Supply & Economic Issues Associated with AB 711

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Southwick Associates Specializes in:

- 25 years as the primary economics and business statistics source for state wildlife agencies, outdoor industries & media

  - Economic impacts – including hunting, fishing & shooting in California
  - Size and trends – including ammo sectors
  - Angler & hunter consumer research – to help increase funding for state fish & wildlife agencies.
  - Recognized as the top quantitative research firm by the hunting & firearms industry
  - Regularly hired by financial industries to explain opportunities and risks in the outdoor arena.
Methods & Data

The best available data sources were used:

- Existing federal and trade data
  - U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives
  - Internal Revenue Service – excise tax collection data
  - U.S. Fish and Wildlife Service:
    - 2012 National Survey of Fishing, Hunting & Wildlife-Associated Recreation
    - Annual state license sales and revenue data
    - Other trade associations, and HunterSurvey.

- Surveys of:
  - California’s hunters
  - U.S. ammunition manufacturers
AB 711: Key Points

- Very limited supplies of alternative ammunition are available
  - Market dynamics
  - Technical constraints
- AB711 will significantly increase prices:
  - Impacts economy
  - Reduces conservation funding
- Alternative ammunition not available in many common hunting calibers
- Do not mistake current retail inventory as an indicator of future inventories once AB 711 goes into effect
Manufacturers Survey

Surveyed U.S. ammunition manufacturers:

- June 2014
- Email and phone
- Contacted major and minor manufacturers using current industry survey techniques
  - Methods used in semiannual ammunition manufacturers survey for 12 years
- Heard from U.S. manufacturers who produce approx. 95% of ammunition
Manufacturers Survey

- Alternative ammunition is a small portion of U.S. production.
  - Roughly 92% of ammo is lead based. Much of the rest is for non-hunting market (steel, frangible, etc.)

- Expanding production is not simple:
  - Requires:
    * Specialized equipment
    * Long term investments

"Expansion investments are too risky based on a single state's law."
Centerfire: up 284%
Rimfire: up 294%
Shotshells: up 387%
Current National Ammunition Shortages

- Shortages for last six years
- Worse in some calibers than others:
  - Rimfire
  - .204, 30-30, 8mm and others
- Demand remains high
California Hunters Survey

- Fielded in June, 2014
- Used SSI, Inc. as a third party source of hunters’ contact info
  - Used by university research projects
  - Represents a cross-section of all CA hunters
    - Crossed checked with U.S. Census Bureau & U.S. Fish and Wildlife Service data
- 309 California hunters, 95% confidence interval no worse than +/- 5.6%
California Hunters Survey

- Hunters reviewed three price scenarios
- “If the cost of ammunition increased as shown above, would you continue to hunt?”

- 13% to 36% of hunters likely to stop hunting as a result of AB 711.
- For the rest of this analysis, we assume a 13% loss of hunters.
Critical Point: Rimfire Ammunition

- 64% of small game hunters use rimfire.
- Current alternative rimfire:
  - For indoor ranges & training – not for hunting
  - These manufacturers are very small in size, unable to ramp up to the levels required of California.
- Based on manufacturers survey, major producers report no ability to increase production now.
Centerfire Ammunition

- Annual centerfire sales in California:
  - $22.1 million = traditional centerfire ammunition
  - $1.3 million = alternative centerfire ammunition
- Only 5.3% of current U.S. centerfire ammunition production is comprised of alternative ammunition
- Manufacturers report limited expansion capability (5.5% more)
Retail Inventory Effects of AB 711

Percent of U.S. Production of Alternative Ammunition that would be Consumed in California

Red line = U.S. production capacity
Losses to California’s Economy

Using the conservative estimate that 13% of hunters will stop hunting completely, California will see a loss of more than 51,600 hunters.

This drop-off will reduce California’s economy by:
- 1,868 jobs
- $68.7 million in salaries and wages
- $13.9 million in state and local tax revenue
- $5.8 million of federal tax revenues
Losses to Conservation of all Species

- Hunters are the single largest private contributor to wildlife conservation in the U.S. ($2.0 billion +, via USFWS)

Sources:
- State license sales
- Federal excise tax revenues on firearm and ammo sales that are apportioned across states
- Out-of-pocket contributions
Losses to Conservation of all Species

- Primary DFG funding sources:
  - Sportsmen’s licenses = 51,600+ hunters = $2.7 million (a 11% loss)
  - Potential excise tax reductions = $695,000 (a 5.7% loss)
Review of HSUS Ammo Report

- Current retail stocks DO NOT indicate future manufacturing capabilities!
  - Fundamental flaw: unqualified data source
    - Retail clerks not informed on manufacturing details
    - Manufacturers were not contacted
  - Flawed survey methodology
    - Overly simplified. Simple yes/no responses from retail clerks do not provide insights into:
      - Technical issues regarding manufacturing,
      - Ballistics limitations and performance,
      - Raw material cost and supplies,
      - Current capacity and expansion issues
Review of HSUS Ammo Report

- Survey flaws (continued)
  - Selection process not explained. Randomized?
  - Use of volunteers vs trained surveyors
  - Didn’t identify dates – was it during hunting season?
  - Retail coverage – were hunting regions adequately covered?
  - No distinction between jacketed lead core and alternative materials
  - No distinction between hunting vs specialty loads

- Drawing a conclusion of “no supply issues” is irresponsible.
Review of HSUS Ammo Report

- Demonstrates limited knowledge and experience within the industry:
  - Steel shot is not priced same as lead shot
    - Steel typical 2x more,
    - Other alternative shot can be 4x more
  - Online sales are restricted in much of California
  - Appears to not understand the major manufacturers, marketing vs actual demand, and more
Review of HSUS Ammo Report

- Unsubstantiated assumptions:
  - “A 1.5-2 year transition period is adequate to allow industries to increase production and for their products to become more widely available.” No consideration provided for technical & capacity issues.
  - “The retail availability is presently assured through online sales of nonlead ammunition either via the manufacturers or their major distributors.” How current online sales reflects future supplies is not explained.
  - “Where higher prices for nonlead products existed, they were not of such magnitude as to prohibit purchase of nonlead ammunition by hunters.” No analysis is offered of the effects of higher prices.
Review of HSUS Ammo Report

Unsubstantiated assumptions:

“However, given the existing requirement for nonlead rifle ammunition in California, and the ability of hunters to back-order products from specialized retail stores, nonlead ammunition is reasonably available to hunters who do not use online purchasing.” Backordering actually indicates current production is already not capable of meeting pre-AB 711 demand. Also, this fails to address rimfire issues.

“Nonlead ammunition is readily available as rim-fire .22 caliber bullets for such purpose, as is nonlead center-fire ammunition in the calibers .17, .22 Hornet (sic), and .222/.223.” Another unsubstantiated claim, and not supported by our surveys or inside industry experience.
AB 711: Key Points

- Our work is based on scientific industry research and years of ammunition research experience.
- Very limited supplies of alternative ammunition are available.
- Increased production is impossible in the near term / unlikely in the long term.
- AB711 will significantly increase prices, reducing participation.
- Impacts California’s economy, especially rural areas.
- Reduces conservation funding: hunting licenses & excise tax reductions.