

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE

House Bill 69 (Delegate D'Amato)

Environmental Matters

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Imported Crab Meat - Restrictions

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This bill relates to the labeling of imported crab meat and crab meat products.

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Fiscal Summary

**State Effect:** General fund expenditure increase of \$491,200 in FY 2001 to implement the labeling provisions of the bill and to survey affected retailers. Future year estimates are annualized, adjusted for inflation, and reflect on going contractual services to print labels. Potential increase in general fund revenues due to the bill's penalty provisions.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	-	-	-	-	-
GF Expenditures	\$491,200	\$543,500	\$555,300	\$567,600	\$580,300
Net Effect	(\$491,200)	(\$543,500)	(\$555,300)	(\$567,600)	(\$580,300)

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** This bill would not directly affect local government operations or finances.

**Small Business Effect:** Meaningful.

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Analysis

**Bill Summary:** This bill makes it misleading to use the words “product of Maryland,” “Maryland style,” or other similar phraseology for a product that is made from crab meat originating from a foreign country. The bill prohibits the placement of any false or misleading statement on a package of crab meat or products made from crab meat, and prohibits marking a container containing crab meat originating from a foreign country with a mark identifying the product with the State.

The bill requires each container of crab meat or product made from crab meat sold in Maryland which contains crab meat picked from a crab, packed, repacked, or processed outside of the United States to be marked with a label provided by the Department of Health and Mental Hygiene (DHMH) that states the country of origin. The bill gives DHMH the authority to impose a fine not exceeding \$5,000 on a seller, producer, or importer of crab meat that does not comply with these requirements. The bill encourages retailers of crab meat to identify crab meat by country of origin on menus, advertisements, or other displays. The bill also requires the Department of Business and Economic Development (DBED) to report to the General Assembly on or before October 1, 2001, on the extent to which retailers of crab meat are identifying crab meat by country of origin.

The provisions of the bill are severable.

**Current Law:** It is illegal to put any false or misleading statement on a container of crab meat. However, it is not illegal to include on the packaging for imported crab meat and products made from imported crab meat phrases such as “Maryland-style.” Each container of crab meat sold in the State containing crab meat picked from a crab, packed, repacked, or processed outside of the United States is required to be marked with the country of origin. These provisions do not apply to products made from imported crab meat.

**Background:** The blue crab is one of the most important species harvested in the Chesapeake Bay and generates approximately \$90 million in economic benefit to the State. According to the Department of Natural Resources (DNR), in 1998, landings of blue crab totaled about 26 million pounds at a total value of approximately \$30 million. However, in 1997, Maryland produced only 13% of the domestic supply of crab meat in the United States. Approximately 60% to 70% of crab meat consumed in the United States is imported from foreign countries. For example, in 1998, imports totaled over 26 million pounds, while domestic crab meat totaled under 10 million pounds. According to DHMH, Maryland imports crab meat from approximately 58 countries.

According to DNR, the number of crabbers far exceeds any other commercial fishery in Maryland. As of March 1999, DNR had issued over 4,500 licenses to catch crabs. DNR has also issued unlimited tidal fish licenses, which allow for crabbing, to over 2,000 licensees. In addition to the 3,000 members of the Maryland Watermen’s Association (MWA), Maryland’s crab industry includes approximately 50 businesses, including several crab meat processors and importers and four manufacturers of crab meat products.

According to the MWA, because the price of imported crab meat is generally less than the price of domestic crab meat, consumers generally purchase imported crab meat. Watermen believe that consumers would be willing to pay a higher price for Maryland crab meat if they knew that it was from Maryland.

**State Fiscal Effect:** General fund expenditures could increase by an estimated \$491,200 in fiscal 2001, which accounts for the bill's October 1, 2000, effective date. This estimate reflects the cost of hiring three sanitarians and one office secretary to distribute labels to importers and manufacturers and to inspect retail establishments to enforce the labeling provisions of the bill. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, one automobile per sanitarian, and contractual services to print labels and to administer a survey of retail establishments.

The information and assumptions used in calculating the estimate are stated below:

- 2.9 million packages will require labels annually (50,000 packages annually from each of the 58 countries of origin);
- each package will require only one label;
- each label will identify only one country of origin; and
- each label costs \$.125.

The estimated number of packages requiring a label is based on the estimated number of packages imported into the State annually from each country of origin and does not include packages shipped in from other states or packages of crab meat products made in Maryland that contain imported crab meat. Legislative Services advises that there is no reliable way to estimate those figures at this time.

Because crab meat products often contain crab meat from more than one country, it is also difficult to estimate the number of labels that will be required per package. Because it is difficult to estimate the total number of packages that will require a label and the number of labels that will be needed for each package, the actual number of labels that DHMH will provide to importers and manufacturers is unknown.

Legislative Services advises that the number of sanitarians DHMH will need to implement the labeling and enforcement provisions of the bill will depend largely on: (1) the number of labels that will be distributed; (2) the number of businesses that will require labels; and (3) the extent to which DHMH performs inspections to enforce the requirements. To the extent that DHMH requires a different number of sanitarians to meet the requirements of the bill, costs will vary accordingly:

Salaries and Fringe Benefits	\$122,300
Contractual Services - Printing Labels	271,900
Automobile Purchases	38,800
Contractual Services - Survey	25,000
Equipment (Computers, Furniture)	17,400
Contractual Services - Printing Plate Set-up	7,200
Other Operating Expenses	<u>8,600</u>
<b>Total FY 2001 State Expenditures</b>	<b>\$491,200</b>

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses including contractual services to print labels.

Due to the bill's penalty provision, general fund revenues could increase to the extent that violators are fined. DHMH would have the authority to impose a fine not exceeding \$5,000 on a seller, producer, or importer of crab meat that does not comply with the bill's labeling requirements. Because it is difficult to predict the number of violators and the extent to which DHMH would assess fines against them, the extent of any increase in revenues is unknown.

**Small Business Effect:** According to the MWA, most crabbers, crab meat processors, and manufacturers of crab meat products made from Maryland crab meat are small businesses. To the extent that this bill results in an increase in the demand for Maryland crab meat products, the bill could result in an increase in revenue for those entities.

To the extent that importers and manufacturers of imported crab meat and products made from imported crab meat are small businesses, those entities could incur significant costs related to the bill's labeling requirements and prohibitions. Specifically, the prohibition against using phraseology such as "Maryland-style" could result in a loss of revenue if it decreases the demand for imported crab meat or products made from imported crab meat. The prohibition could also impose significant costs on those entities by requiring them to modify the packaging for their products.

In addition, the bill's labeling requirements for crab meat products will impose significant costs on importers and manufacturers related to identifying products by country of origin with a label provided by DHMH. Because many manufacturers, in producing crab meat products, use crab meat imported from several different countries, and because the countries from which crab meat is imported vary significantly, it is possible that the bill's labeling requirements could be prohibitively expensive for some small businesses to meet.

To the extent that the bill decreases the supply of crab meat products produced by Maryland manufacturers, those entities will be placed at a disadvantage when competing with other states. Retailers of crab meat products, including grocery stores and restaurants, will face higher costs which will be passed on to consumers.

Larger businesses that import, manufacture, or sell crab meat products made from imported crab meat will be similarly affected.

The bill's labeling requirements and prohibitions will also impose significant costs on manufacturers in other states who currently ship imported crab meat and products made from imported crab meat to Maryland.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Business and Economic Development, Department of Natural Resources, Maryland Watermen's Association, Phillips Foods, Department of Legislative Services

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