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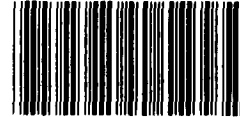
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

OCTOBER 15, 1980

B-200759

The Honorable Philip M. Klutznick
The Secretary of Commerce



113548

Dear Mr. Secretary:

Subject: Need to Assess the Quality of U.S.-Produced
Seafood for Domestic and Foreign Consumption
(CED-81-20)

The General Accounting Office is studying the adequacy of current Federal efforts to improve the quality and safety of seafoods processed in the United States for domestic and foreign consumption. As part of that study, we are assessing the National Marine Fisheries Service (NMFS) program and efforts to improve the quality and safety of seafood harvested and processed in the United States.

During our study, we have become aware of the controversy that exists over whether the quality of U.S.-produced seafoods is or is not competitive for foreign trade or adequate for domestic consumption. While some seafood industry officials contend that U.S. seafood processors produce a high-quality product, NMFS officials believe that the variable quality of U.S. seafoods is contributing to the low volume of U.S. seafood exported and the low volume of seafood sales in the United States.

The statistics show that the U.S. trade deficit for all seafood products is approximately \$2.8 billion. Also, the United States is importing 60 percent of the edible seafood consumed domestically even though an estimated 20 percent of the world's seafood is found within the 200 mile U.S. fishery conservation zone.

THE EXPORT MARKET

Problems of seafood quality are particularly apparent in exported U.S.-produced seafood. As early as 1975, NMFS sponsored a research report for the New England Fisheries Development Program. The report indicated that east coast

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groundfish products have a reputation for poor quality in Western Europe. More recently, foreign buyers at a seafood exposition in Newport, Rhode Island, reported that the poor quality of U.S. products was a major obstacle to increasing U.S. exports.

As you are aware, several countries have complained about the quality of U.S. seafood products. Some of the more significant complaints include the following:

- Japanese fishing interests reported that only 25 percent of U.S.-produced butterfish imported in 1978 could be marketed for human consumption.
- Japanese buyers took a harder line in 1979 and rejected nearly 4 million pounds of frozen salmon because of poor quality.
- A Canadian international trading company has complained to NMFS that it has incurred considerable losses while trying to market U.S.-produced skate, dogfish, squid, and herring in Europe and Japan because of the products' poor quality. This firm has recommended that its U.S. suppliers cease production of these products until the causes for the seafood's poor quality have been identified and corrected.
- The European market for U.S.-produced eels has been threatened by a shipment to Denmark of eels infested with worms and marked by skin ulcerations believed to be caused by bacterial contamination.

THE DOMESTIC MARKET

The problems with our exports raise questions about the quality and safety of seafood Americans consume. Senate hearings on the Fishery Products Protection Act held in July 1967 disclosed that surveys by the Bureau of Commercial Fisheries, NMFS' predecessor, found the quality levels of seafoods in the domestic market to be very low, with large quantities receiving substandard grades. The Consumers Union, publisher of Consumer Reports, tested fishery products purchased at the retail level between 1961 and 1965 and found that 30 to 46 percent of the sampled products were substandard. The results of these tests indicated that the reasons these products were substandard included (1) the use of old or spoiled raw material, (2) poor processing techniques, (3) improper handling during transportation and storage, (4) excessive storage time, and (5) poor packaging.

During the past decade, consumer and certain industry publications have been critical of the quality of U.S. seafood products. Consumer Reports gave low quality ratings to many brands and varieties of U.S.-produced seafood, including frozen fish sticks (1970), frozen breaded shrimp (1972), frozen fish fillets (1973), frozen unbreaded shrimp (1974), and canned tuna (1974 and 1979). An article in the National Fishermen (1977) reported that those in the fishing industry and Government believe that much of the fish sold in chainstores is not edible. The article states that the poor quality is not because of the initial processor but because of retail handling of the product.

NMFS' ROLE

One of NMFS' goals is to ensure that the seafood offered the consumer is wholesome and meets consistent high standards of quality. Another NMFS goal is to enhance the development of the U.S. seafood industry and encourage expanded usage of that industry's products. The Administrator of the National Oceanic and Atmospheric Administration (NOAA) recently stated that the agency is making a big push to export more U.S. seafood. Recent trade missions to Europe and Asia by NMFS personnel appear to have relaxed some of the trade barriers imposed by Japan on U.S. seafood exports. However, these efforts will likely go unrewarded if the U.S. seafood processor is unable to deliver a quality product to the foreign buyer.

NMFS conducts an inspection program for seafood processors who want their products to carry a Federal inspection or grade label and for export certification. This program, however, is voluntary and is not used, at this time, by many in the seafood industry because they believe it provides few benefits and is too costly. In 1977, NMFS' Gloucester and National Seafood Quality and Inspection Laboratories jointly proposed to test and evaluate for quality a sampling of seafood produced by U.S. processors. We were informed by the Chief, Seafood Quality and Inspection Division, that the project would have cost \$300,000 but was not approved for budgetary reasons. However, NMFS quality and safety personnel still believe the survey's purpose is good and that the survey is needed to document the extent that quality defects exist in U.S.-produced seafood products.

CONGRESSIONAL INTEREST

The question of seafood quality has been and continues to be an issue of congressional interest and concern. For

example, the House Merchant Marine and Fisheries Committee's June 26, 1980, report (Rept. 96-1138 Part 1) on H.R. 7039-- "American Fisheries Promotion Act"--states that one of the three national priority projects to be carried out using Saltonstall-Kennedy Act funds is a project to "establish and operate a voluntary system to grade the quality of fish landed at a United States port * * *." The purpose of the

"* * * project is to encourage the industry to develop a program whereby the quality of fish landed at the dock is graded, thus enabling fishermen bringing in the higher quality fish to command a higher price."

Also, staff of the Subcommittee on Fisheries, Wildlife Conservation, and the Environment, House Committee on Merchant Marine and Fisheries, recently told us that they received complaints from foreign buyers about the quality of U.S.-produced seafood and from fisherman in Alaska stating that U.S. processors are responsible for the quality problems associated with the large salmon catches in that region.

CONCLUSIONS AND RECOMMENDATIONS

Based on the information presented in this letter, we believe that there is a need for a comprehensive, objective assessment of the quality of seafood produced by U.S. processors for domestic and foreign consumption. NMFS has the personnel qualified to conduct such an assessment, and its quality and safety personnel have previously stated their interest in doing so. The rationale by NMFS officials that such an assessment is budgetarily infeasible is more than offset by the positive benefits which might accrue to reduce our Nation's seafood trade deficit.

Therefore, we recommend that you direct the Administrator of NOAA to initiate a study to assess the quality of U.S. seafood produced for domestic and foreign consumption. Depending on the results of this assessment, NMFS can take appropriate steps or actions to help ensure the continuous supply of suitable high-quality seafood products. The results of this effort would benefit the seafood industry, NMFS in its efforts to manage Federal seafood programs, and the Congress in its role as legislator and overseer of Federal programs.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to your Assistant Secretary for Administration and your Inspector General; the Administrator, NOAA; the above House and Senate committees; and the House Committee on Merchant Marine and Fisheries.

Sincerely yours,

A handwritten signature in black ink that reads "Henry Eschwege". The signature is written in a cursive, slightly slanted style.

Henry Eschwege
Director