

From: William Carvalho
Sent: Sunday, October 25, 2015 2:38 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: Re: District 10 crab testing

Hi Craig,

Nice to hear from you and sorry I didn't get to talk to you the other day. Having an amazing time in Germany and France...it is almost over though as we return tomorrow.

As you likely know, Bill M will sit in my seat at the meeting, I am copying him here also.

With respect to District 10 crab quality testing, not only I, but also most other dealers I have spoken to desire a true crab quality test, not the "half-fast" tests we have had recently that showed "not-too-bad" crab results, only to be followed by going full-bore to harvest a few million pounds of junk.

Last year, every buyer I know not situated in District 10 lost money on their effort. There are local buyers, who mainly unload, and get paid a poundage fee somewhat irrespective of crab quality. But someone ultimately faces the production reports square in the face. When recover is low, profit shrinks. But there are worse scenarios than simply the erosion of profit margin on a solid sale.

Many dealers last year had to discard LOTS of dead crab at their plants upon receipt because the crabs could not withstand the unloading and freight demands common to the industry's customary handling arrangements. We suffered enough of that along with "light crab" to make our processing efforts a break even proposition; others were not so fortunate, as I am sure all are aware of reports of truckloads of dead crab being dumped. That is after the first round of dead are sorted from the fishermen's tanks. This is what happens when we open a fishery on bad crabs.

However, our worst financial results were on the crabs we exported to China. That is shameful to discuss. Suffice it to say that those crabs cannot make the trip and thus we don't get paid much for our efforts.

Most of these consequences above directly affect the buyers, who are not able to pass such losses back to the fishermen or unloading stations without a riot. One fisherman who sold to us in SF and also in CC said: "Well, you guys paid \$X.XX for that 'crap' in the city, surely these CC crabs are worth more!" Well, actually, the price paid in the city was the price for marketable crab, which those last year were not. Even if one segment of the fishery suffers more than others, it must be kept in mind that the entire fishery will suffer the negative effects of putting poor quality crab on the market:

- Less weight is harvested and less overall dollars are made.

- Consumers who do not enjoy the product won't repeat a purchase and customers are lost (prices are best when there are more customers demanding a limited supply, as opposed to a large supply looking for new customers because it alienated its previous customers).
- When buyers take financial hits, they become weaker partners to the fleet with potential long-range consequences to the competitive buying landscape.
- Crab resource owners, the residents of the State of California, are not properly being considered when industry wastes their resource.

There is consensus among the large processor group that bonafide crab quality testing should be instituted in District 10. It is, to my knowledge, the only Dungeness crab ocean fishery in North America that does not have a quality testing provision.

I wish the task force success in discussing this final issue needing redress. It would be good to roll up the sleeves and solve it during this session.

Kind regards,

Bill