

The Effects of Regulations on the U.S. Salmonid Industry: Coastal States Findings*

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A national survey of the U.S. salmonid (trout, salmon, arctic char) industry was conducted in 2017–2018 to measure the farm-level costs of regulations. This fact sheet reports findings from the coastal states (Figure 1).

The total on-farm regulatory cost burden for the coastal states was \$5.7 million per year (adjusted for coverage). Per farm, annual regulatory costs averaged \$798,076 and \$4.59 per pound. The majority of the increased regulatory costs on farms were related to direct costs, which included testing for fish health certificates and EPA effluent discharges (76%). Increased manpower costs were 21% of the regulatory cost burden, while permits constituted only 2% of the regulatory cost burden (Table 1).

In addition to the increased on-farm costs, regulatory actions resulted in lost sales revenue, which included: \$1.6 million per year in lost market sales, \$1.3 million per year in lost revenue from reduced production capacity, and an estimated \$15.0 million per year of lost sales due to thwarted attempts at expansion. Per farm, lost market sales were \$258,333 per year, the value of lost production averaged \$185,750 per year, and the value of lost sales revenue due to thwarted expansion attempts averaged \$2.1 million per year. Regulatory costs on coastal states salmonid farms constituted 13% of total costs and lost sales revenue 11% of total costs.

Respondents reported that the most problematic regulations were those associated with EPA effluent discharge permitting, followed by county and local regulations, other federal regulations, fish health testing

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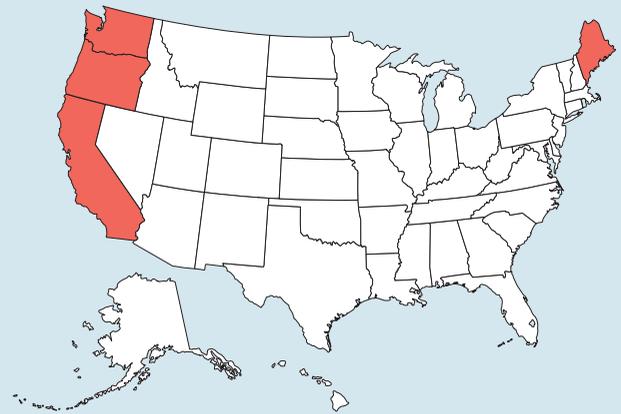


Figure 1. States surveyed

The total on-farm regulatory cost burden for coastal states was \$5.7 million per year.

Table 1. Coastal states on-farm regulatory costs

Cost category	% of total regulatory costs
Direct costs (testing, etc.)	76%
Manpower	21%
Farm-level changes	<1%
Permits/licenses	2%

required for certificates for interstate transport, the total regulatory burden, water access, and employment-related regulations (Figure 2). In terms of costs, county and local regulations comprised the greatest percentage of total regulatory costs (46%), followed by EPA effluent discharge regulations (40%), fish health testing for health certificates for interstate transportation (14%), with minor percentages related to water access and food safety regulations (Figure 3).

In summary, the regulatory costs on salmonid farms in the coastal states cost substantially more per farm, on average, at a substantially greater average cost per pound of fish and a slightly greater percentage of total costs than the national average (Table 2). Regulatory costs in the coastal states tended to be greater than in inland states because there were farms operating in coastal waters that were subjected to a wider set of regulations and regulatory agencies. The very high regulatory cost per pound in the coastal states reflected expenditures related to ongoing regulatory conflicts between some farms and regulatory agencies. Lost revenue as a percentage of total costs was less than that of the national average.

Study results showed that the regulatory cost burden on the U.S. salmonid industry has increased farm costs substantially and constrained the industry's ability to increase product supply to meet strong market demand, which is being met by increasing trout and salmon imports. Innovative regulatory monitoring and compliance frameworks that reduce the on-farm regulatory cost burden are needed. The types of regulatory reforms with potential to reduce regulatory costs in the coastal states include: reduced frequency of testing for effluent discharge and fish health certificates, adoption of uniform fish health testing standards, adoption of risk-based approaches to environmental management, and development of clear appeals processes for aquaculture farmers (Table 3).

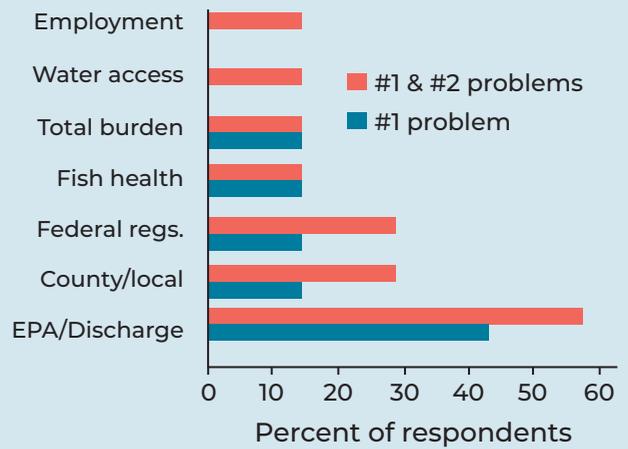


Figure 2. Most problematic regulations in coastal states

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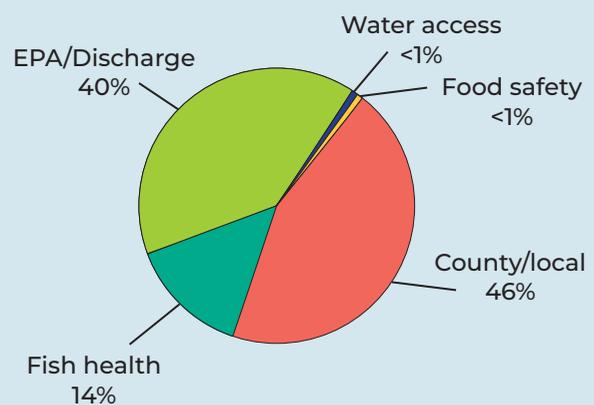


Figure 3. Types of regulations in coastal states: percent of total regulatory costs

Table 2. Summary of national and coastal states study results

Regulatory burdens and impacts	National findings	Coastal states
BURDEN		
Total national on-farm regulatory cost burden	\$16.1 million/year	\$5.7 million/year
Per farm average regulatory cost	\$150,506/farm	\$798,076/farm
Average regulatory cost per pound of production*	\$1.23/pound	\$4.59/pound
Percent regulatory costs of total farm costs	12%	13%
IMPACT		
Lost market sales	\$7.1 million/year	\$1.6 million/year
Lost revenue from reduced production	\$5.3 million/year	\$1.3 million/year
Estimated lost revenue due to thwarted expansion attempts	\$40.1 million/year	\$15.0 million/year
Percent lost revenue sales of total costs	28%	11%
* Averaged by farm		

Table 3. Regulatory reforms with potential to reduce regulatory costs

Regulatory reforms
<ul style="list-style-type: none"> • Reduce regulatory redundancy • For farms with history of good performance: <ul style="list-style-type: none"> ◦ Reduce frequency of effluent testing ◦ Reduce frequency of fish health testing • Adopt uniform fish health testing standards • Develop clear appeal procedures for farmers • Adopt risk-based approaches to environmental management

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