and we should capitalize on this advantage. Our programs are designed to increase the demand for that product. We are also creating new product forms. So I think we have to look at what we have to build on and move on to create a very strong marketing position. We have proven that we can increase market demand. We're not in any kind of end of the line marketing trend for our products, certainly, so we can increase market demand for our products. We're doing that with the Virginia Marine Products Commission through the classical marketing techniques of advertising, promotion and publicity, as well as by improving existing products and producing new products. I think the things I find myself doing when I go to food and supermarket shows is getting a lot of information from the buyers on what they want. I can then bring this information back to this group and to
producers and distributors so they know what is in demand in the marketplace. I see this position as a conduit of information when there's a need in the processing plant or in the supermarket to try to tie those two needs together. In addition, when research is developed that may increase the shelflife of a product, it is my job to make sure that the information gets out to the processors and to the marketplace. The two things that people look for from Virginia are a steady supply and good quality. These are the two primary objectives we are striving for in our programs.

Ms. Kernodle:

I would like to welcome Dr. Perkins first of all, who just became a member of our Board of Directors. We are very pleased with that appointment. We have been working with Bill DuPaul concerning a number of issues related to economic development in the seafood industry to see how we might be able to better create a good atmosphere for this type of development within this community within this State. We feel that Dr. Perkins joining our Board of Directors is a step in the right direction of keeping each other informed and working cooperatively and I wanted to publicly recognize that.

Those of you who are familiar with us will forgive me for being redundant, but the Virginia Peninsula Economic Development Council represents seven jurisdictions: the
citie1 of Hampton, Newport News, Poquoson and Williamsburg, and the counties of York, James City, and Gloucester. Of course, Gloucester is where VIMS is located and I know you are getting ready to open a new facility there. We're all excited about that.

VPEDC is a quasi-public, quasi-private regional economic development council. We're funded both publicly by municipal funds, particularly from the cities of Hampton and Newport News, and to a smaller extent, from the other jurisdictions. But we are also funded from private industry and private individuals in the community. Small amounts and large amounts, anything from $25 to $10,000, are provided by private sources.

My particular job as Director of Far East Affairs is obviously an international situation with a primary emphasis on the Far East, and particular emphasis on the country of Japan. It is our objective to bring in new industry and investment from the Far East and to provide jobs for local employees to increase our tax base. In addition, VPEDC functions to serve existing industry as well as attracting new industry. We provide financing help, expansion help, and many other kinds of advisory services as well. I would like to pick up on the theme introduced by Charlie Amory about location. I think that this location, in terms of economic development, is one of the strong points for this community, for this region and for this State. The mid-Atlantic sea-board location is something that I capitalize
on a great deal with those people upon whom we call in the Far East. I think having a port location, the ports of Hampton Roads are well known in the Far East, and having the Chesapeake Bay, which is rich in history as well as seafood, are great selling points. Even though we have a problem with pollution, this is a constant problem throughout the U.S. and the rest of the world. We're not the only community troubled by pollution in the Chesapeake Bay. In addition to the port facilities and the Bay, we have the historic aura of Williamsburg which all of us can capitalize on and which our organization certainly does try to capitalize on. In addition to Williamsburg, the proximity to our nation's capitol is something that those of us who are involved in international trade or international development always have to be mindful of and try to capitalize on. Educational agencies or educational institutions, such as The College of William and Mary, and specifically VIMS, those of us involved in anything related to the seafood industry - all of us must try to capitalize on these things as well.

I talk about not disadvantages or demerits, but concerns. I think one of the concerns I have, as an economic developer, is a constant problem of image. Sometimes the image of Virginia and the image of the Virginia Peninsula or the Tidewater area of Virginia tends to be somewhat nebulous or gray, if you will, to Asian people. They're not real sure who we are. They are aware
of us a tourist economy, sometimes as a coal economy, especially Mitsui company, as they are involved in the coal trade. To a lesser extent, seafood occurs to them when they notice where we are located. I think it is incumbent for all of us to work together to enhance what we have and enhance our image. Certainly I think one of this area's strong points is our seafood potential. The seafood is here and our reputation as a seafood producer is well known, but we must always try to capitalize on and enhance our image whenever possible.

One of the areas that I would like to introduce in my discussion tonight is the whole area of surimi, the surimi industry. This is something I have been doing research on, with the help of VIMS. I think this is one of the areas, one of the arenas if you will, that we might want to consider for development within our larger community.

Surimi, for those of you who are unfamiliar with the term, is a processed seafood product. It involves a series of washings of fish used to make a substitute product. This is basically what you would call it. It can be formed through an extrusion process from fish paste; the Japanese call it kamaboko. Fish paste is created out of many, many washings, protein is salvaged from the fish and a fish paste is the end result. It can be formed to look like crab legs, scallops, shrimp, whichever form is most appropriate. This is a product that for many, many years, has been popular in Asia, particularly in Japan. It is a product that, in
developing nations, is utilized on a regular basis in the daily diet. It is something that is a new product. Shirley was talking about new products and it is certainly one that this area should look into as a new opportunity. In 1979 we were importing two million pounds of surimi from Japan. By 1983, 29 million pounds were imported from Japan into this country. So this is a growing market and I think this location has a very good chance of developing a surimi business possibly through joint ventures with Japanese companies or by Japanese companies setting up their own operations in our local economy. What that means to us is that our local fishermen are going to have an opportunity to sell fish to these people. Some of these fish are not in great demand as food fish. Menhaden is one species that is being investigated as a surimi fish. It's an inexpensive fish, 3-5 cents a pound, Charlie will correct me if I'm wrong with the prices. Red hake and silver hake are also being discussed. A lot of research is going into this and I think that we are one of the areas that might be able to benefit from the growth of the surimi industry in this country. This type development can be a very good thing for this community. Dorothy Duffy is down there and I know Dorothy doesn't like surimi. I want to suggest that this is not a substitute for fresh fish, but an addition to existing fresh and frozen products. The markets are growing for seafood products and we should try to capitalize on that trend whenever possible. Moreover, why should we not be in
a position to supply not only domestic consumers but also third world nations, developing countries and the European market. These products should not be considered as substitutes, but as additions to existing supplies. In addition to the fact that new markets are being created, the product is good. It is a low cost, low calorie, highly nutritious substitute that can be utilized effectively in a number of situations. I bet all of you have eaten it and haven't realized it. It is very consistent. I'm bullish on this product as a growth opportunity for this area.

Questions:

Dr. DuPaul:

Is there a brochure or promotional program to identify Hampton Roads as a one-stop shop for all your seafood needs whether it be national or international sales? This promotional program or brochure would include things like transportation facilities, freezing facilities, processing facilities, product availability, diversity of seafood and seafood processing plants, as well as items highlighting the central location which was brought up earlier in the discussion. Virginia has a good reputation for a clean environment, as a banking center and on and on. Is there some generic-type marketing or promotional program that addresses that for Virginia or Hampton Roads? I could speak to Bob and Shirley about this question.
Ms. Berg:

You have asked if there's a brochure that really describes what we can do. A good marketing brochure that's effective, that describes what Hampton Roads can do for international marketing, right?

Dr. DuPaul:

Or national marketing. As a one stop place for all your seafood needs.

Ms. Berg:

We don't have that kind of brochure. We have a lot of things that allude to it, a lot of species information, but something that would be international in scope we don't have at all.

Mr. Bray:

What we have is several promotional tools—slide presentations, and slick 20-page booklets that do that for the port of Hampton Roads. These items were designed to solicit specific products from foreign customers and indicate both water mileage and rail and highway mileage to specific destinations. These promotional tools were designed to focus attention on the Port of Hampton Roads, but do not mention any particular commodity.

Dr. DuPaul:
For the point of discussion, would it be feasible to go in that direction with the group of people sitting here and with all of the resources we have available? Should we develop a generic marketing or promotional program and a slick publication which we could take to anyplace in the country or the world? Something that would say that if you want to go shopping for your seafood, whether a supermarket chain or retailer or broker or what have you, come to Virginia and one way or another we have people who can help you out.

Mr. Conley:

We have, as you know, used the Commission's material at no cost in the past and it would certainly be helpful to us to have a brochure of that kind to pass out at the food shows which we participate in.

Mr. Niemeyer:

Who should develop such a thing? Who should be responsible for that type of program?

Dr. DuPaul:

I would immediately suggest that the marketing authority for Virginia seafood is the VMPC, but of course, the Marine Products Commission would have to have assistance and input from all of the parties concerned.
Mr. Harrison:

Bill, I think that's a excellent suggestion and it's really needed.

Dr. DuPaul:

Let's get some more discussion as to whether it's a good idea and how can we get someone like the VMPC, VPEDC, or the Virginia Port Authority, the people who are responsible for that kind of promotional activity, to move in that direction. Is that a feasible way of going, could that be an objective somewhere down the line?

Ms. Berg:

Certainly.

Dr. DuPaul:

Who's going to pay for it?

Ms. Berg:

Bill brought it up, I was sure he was going to provide the funds. Right?

Mr. Conley:

As a member of the Virginia Seafood Council, are you talking about something just for Hampton Roads or for the State of Virginia?
Dr. DuPaul:

I would say the State of Virginia, with Hampton Roads being more or less the center of coastal Virginia.

Dr. Lynch:

The majority of Virginia's product, particularly the international market, should move through the ports of Hampton Roads.

Mr. Bray:

Let me try to clarify something. The items that we could make available are camera-ready material. First of all, it focuses on Hampton Roads, but it does so by showing where Virginia is located. You would be surprised at the number of people who really don't know where Virginia is located in relation to New York, Chicago, etc. It also focuses on the facilities available at the port and the port's capability to handle most any product which needs to be shipped. What we would do, if we move forward with this idea, is to make our ad agency available with whatever material we have so you can pick and choose what you would like to use.

Mr. Conley:

I think that if you are looking at Hampton Roads becoming a major distribution point, you are going to have to provide more processing facilities. To give a prime
example, right now there are enough soft crabs floating around to load all of Charlie Amory's trailers and part of mine today with no market. If you want to process a soft crab in any volume, do you know where you go? You go to the John D. Handy Co. in Crisfield, Maryland. He's the guy that is going to bring the container load of soft crabs to Virginia and put them on a boat and send them wherever they're going. No one in Virginia has the time, money or capabilities to process frozen soft crabs in the volume that they are now being generated.

Mr. Niemeyer:

And he packs the best.

Mr. Conley:

And he's got a good product.

Mr. Niemeyer:

He goes by weight.

Mr. Conley:

He's going to wind-up being the primary producer in the soft crab business. Most all of you know who runs that company right now. So I'm saying that if you're going to be a major distribution center you better get your stuff in gear. Otherwise you're going to be going to Maryland,
bringing in Maryland soft crabs, and maybe other Maryland products. I think this is part of our problem.

Dr. DuPaul:

That's a good point. The Handy Company is a good example; he's taken his processing operations into the 20th century and has done an excellent job. I think there are other plants in the area that want to or are capable of doing the same thing. Also, I would like to point out that John Handy buys about 50% of its product from Virginia as well.

Mr. Conley:

Well, not necessarily, maybe from the Eastern Shore of Virginia, but not from the Western Shore.

Mr. Harrison:

Well, the Handy Company has been the leader in soft crabs for more than most of us can remember. They did not gain their position overnight or by any magic stroke of the pen. It was by very hard work and well planned action. Weston is right that they do produce, by far, the most soft crabs, but I think that's more a blessing of nature than anything else. The largest harvest of soft crabs is produced between Tangier and Smith Island, which was dictated by the good Lord, and we really can't legislate or change that. However, we can capitalize on what we do have
in Virginia. I think Bill's suggestion was very good and it should be pursued by the Products Commission as well as the Port Authority and other involved agencies. I have a comment to Mr. Bray. We have a problem in dealing with the ports. If I can offer some constructive criticism, my wife owns a trucking company and refuses to allow her trucks to go to the ports. We used to haul a lot of product over there to one particular company that did a lot of exporting. We had to stop. Today, I was offered a few products from the ports, but I had to say no. I won't buy product out of there because we get our trucks tied up all day long to pick either 500 lbs or 2 trailer loads. You just can't get trucks in and out of the cold storage terminal. If you folks will look at ways to speed up traffic movements you could greatly increase your business. As you probably know, maybe you don't, cold storage space in Eastern Virginia is at a very great premium. You are sitting on an asset that could generate an awful lot of business for you and help the local economy a great deal. There are a number of people who, like ourselves, refuse to use those cold storage facilities because they can't get their trucks in and out. We can't afford to tie our trucks up all day. So if you could speed that system up, you would help us a great deal.

Mr. Bray:

One of the things we have done is we have gone to an appointment system. If you want to take advantage of the
appointment system we will have you through at the appointed time.

Mr. Harrison:

That's guaranteed.

Mr. Bray:

Yes sir.

Mr. Grulich:

First question to the processors. Traditionally we have heard in the Hampton Roads area that there has been a problem in dealing with seafood waste. It has come up from time to time in the blue crab industry. The question I would like to address to you is if we do become a major distribution center, do you perceive the need for more waste disposal facilities in the future or do you see that this problem will be taken care of by the people that take your waste products at the present time?

Mr. Harrison, you don't do a lot of cutting, but you do some. What is your opinion on that issue?

Mr. Harrison:

The cutting houses on our side of the river, and Charlie can elaborate on this from the Hampton side, are in operation due to the tolerance of the cities of Newport News and Hampton. We're very fortunate that they accept our
waste. We appreciate that greatly. Of course, we pay a rather heavy tribute for that privilege. I don't think that our problem is quite as serious as what we saw in the crab industry several years ago. John Benny can probably elaborate on that a little better since I've gotten out of the crab business. Our side of it is not too bad, but we all hold our breath, because one of these days the two cities are going to say no.

Mr. Graham:

I think that waste disposal is the biggest problem we have in processing. We don't have a problem selling the product, we don't have a problem getting the raw product processed, for the most part. The greatest problem we have is controlling the waste. The problem stems from the fact that each crab processing plant is a relatively small operation. Right now, there is only one disposal plant to serve all of the picking plants in the area. There is one family that owns the meal plant and they don't have any interest in the crab industry. To me, to make the crab business stable in this area and enable it to grow, we have got to have a guaranteed method of disposing our waste. I can see that the municipal governments in Newport News and Hampton are financing the development of industrial parks. If the local governments want to encourage this type of development, one of the most beneficial things that they could do is come together and provide waste disposal plants.
owned and operated by the government. That's the key. Someone has got to operate that facility efficiently and properly or it just won't function.

Dr. Perkins:

Our microbiologists at VIMS feel that methane generating plants could be built and we don't think it's too futuristic to build a plant to handle the waste. The methane produced in this plant could be recycled back to drive the old machinery or even be sold. Is that too futuristic in the eyes of anybody that has heard of it?

Mr. Graham:

A lot of things have been discussed. We have had this problem for years. They've talked about collagen, chitin and feed for animals. There are all kinds of people looking at all kinds of things, but the fundamental problem is it takes dollars and it takes management to make any of these projects work. The crab industry is not capable of generating the investment necessary to build these facilities. Big business, a corporation or an individual who has money and knows that they can make a profit will have to build a facility of this type.

Dr. Perkins:
That's how the government could subsidize the industry indirectly by providing facilities for taking care of the waste.

Mr. Graham:
Absolutely.

Dr. Lynch:
Since the crab industry is really a series of small companies, have they ever considered that one of their problems is the present operators are just not interested in forming a cooperative. You are paying for disposal now. You might be able to reduce or eliminate this cost if you had a cooperative.

Mr. Graham:
It's in the works right now.

Mr. Conley:
But the major problem in the Hampton Roads is siting. It's not the technology to do what's being done, it is being done everyday at a profit. At VIMS they have reports that have shown it can be done. I've had long conversations with John and some of you know the problems in Hampton Roads. I think the site of the plant anywhere here, unless it was always on the down wind side going down toward Norfolk would always pose a problem. Also, the fish offal from these plants that is going into the landfill is sheer stupidity. I
know two plants that are making loads of money, almost $300/ton on meal, in North Carolina. The waste from 20 plants is sent to one processing plant and is dehydrated. Money is being made. As most of you know there are not very many crab pickers in Hampton Roads that will talk to each other. That's part of the problem. I think the siting, even if the money was available, would be another problem.

Mr. Graham:

I think the big problem is this. There is not enough money in it to interest someone to invest. Money is what talks.

Dr. Lynch:

But if you're paying to dispose of it, if you've got to pay that money anyhow, and if you can all get together to dispose of it, maybe there's an option that won't cost you quite as much for disposal.

Mr. Ballard:

That's the way it's been going on for years. You have been paying for it, because you're not getting the benefit of it. You're not getting the benefit, but they're taking the waste.

Mr. Graham:
The current facility isn't stable. You don't know; they might close it tomorrow.

Mr. Ballard:

That's right. That's the problem. You should all cooperate and build a plant, a cooperative plant.

Mr. Griffin:

The basic problem is signing a long-term contract to lose money. No one wants to be obligated to lose down the road, even if it is less money.

Mr. Ballard:

So what you're saying is as far as operating now he's losing money. But he's a good guy.

Mr. Grulich:

He's running a non-profit organization.

Mr. Griffin:

The problem we are concerned about with waste disposal is, whether you dehydrate it, as Weston was talking about, or whether you freeze it and sell it for mink food, the primary objective is to get rid of it. If you sell it for 4 cents/lb. and it takes 5 cents/lb. just to freeze it or if you set up an organization to process the waste, whether it's methane or anything else, the charges that they're
going to have to charge you to support the facility, to
support a staff to man the facility, to keep up the
maintenance for future expansion, would cost you more than
you have to pay now? That's the reason why it has stayed
like it has for so long. You're faced with losing money,
but you are faced with losing a nickel or losing a dime. As
long as you can lose a nickel and get away with it, you
will.

Mr. Harrison:

That really isn't the heart of the problem. There are
years that crab meal operators lose money, but as Weston can
tell you (he's a rather large dehydrator of crab meal), he
wouldn't have just spent an awful lot of money putting in a
new dehydrator if he thought he was going to lose money on
his investment. Then again, two or three years ago, it was
a losing proposition. You have to view the investment over
the longer term. The problem goes back to what John
discussed. You have a divided industry and somehow that
industry has to be united into doing something together if
the cities can't be talked into doing it. That's the basic
problem.

Mr. Niemeyer:

I'm bringing this point up because I've been listening
and the Japanese food, surimi, is selling well. This is a
good idea, why isn't anyone investing in it? The reason
that investors are not investing is they haven't convinced themselves that the product will sell. We have a tremendous volume of fish waste, or crab waste and obviously there's a lot of potential available for the right guy. We haven't been able to find that "right guy" since I've been in business. The problem has been with us since I started in business. We have the raw product available; I'll give it to you or pay you to pick it up. I'm looking for the businessman who will invest in a plant, who will take my scrap and give me a guarantee that I can work every day. We have the raw product right here and we must find a way to dispose of it. We need to find someone interested in taking this raw product and processing it into a finished product. We haven't found anyone willing to take the risk. For the crab meat industry, if we want a viable industry, one that will continue to grow, we've got to have some guarantee for those businessmen in the business and those who are interested in the business. They need to have someone willing to take the scrap that they produce every day. It could be a task of this group or any other group to go and find someone with the capital and convince them that this is a legitimate investment opportunity.

Mr. Grulich:

I brought this topic up for a specific reason. All seafood processors must continually search for a solution to this problem. In Maryland, the industry has had some
interaction with a Japanese firm in an attempt to compost the product. They’re also considering a disposal option where they will produce crab meal. I don’t know whether a combination project is feasible here because of the siting problem. We do need to look at that option and, possibly, one question that we might need to address is whether the local governments would be interested in cooperating with an investment group if they found a proper site. If the local governments could find an appropriate site and if they were willing to underwrite it with an Industrial Revenue Bond, they might be able to encourage an investor to build the project. At this moment, the problem is in Congress where they have curtailed the use of Industrial Revenue Bonds, but that’s probably a temporary problem more than a long-term problem. Nevertheless, there will have to be some incentive for an individual to provide this service. It’s a fairly risky proposition. He must deal with world grain markets, and Weston knows all the problems associated with handling the ups and downs of the grain markets. If this project is ever going to have a chance it is going to have to come from a public/private interaction. I don’t think you can expect the public sector to take it over totally and I think the incentives have to be there for the private sector.

Mr. Harrison:
Ron, if the Virginia Peninsula Economic Development Council, or anyone, could aid me in obtaining an air pollution permit tomorrow and guarantee that permit for five years, then I'll build a plant in Hampton Roads and take care of all your refuse. John Graham would build a plant. I am not going to build one and be subject to the whims of the State Air Pollution Board. They may decide next week that they don't want the smoke blowing down someone's street. On the other hand, if you've got the government behind you, then you have a whole new story. We talked about this three years ago and we couldn't get the government to help us. We had the money, we could have obtained an Industrial Revenue Bond, but the State didn't want to go along. In Maryland, they worked with the people in Crisfield. They said that if they would solve the waste problem they would provide them with the permit. Virginia will not do the same thing. I think this is where the government must come into play. If you're going to build a surimi plant in Newport News, as we have discussed, what are you going to do with the refuse? At the present time, if someone on the City Council gets angry at two or three guys, the meal plant could be closed and they may have to stop processing. As long as John Phillips sits down there, you don't have to worry about the plant in Hampton. But if John dies tomorrow, anything could happen. It's a political situation. You can't tie your business to the whims of one or two politicians and you can't put a million dollars into
a plant which could be closed down tomorrow. It's a problem, but if you're going to make this concept work, it's all going to have to tie together. If Charlie and the other processors didn't have to pay that kind of money for waste disposal, they could be more profitable or they could be more competitive in the marketplace. The companies located in the city are competing with me, a country concern. I have no air pollution problem and the processors in North Carolina do not have a problem; yet, we are all looking to the same marketplace to sell our product. This problem will have to be addressed if you want this area to grow and become what you envision.

Mr. Grulich:

Relating to George's remarks on the Port Authority and storage facilities. Do we currently have adequate sea, land and air transportation to service domestic and international seafood accounts? What do you think Charlie? What do you think of the services?

Mr. Amory:

I'm not that familiar with the air and sea transportation. I would assume that it is adequate. I know that Norfolk and several of the airlines have been pushing the daylights out of the airport. I know some of the people here tonight have been at some of those meetings. They have promised us competitive rates. I haven't checked back to
find out if the rates are competitive with other forms of transportation. The land transportation is a problem and part of the problem stems from the fact that it is a very fragmented industry, basically made up of small family businesses. We find that in our little trucking operation one of the biggest problems that we face is related to one shipper trying to avoid giving his markets away to his competition. When they load the trucks they put all the shipping tags towards the front so the next guy can just walk by and see the final destination of the oysters. One of the biggest problems related to shipping is trying to handle small shipments to out-of-the-way destinations. It is not much of a problem to ship 50 lbs. to Chicago, Detroit or Pittsburgh, but if you wanted to send something to Memphis, Nashville, Denver or Phoenix it can be a major problem. If a person has a small shipment going to those places, he has a problem. I realize this is a very touchy situation, but we have the same problem in the trucking industry today that we had years ago. There is a reasonable amount of competition. There are certain trucking companies that run to Baltimore and Philadelphia, another one that runs to New York, we run to the mid-West, and a competitor in New Jersey also runs to the mid-West. We both have demand to go to Denver and neither one of us have enough freight to do it, but to be able to work with the guy and get him to give me his freight or for me to give him mine, which I’ve tried to do for several years, he doesn’t want
any part of it. He's afraid that by working together I'm going to pick up another customer of his going to Chicago that he doesn't want to lose. This is quite a problem—the industry is small enough and the people are competing in a lot of cases for the same business, the same chains, in different cities each year. I've seen, in the last 10-15 years we've been trucking, that one shipper will ship oysters to a chain in Cedar Rapids, Iowa last year and another one this year and another one next year. We get blamed if someone else gets the account next year because we told them or they saw the destination tag on our truck. There are a lot of problems with the land end of it and I don't have any ready solution. We have tried to be very particular in our operation, so we have tried to prevent people from snooping around the products being shipped from our docks because of the confidentiality problem.

Mr. Conley:

Charlie, don't you think, and I recognize the problem that no one trusts anyone in the seafood industry, if you had a freight forwarding situation, let's say Federal Express, UPS or whatever in Hampton Roads, that you could build an effective mechanism to handle the problem. The Port Authority, or whoever, could handle the distribution, so you could use someone who was not directly involved in the seafood industry to try to provide the service. Right now if I want to ship something to New York, or if I want to
put something on Tidewater Express, if it wasn't for the
good graces of my friend, John, or someone like yourself, I
couldn't come to Hampton to put anything on the truck. We
don't have anyone in our area that goes north other than to
Baltimore. It would open up a lot of markets for us. You
see lots of guys in your parking lot everyday with soft
crabs. I think if they could go to a place and give a guy
50 cents or $1 for handling a parcel and they knew that the
product would be put on the given truck they would be
willing to pay, but Charlie doesn't want to assume the
responsibility for my product and neither does John. If
you're going to look at this area as a national or
international distribution center, then you're going to have
to provide a freight forwarding service.

Mr. Amory:

That's very true and I think that that could very well
be a solution to the problem. To elaborate on what you said
about the soft crabs, we reached the point several weeks ago
where we were handling 500-600 cases of product a week for
Tidewater Express going to New York, Philadelphia, etc. I
called the guy up and said that there was no problem in
using my dock, but from now on it would cost him 50 cents a
carton. Your customers can bring it in here and leave it
and you can come to pick it up that afternoon or the next
day. It will cost you 50 cents a carton. I'm going to look
to you as the person to pay me. You will have to collect it
from your customers. Do you know, in less than two days 500 cartons dropped to less than 50. At the present time, most of the customers will line up on South King Street and sit there to wait for that truck and they'll back up to that truck. If the guy has two cartons and he doesn't want to wait for an hour, he'll pay me $1 and leave those two cartons. The guy that has 20 cartons, rather than pay me $10, will sit there for a hour or two hours and wait for the truck to come in.

Mr. Conley:

Charlie Amory and Tidewater Express have got to tell him to go to XY Street and everything goes on that dock, otherwise it doesn't go. John Graham, M&G, and everybody else doesn't go running around picking up a bit here and there. If you want to do business in the 20th century, you need to consolidate your efforts. Smith didn't make 50 million dollars running Federal Express because he was dumb, nor did Duke of United Parcel became a multi-millionaire because he didn't know what he was doing. You have to look at someone who is smart enough to capitalize on the system. I think we have missed an opportunity because we have not pooled our resources to serve areas like Denver. We could serve more areas. I think we have to forget about the petty problems between different people's companies, if we really want to expand and really get serious about what we do. If not, we might as well get up and go home. We are going to
have to overcome these differences somewhere, somehow, at sometime. We are running 50 thousand dollar tractor trailers up and down the road to pick up little parcels, which naturally is convenient to the customer, but if we had a central delivery point then we could use small trucks to feed into larger trucks. If we used this strategy we wouldn't have the problem we are having with partially filled trailer loads. That's just one other area in the transportation field.

Mr. Grulich:

In the questions I have prepared, I have asked the question, would a centralized seafood handling facility make it easier and/or cheaper to arrange shipping to inland and domestic points? In Maryland they have recently opened a brand new facility. The Baltimore wholesale seafood market has always been very successful. The old facility was worn out, so they decided to build a new one.

Mr. Harrison:

That's a different situation. That's a distribution center owned basically by the people who have the stalls even though it's put up by government backed bonds. It's a Port Authority-type situation. In Crisfield, they had exactly what Weston was talking about for years and years. They had the centralized service. It started off originally with the railway express. Two brothers had an agency where
they offered a collection service and they carried the products to the railway express and later to the truck owner. The majority of the packers in Crisfield never owned a pick-up truck. They didn't do any hauling anywhere, these guys handled all of their freight forwarding for them. It was a good system, it worked well. As far as I know, it's still operating.

Mr. Conley:

I think when Newport News designed the seafood industrial park concept, some of these things were left out of the total picture.

Mr. Harrison:

Let's face it, the Newport News Seafood Industrial Park was founded in haste to grab up a lot of federal money. The result was really not the primary subject.

Mr. Grulich:

Question to Jim Griffin, Fass Brothers, when you ship overseas, do you find any problem in getting adequate frozen container space in this area? I understand there are problems from time to time with making deliveries to certain destinations because product does not return back to this area; therefore, the container do not return. Do you find that to be a problem?
Mr. Griffin:

I probably don't know enough about that problem to give an adequate answer. We use a broker and we have a person in the office that specializes in import/export. He arranges the container shipments. The biggest problem that we have is getting small amounts of temporary storage, for a couple of days at the time. For example, the other day I got to the plant at 7:00 in the morning and we had 13 containers laying in the yard and it will only hold 6-7 adequately. Product comes in all at one time or you pay for a month of storage and with the in and out charges it gets very expensive. That's the biggest problem.

Mr. Grulich:

Would it be appropriate for the Port Authority to begin thinking in terms of trying to provide more temporary storage? As I understand they have facilities to handle the containers for short periods of time. Would it be practical for the Port Authority to provide more of these spaces for local use? Is there enough business here locally to justify that type of program?

Mr. Bray:

First, you are correct to point out that there is difficulty in getting refrigerated containers. That is primarily due to the ship rotation. They come in and call on New York first and off-load reefer cargo. They then load
something back on there. There is difficulty in getting a free container to Hampton Roads. The quantity of product that we are handling now, in and of itself, would not permit us to do anything to add additional refrigerated warehouse space or reefer storage space. That is not to say, when we finalize the results of this effort, if it all comes together, that we will not make some changes to serve Virginia. The decision does not always rest so much with the bottom line, but with what we need to provide for the community in total. If temporary storage becomes a problem, and we need to add twenty more spaces to Newport News, then we will do it.

Dr. Lynch:

The frozen seafood product that is brought into this area for reprocessing, is that product coming directly into this port or is it going somewhere else and being reprocessed before transhipment to this area?

Mr. Griffin:

Well, in our case, we try to get it directly from our suppliers. We try, most of the time, to get it through NIT (Norfolk International Terminals). If for some reason we can't off-load it all at one time, then it may go to Baltimore. We try to get as much as possible through Norfolk, then the rest of it through Baltimore.
Mr. Grulich:

The way that I understand the system is that the containers rotate around the world as they move from area to area, is that correct?

Mr. Bray:

One of the things that the shipping lines have to get away from is the fact that they are much like the seafood industry, the shipping lines own and control their own containers. They will not exchange the boxes except under extreme circumstances from one shipping line to another. They have, in their own marketing schemes, decided where they have to have the majority of their containers and where to keep their loads. To the extent that they can, they operate within those parameters and because we are not a major importer of fresh produce, we have a difficult time getting the containers.

Mr. Grulich:

Would it be possible to think in terms of some cooperative effort between industry to purchase some of their own containers which would then guarantee us a supply?

Mr. Bray:

The first thing that you would want to do is decide if that is feasible for the industry. Then you would have to
decide where the product is moving and present your proposal to the lines to see if they will cooperate.

Ms. Kernodle:

I have a question for the gentleman from Fass. You mentioned bringing in frozen product through the port of Norfolk and occasionally through Baltimore. Is there any particular reason why you don't utilize the port of Newport News which is more convenient to the location in Hampton?

Mr. Bray:

The lines determine which ports they will service. One of the difficulties that we face in marketing the Newport News marine terminal, in general, is the fact that most of the ship lines call on Norfolk because that's where they discharge and load the greatest amount of cargo. Because of the demand, you have a much greater call for service to the Norfolk side. It is a chicken and egg situation, the lines are over there competing for cargo, so they stay and no one is willing to pull out.

Ms. Kernodle:

Can you encourage them to come to Newport News in addition to Norfolk?

Mr. Bray:
Fran, we are trying to convince them, but it is very
difficult to get a man who has a secure base to leave and
take on something that is risky.

Ms. Kernodle:

Luie Fass recently made an observation that was
somewhat astonishing to me, and not understanding everything
about the port business you'll forgive me Bobby, but Luie
told me that he would like to bring his product into the
port of Newport News but he couldn't and he, often times,
had to bring it into Norfolk or Baltimore. It's a concern
that you are probably aware of on this side of the water.
I'm sure you are trying to address this situation. It is a
continuing problem and I'm sure the Port Authority is well
aware of it and is trying to address it, am I right?

Mr. Bray:

Oh yes.

Mr. Conley:

It's the same reason why Charlie Amory doesn't go to
Denver, the same reason why United Airlines doesn't fly
direct from Seattle, Washington to Norfolk. It's the same
situation. It's a manner of economics.

Mr. Amory:
Part of the problem in the Newport News port goes back a long way. I know that years ago we brought some product in from South America. It was brought into Newport News and we had a lot of problems at the port. The product had been coming in through Wilmington, so the next several shipments we took were landed in Wilmington. It was because of the stevedoring problem in Newport News.

Ms. Kernodle:

Is it still a problem?

Mr. Amory:

I'm not sure because I'm not sure that they have brought any fish in there lately. They were unloading a ship one morning, it was in spring or summer, relatively hot weather and the stevedores absolutely did not give a damn about the product. They were using several different gangs on the ship. Once they got the product from the ship onto the pier we had one hell of a time getting it on the trucks. A lot of the product sat around three to five hours in the hot weather. When the cartons started getting wet from thawing we had a problem. This was all bulk freight, it wasn't in a container. Today almost all of it is brought in on containers. The experience we had in Newport News that one time was a nightmare. The next several shipments went to Wilmington and not a hitch, just beautiful, and it was funny because this was seven to eight years ago when I had
just been appointed to the Virginia Peninsula Port Authority and I raised cain about it. I told them that they shouldn't expect any more fish from us down there until they could get the stevedores straight on how to handle the product. That was when they were arguing about who was going to operate the cranes, and other things. Frozen fish is like unloading lumber in the rain, if it sits around too long it doesn't make any difference what you do with it, the product suffers.

Mr. Grulich:

One more question on containers. We were talking about freight forwarding for domestic markets, would it behoove us to think in terms of sharing containers among seafood distributors going to the same marketplace or is that too complicated. Would you still have problems in finding out who's product was going where? Do you ever send containers less than full?

Mr. Griffin:

Well there are a couple of different sizes of containers and you usually just drop down to a smaller size.

Mr. Conley:

I would envision a centralized seafood handling facility not only for land transportation, domestically, but suppose John Doe wants to send one case of frozen soft crabs
to Los Angeles, and there doesn't happen to be a truck going that way. The same centralized facility could get the product to the airport, check it to see that it is suitable for shipment and handle the whole transaction. I think that can be done, but, it could also be done for containers. If Fass had 5 and 1/2 containers full to France or Paris or wherever, and John Doe had a 1/2 of one, all of that could be coordinated through a centralized facility.

Mr. Grulich:

In regards to development, George feels like the seafood industrial park was put together for the wrong reasons. Should local government authorities encourage the development of those types of parks, in this case, the centralized seafood warehouse facility or any other project? Does anyone have any comments on this idea? Is this the proper role for government or should this be part of the private sector?

Mr. Amory:

I think it should be private. I think that as far as the government is concerned, as far as making available the waterfront property under a redevelopment program as in Newport News, or handling that type of activity, it is fine. But I think when you get to the actual freight forwarding business or the actual seafood business itself, it needs to be kept in the private sector.
Mr. Conley:

None of these parks, like North Carolina for example, has ever proven profitable for any one. The facility was basically over built and they could not afford to build it for any specific type of processing. I think if you're going to process scallops you do one thing or if you are going to process squid or blue crabs, you must design the plant for what you will be processing. I think the reason you see the Seafood Industrial Park in Newport News is due to the fact that the City had the land and federal money was available. I'm like Charlie, I think the City should stay out of those types of support services. There is probably nothing that private industry can't do better than the government.

Mr. Griffin:

There lies the problem. It's a good concept, it's a great idea but it just doesn't work.

Mr. Grulich:

Someone should quickly write to the New York Port Authority because they are beginning to do it again.

Mr. Conley:

It was tried all up and down the coast because when EDA had development money available, they were trying to do
everything. That whole situation has reverted to a different atmosphere with Reagan.

Mr. Grulich:

Do you believe there is enough coordination among the various local governments or agencies that provide services to the industry? Do you think that sometimes things that one government will do will be counter-productive to another, or one agency is not always working hand-in-hand with the others? Do you have any comments on that? I don't want to get too much into politics, but I think that the issue should be addressed towards Greater Hampton Roads as a unit. We have to think in terms of not duplicating facilities from one place to another, we have to think in terms of how these organizations have to work together. For instance, if we decide to put a brochure together to promote the Greater Hampton Roads area you don't want one locality to have an advantage over the other if you are going to promote it as an area. Does anyone have any questions or comments?

Ms. Kernodle:

I have an observation. Tonight we have heard several remarks about the people within the private industry, their problems in terms of communication. There seems to be a tremendous communication gap. People being fearful of letting the right hand know what the left hand is doing or
just plain not wanting to do it. This is within one
industry. Certainly there are similar problems within
government agencies, within local jurisdictions, among
people who are just across the water. The parochialism is a
significant problem not only within the private sector but,
most assuredly, within the public sector. For a person in
my kind of role, where I'm trying to market this area of
Virginia, and in the larger sense, the Commonwealth of
Virginia, to a foreign market, trying to make them feel this
is an area where they are welcome, where they are needed and
where they will find a spirit of cooperation and commitment,
who can imagine the hurdles I have to leap? I'm not sure
that we are really genuinely committed to an international
spirit for example. We are a port area on the East Coast,
we have a major seafood body represented here tonight. It
would certainly behoove us to become an international center
for seafood marketing or aquabusiness, or whatever we want
to call it. It's astonishing to me, the lack of cooperation
and the fear among the various people within governmnment,
within localities, and among various agencies - not to
mention the private sector. I don't know how we address
this problem, the lack of communication and the serious gaps
in cooperation.

Mr. Niemeyer:

I think you're absolutely right. I don't know too much
about importing and exporting and I congratulate you for
getting soft crabs to France, but I can't buy 10 gallons of oysters in the State of Virginia and have all of them look alike. One has seven pints, one has five pints, one might have eight pints. Crab meat is the same way.

Mr. Amory:

I would like to know where you are getting eight pints.

Mr. Niemeyer:

There is no consistency. Some packers have a little more water and they sell their product cheaper than the next man. Crab meat is another example. I think North Carolina started it by delivering straight picked crab meat. It's ruining the crab meat industry as far as I'm concerned. I has four pieces of lump on top of it. I can buy crab meat today for $6, $8 or $9 and it all has a red lid on it. It says back fin. That's not right. The Florida and Georgia crab meat, you tell me if I'm wrong, is boiled crab meat. They get a bigger percentage of yield and sell it cheaper, but it has no shelf life. When we first started handling scallops we paid 22-24 cents/lb. for them, and made 10 cents a pound. Now we are paying $6/lb. and we are still making the same dime. They pay a $1/lb. for fluke or seabass and make 10 cents a pound. They did that 25 years ago, and if you put it in the modern science of the computer, it doesn't compute, because it says you can't make it on 3-6 percent.
If you were paying 20 cents for an item and got 10 cents for it, the computer says you have done well.

Ms. Berg:

You are saying Virginia doesn't have standardized products.

Mr. Niemeyer:

We have poor quality control. You can buy oysters from ten different people and you are going to get ten different counts in that gallon and ten different weights. Crab meat is the same way.

Mr. Graham:

I can ship one brand of crab meat to different places, Baltimore and Philadelphia, for instance. They can buy the same lids that I use on my containers from the manufacturers and they will pull my lid off and put another lid on.

Mr. Conley:

Shirley is very new at this game and I think Buck has a very valid point. This issue is being addressed on both the State and national level. I think that NFI has addressed the fact that the biggest problem in the whole seafood industry is quality. I think that the people who are willing to stick with the quality, and it's a pretty rough road some of the time to fight that type of competition,
will realize more benefit over the long term. I told John a while ago when they were talking about air transportation, that over three thousand gallons of oysters a week are coming into Washington National Airport via the West Coast and if something doesn't happen it's going to be six thousand gallons a week.

Mr. Niemeyer:

I buy oysters from Lake Cowart and pay $23/gallon and it's full. I can buy them from a packer for $26 and if I have seven pints in it I am lucky.

Ms. Berg:

Let me ask one question. Aren't there trade-offs when you go to quality control? Aren't you talking about more government inspection, more government regulation?

Mr. Conley:

If you are packing meat, you pack the standard. They have in-plant inspection. The only mistake we made three years ago is when we came under the Department of Commerce, not the USDA. If we had been placed under USDA, we would be in the same position as the meat industry was 20 years ago. You can't spend a lot of money to make this area a good distribution center if we don't have good quality control. If you don't provide high quality products, then you're not going to sell them to the larger chains. Their quality
control programs are much stronger than anyone has implemented in this room. You must meet their standards or you won't sell to them. It's that simple. This change is going to cause the industry to pull itself up, but you still have to deal with those bootleggers who always want to come in for a free ride. In order to keep a good image to the rest of the country, Virginia has spent some seven million dollars since the kepone incident. We must provide top quality products to gain the maximum advantage from this promotional work. We have come a long way, but we still have a long way to go. This all ties into what we are talking about tonight and it's got to be part of this package.

Mr. Niemeyer:

I don't think the chicken industry is going to let the seafood industry get by with their lax inspection program when they are subject to so many restrictions.

Mr. Harrison:

There is no question that quality standards are needed. They must be national in scope, we can't inflict quality standards on Virginia packers without making our neighbors to the north and south conform to the same rules. We have federal inspection. There are several of us who would dearly love to have continual federal inspection in our plants. Unfortunately, the regulations were written to
favor a few chosen plants to the detriment of everyone else in the industry. We researched it quite extensively and there is no way, at the present time, that we can go under federal inspection and compete, not the way they have the regulations written. If we were situated in Gloucester, Massachusetts, it would be a field day.

Dr. DuPaul:

When you mention you really couldn't go to federal inspection, aren't we really talking about product identity? You mentioned Handy's soft crabs. If you look at his packages, what he has going for him is a brand name identification. Would it be possible, and I know this has been talked about when Jim Wallace was with the Marine Products Commission, to label something from Virginia? In other words, it's a Virginia product and it meets certain standards that people can live with whether they are federal standards or not. So in other words, things coming out of Virginia would have a Virginia label. This could be an internal industry program.

Mr. Harrison:

Well Bill, very honestly, we have thought about this for our particular situation. As you know we have tried to build a product identity, I guess that in the fish business we have probably come as close to it as anybody has been able to come. We thought seriously about taking part in
this "Made in Virginia" promotional campaign and had to back away, because we found that the retailers in the State of Virginia want the cheapest possible price. If we put Made in Virginia on it, and since all our customers except two are inside the State of Virginia, we would probably end up forfeiting some business. So we are really not too proud of the "Made in Virginia" campaign. If we could sell the retailers of our own state on the concept that "Made in Virginia" was a superior situation, then I would be inclined to go along with it. The retailers of this State are going to buy what's cheap.

Mr. Conley:

They buy North Carolina crab meat and West Coast oysters.

Mr. Amory:

Not only that, you can have all the best quality inspection program available, but the only plants that will be inspected are going to be the big ones. The guy that goes and takes five bushels of crabs to five different people's houses at five o'clock in the evening and the lady that picks a couple of cans of crab meat each night are the ones that need to be controlled. They will not be inspected. It's the same thing with us in the finfish business. There's nothing prevent any one from coming into my place tomorrow and buying a carton of fish, taking them
home and fileting them that night himself and taking the
fish out on the street and selling it to a restaurant the
next day. You can make all the quality rules, regulations
and controls that you want to make, but if you don’t have
enforcement behind it to stop the bootlegging you won’t
get off home plate, much less first base.

Dr. Perkins:

Isn’t it true that one of the reasons why the oysters
coming out of the West Coast have a uniform high quality is
because they are derived from aquaculture?

Mr. Conley:

It’s strictly a private industry on the West Coast.
Everything on the West Coast is done privately. There’s no
public sector out there. They control the oysters from the
time they are in the hatchery until they are harvested and
they don’t know what a blowing tank is. They haven’t
learned how to use water. There are 140 oysters to one of
their gallons. It’s quite impressive when you pull the top
off and show a customer and that it is full, although they
taste like they came out of a swamp. There is no comparison
between Pacific and Chesapeake Bay oysters.

Mr. Amory:

Another thing that is bothering us in the industry is
the restrictions on using the most economically efficient
gear. The greatest example in the world was the hydraulic dredge for hard clams on private bottoms. To have that handled the way it was in our legislature with the Virginia Marine Resources Commission sitting over here, made up of people who supposedly know something about seafood, was an absolute joke. Whenever you put five or ten processors or all the processors in the State up against twice or three times as many watermen, the legislature is going to lean towards the group which represents the greatest number of votes. To have the industry regulated, or to have regulations produced by the General Assembly in this State is an unbearable situation. In the future we just won't be able to compete. It will be an unsatisfactory situation for us to continue in business, period. You will see, without the hydraulic dredge, the hard clam industry in Virginia has gone down the hill in the last few years and will go down further this year and next year. This is because we can't compete with the adjoining states that allow their harvesters to use them. It will just be a matter of time before the few patent tongers left now will have to do something else because they won't be able to produce a clam cheap enough to compete. The only way he will be able to compete is if he puts a few bushels in his pick-up, which most of them are doing, and sell them door-to-door. Some fishermen will take four or five bags off the boat, put them in their pick-up and they will make five stops between the dock and Kilmarnock, selling them to restaurants on their
way home at night. What they don’t realize is that they are cutting out the clam buyer, who has traditionally bought the trailer loads of clams that were caught here years ago, and they are going to limit themselves to only that market. There will be a time, and there is a time coming, that I will be able to sell a bag of clams that I can buy in South Carolina, New Jersey, or Long Island to that same restaurant cheaper than the fisherman is going to be able to go out and catch them, pay for his expenses, and still have enough money left over to buy groceries.

Mr. Harrison:

We bring a lot of clams in from the Long Island Oyster Company.

Mr. Amory:

This is something that is needed in the industry. We need to let the Virginia Marine Resources Commission, not the General Assembly, regulate the Virginia seafood industry. The JLARC report indicated that this is the case and we must address this issue if problems like the hydraulic dredge controversy are to be avoided.

Mr. Grulich:

I think it is time to close this meeting tonight. I believe that we had some really good comments. I would encourage all of you who have comments on any of the
questions on this worksheet to try to address them and deliver them to us before you leave tonight. Brief comments will do, just enough to keep us on track. If you think any of these issues are important enough to comment on please do so and we will try and follow-up on them as best we can. I want to thank all of the participants for coming tonight. I think that they were all very informative and this meeting should really add some focus to this issue in the Hampton Roads area. I would like to thank all of you for attending this meeting and sharing your opinions. Your role is at least as important as the participant's roles. We look forward to doing similar programs in the future through VIMS.