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CARES Act Seafood Processing Working Group Meeting Summary #2 June 15, 2020

Working group members present: Ed Washburn, Nick Giacalone, Mike Trupiano, Jim Saxonis, Laura Ramsden, Tory Bramante, Jared Auerbach, Gordon Carr

DMF staff present: Dan McKiernan, Story Reed, Wendy Mainardi, Julia Kaplan, Erich Druskat, Jeff Kennedy, Maren Budrow, Stephanie Cunningham, Tom Shields, Anna Webb, Kevin Creighton

Introduction

DMF requested that before the CARES Act conversation took place, this working group addressed an inquiry from the Lieutenant Governor's office. A staff member (Jessica Beliveau) of the LG's office was present to hear the opinions of the working group members. The LG and legislators are interested in how to utilize infrastructure grants or loans to boost the seafood industry and how to create new markets for seafood. If the new normal continues as a result of COVID-19, there may be an opportunity in institutional buying and home seafood consumption products.

Institutional purchasing

The legislators would like to see the State increase the purchases of MA seafood and see the procurement laws updated. Currently, there is no one place where someone could sell to a state institutional buyer, and this is frustrating. A portal where RFPs were submitted based on need was recommended by the industry. This could be easy: set businesses up in Combuys that meet a certain criterion, and they will respond to RFPs based on their differentiated product availability.

It would be helpful to the industry to get excess seafood out of the freezers and into food banks. If food banks have money (potentially from the State) to purchase local food, then it could be up to the food banks to get the product they need. One challenge is that not many food pantries know what to do with uncooked seafood. Understanding demand, and a lack of connection are other barriers to entry into food pantries for seafood businesses. More networking was suggested to bridge this gap.

New markets/infrastructure investment

Working group members concurred that if there was a grant in place to help processors expand into new markets, this would be of great assistance to them. New equipment is needed to pivot to different products due to Covid-19, such as freezing and packaging. There was a question of whether sharing infrastructure would be possible for ease of scale, but there was little enthusiasm from the industry.

Eligibility

DMF is still waiting for the affidavit from the National Marine Fisheries Service to provide additional guidance, however much of the working group's eligibility criteria is agreed upon such as eligibility period, and 35% loss in revenues compared with the average of the previous 5 years, holding 2019 and 2020 permits, having a minimum amount of sales revenue, and ensure a percentage of sales are wholesale seafood. There was much discussion last meeting about out of state businesses, but NMFS provided guidance: applications will be accepted in the state where the facilities are located. Eligible businesses should be able to show minimum average seafood sales of at least \$100,000 over the past 5 years. The group points out that this needs to be \$100K in wholesale, not retail, and agreed that this would be possible for businesses to separate out. This is an example of something that would appear on the application affidavit.

The list of permitted seafood dealers that DMF circulated includes many businesses where eligibility was a concern to the working group. Some issues include shipping, storage, and retail businesses, etc. The group recommends that DMF set some internal rules (example: percentage of product needs to be seafood). The suggestion was that 70% of wholesale products sold on an annual basis must be seafood. DMF plans to scrutinize this list and confirms that it would be able to set reasonable conditions for identifying legitimate wholesale seafood wholesalers and processors.

DMF is currently working on the issue of some for-hire and aquaculture grower/dealer businesses straddling two groups, and potentially double-dipping. There is concern that the grower/dealers might not be able to apply for aid from the processing sector if there is a \$100,000 minimum threshold, but a tiering system could solve this. A suggestion was made that businesses with the potential to qualify in two sectors could choose which aid group they want to pursue.

Metrics and Tiering

Based on the outcome of the first working group meeting, DMF presented that the preferred route for tiering is mainly based on number of employees or positions. Discussing specifics is challenging, because DMF does not have this data yet. This would need to be a two layered application: one application would collect data to make the bins and tiers, and a second letter would be sent out verifying that the business would accept this amount (the net benefits of the various federal relief funds shall not total more than normal revenues for businesses, and this will be evaluated on an annual basis). This method was generally accepted by the group, except for one member who said that allocation should be proportional and based on dollars spent on employees, e.g. take each application, add them up, and divide based on number of applicants.

Members agreed that the tier payouts could (and maybe should) be weighted, and there was consensus that a cap on payouts is a good idea.

The main issue is how to measure employees: amount spent on employment vs. number of employees. Group members acknowledged that this might not be a perfect solution as other issues include high salaries, employees working for other parts of the business (such as retail), and temporary employees through hiring agencies. Temporary employees and high salaries were not documented in PPP applications. DMF and working group members agreed that PPP criteria is an effective way to create an application, and that temporary employee data could be accessed from another source, also, tax returns will be likely called upon.

Next Steps

DMF would like to finalize a spending plan later this week. DMF will work on a draft document to distribute to working group members that will contain information on scaling factors as well as recommendations for eligibility, and establish an application period. After the working group receives the document it will be decided whether another meeting is needed at this time.