

# SEAFOOD TREND NEWSLETTER

*independent coverage of the seafood market since 1984*

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KEN TALLEY, EDITOR

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Dear Subscriber,

The table is set for West Coast Dungeness crab to have a blockbuster season. Officially opened for most fishermen on December 1, the season was expected to see its first deliveries only yesterday. Crabbers and processors all along the coast had held back until the crab were ready for the market. With expected high volume, prices will be down from last year. This could make Dungeness the star of the season as king and snow crab are scarce and high priced.

Dungeness is never easy. This year, pre-season test fishing gave the first inkling that the season would get out of the gates slowly. Particularly off southern Oregon and northern California, tests showed that the crab were slower to fill-out this year than in the past. Port Orford, Oregon, and Eureka, California, were two spots where crab quality was lagging even as statewide averages moved toward the market-ready designation of 25% meat-fill.

This made price negotiations between processors and fishermen more difficult than usual. Oregon's negotiations, the only formal mechanism along the coast, took place as scheduled in mid-November. There was real concern about putting crab on the market that was not yet ready for prime time. At the same time, there was no way for the state to delay the season simply to help the market; state test fishing determines if the crab is ready to be harvested not sold.

To get a clearer picture of what was happening, the industry itself sponsored some extra test fishing, which only confirmed that crab quality, while heading in the right direction, was slower than normal. That's when the Oregon industry, leading the way, decided to hold back from fishing. Processors and fishermen agreed on a two-step ex-vessel price--\$1.65/lb. for crab delivered before December 12 (and presumably of lower quality) and \$1.675/lb. for deliveries after that date. And, somewhat surprisingly, the industry held to its self-imposed delay. Fishermen stayed in port and processors kept their processing lines idle for nearly two extra weeks.

The market itself also prompted fishermen and processors to delay the start of fishing and to work with a lower ex-vessel price than last year. Last year, Oregon crabbers started out at \$1.75/lb. but accepted the \$1.675/lb. this year for two reasons. First, as noted above, were questions about quality. Lower quality can affect the market, as was seen in central California where crabbers started out at \$1.75/lb., delivered a lot of crab, some of marginal quality, and saw the ex-vessel price drop to \$1.65/lb. before fishermen tied up. The coastal industry did not want to go through that situation, especially since most--not all--expect large catches this season.

Marketers were also puzzled about the crab market. Both king and snow crab are scarce and high priced, providing a nice opening for Dungeness. But Dungeness isn't a perfect substitution; it has its own distinct market and demand. This is especially true in the holiday period where whole cooks, not sections, are the product of choice and demand. Just because king and snow crab were moving to the very high-end markets didn't mean that Dungeness could walk up the line as well, especially if landings should come in as abundant as expected.

As fishing finally begins, the industry is getting two more positive signs that this could be a very good year. First, the state of Oregon, in an unprecedented move, has decided to keep one area of the coast, Port Orford, closed until January 15 because the crab are still not ready. This will keep iffy crab off the market while protecting the local small-boat fleet.

Next, Oregon received official word that it has become the first West Coast crab fishery to earn the Marine Stewardship Council's certification for sustainability. The Oregon Dungeness Crab Commission is holding a big media event this Wednesday to tout the certification. While the U.S. market is still not as far along in demanding sustainable seafood as, say Europe, the tipping point has occurred and Oregon Dungeness crab will now be in a position to take advantage of that rising demand, especially as consumers get educated about sustainability.

King crab is a puzzlement. Wholesale prices are sky high, but many experienced marketers can't tell if the current situation and prices are real or a frenzied illusion.

One thing for certain, supply is limited. Alaska is all but over and the Barents Sea is done for now. There is some king crab coming from the Russian Far East, but marketers are nervous about that crab because of the difficulty tracing the origin of it.

In Alaska's Bristol Bay red king crab fishery, landings are at 13.3 million pounds with only 27,948 pounds to go before the total allowable catch is used up.

Imports of king crab tell the story. Through October, the most recent figures available, imports of king crab sections, all species and sources, are down 48.1% from last year to only 16.7 million pounds. That's a substantial drop in supply by any measure. Russia is the major source of imported crab, accountable for 15.5 million pounds of total imports. That total is down from last year when Russia sent in 26.3 million pounds through October.

The dearth of imports has pushed up average prices, but not as much as you might expect. The average import value through October is \$7.61/lb., up only 10.4% from last year's \$6.89/lb.

The value is rising slower than the supply is dropping for a couple of reasons. First, there are much fewer large, expensive sections available for imports. The Barents Sea fishery, for example, is still a major source of the largest sections but the supply is way down from the not-to-distant past. Second, more smaller sections are coming in and although they are expensive--20-ups, for example, are nearly \$12/lb.--they are valued at much less than the largest sections. Finally, demand is a shadow of its former self as retailers take a pass on expensive king crab.

That's not to say king crab has completely disappeared from retail seafood cases. A major club chain, which had pioneered Barents Sea king crab, still has king crab available. But, they are 14-17s rather than 6-9s, and the retail price is a whopping \$19.99/lb., up from \$13.89/lb. just a few weeks ago and up from the \$9.99/lb. large sections were going for a few years ago.

The question still to be answered is simple: Will the market accept the high prices? The answer will come in two waves. First, holiday sales will be a signal of demand. Second, and perhaps more importantly, what happens when sales go into their post holiday quiet period?

Halibut fishing along the Pacific Coast is over for the year, but the market is anything but quiet. Now that fresh fish are gone, frozen takes center stage--at high prices but some volume. That's especially true now that much less halibut is on the horizon for next year.

The staff of the International Pacific Halibut Commission has set out its recommendation for the 2011 halibut season, which will be acted on at the annual meeting January 25-28.

For 2011, recommendations call for a 19% drop compared to 2010 to 41.02 million pounds. As the table shows, halibut has been declining for several years, with next's year's recommendation down 32.2% from the level of 2008.

Area	2008	2009	2010	2011
2A (WA, OR, CA)	1.22	0.95	0.81	0.86
2B (BC)	9.00	7.63	7.50	7.65
2C (SE Alaska)	6.21	5.02	4.40	2.33
3A (Central AK)	24.33	21.70	19.99	14.36
3B (West AK)	10.90	10.90	9.90	7.52
4 (Far West AK)	8.85	7.88	8.07	8.31
Total	60.51	54.08	50.67	41.02

Source: IPHC; million lbs.; 2A & 2C include sport & tribal.; 2011 proposed, others final.

Major production areas of Alaska are hit the hardest. Southeast Alaska will see a 47% drop in catch, central Alaska a 28.2% drop, and western Alaska a 24% drop in the coming year.

The reduction is due to declines in some abundance indexes as well as continued refinements in the models used to assess the stocks. This likely results in greater accuracy of stock assessment, but they also result in uncertainty for fishermen and marketers each year.

The lack of product and resulting high wholesale prices (large frozen fish are already \$8/lb. and more) may already be reflected in the market. Demand will continue to shrink and move to the high end. The upper middle class consumer may be immune to the high prices.

The shrinking demand and high prices have pushed a bit of product to the market lately. Even though it is high priced, a few buyers are biting. For how long, is anybody's guess.

Gulf of Mexico shrimp is a scarce commodity that, along with imported shrimp, is seeing higher prices. Shrimp of all forms remains a good buy in today's market, and Gulf of Mexico shrimp should continue to garner strong prices for the rest of the year thanks to holiday demand.

After a bump in landings last October, the Gulf of Mexico shrimp catch has come back to more typical levels. October saw only 13.3 million pounds of shrimp delivered by Gulf shrimpers, down 15.8% from last year but only 4.3% below October 2008.

	2008	2009	2010
October Catch	13.9	15.8	13.3
Jan-Oct Catch	81.7	114.6	72.3
Ex-Vessel \$/lb.	\$3.31	\$2.74	\$4.03
Wholesale \$/lb. Whites	\$5.96	\$3.37	\$6.06
Wholesale \$/lb. Browns	\$5.79	\$3.75	\$5.76

Source: NMFS; millions of lbs. and \$/lb; average prices for October..

Cumulative landings, however, are still well below both last year and the year before. The 72.3 million pounds landed to date this year is 36.9% below last year, 11.5% below 2008.

That goes a long way in explaining the strong prices at both ex-vessel and wholesale levels. Shrimpers are averaging \$4.03/lb. for their shrimp, 47.1% higher than last year.

What's happening is that all sizes of shrimp are in demand because they are short. Larger shrimp have been seeing stronger prices for some time, but now smaller shrimp are enjoying the same. In just about every part of the Gulf, the smallest shrimp, 41/50s, are up over last year.

Wholesale demand for Gulf shrimp is strong because supply is short. It's surprising, really, how extensive the retail market for Gulf shrimp has become during the recession. While retail prices are steep (\$8/lb. for some sizes), demand is strong enough that product is moving.

Strong demand has resulted in high wholesale prices. The average price for Gulf whites, for example, was \$6.06/lb. in October, well above the \$3.37/lb. average of last year. The same for Gulf browns, which went for \$5.76/lb. on average compared to only \$3.75/lb. last year.

What seems to be happening is that demand for Gulf of Mexico shrimp is increasing and making up ground lost in the throes of the recession last year. Wholesale prices, as with ex-vessel prices, are now getting back to, or rising slightly above, the average prices in 2008.

Shrimp imports are holding steady as major suppliers keep the product moving to the U.S. As the recession begins to fade, shrimp are bringing higher prices. They are holding, too.

Where September imports, at 121.5 million pounds, were off a half million pounds from the previous year, October may have shown some momentum building. Imports hit 135.3 million pounds, up 1.6 million pounds from 2009. Slowly, more shrimp is coming.

	2008	2009	2010
October Volume	144.5	133.7	135.3
Jan-Oct Volume	1,021.5	991.4	992.7
Total Value	\$3,334.7	\$3,075.6	\$3,333.2
\$/lb. Value	\$3.26	\$3.10	\$3.36

Source: NMFS; millions of lbs. & \$, except \$/lb.

Through October, shrimp imports are essentially even with the previous year but still have some work to do to catch up with 2008. But the shrimp coming in is gaining in value.

A pound of imported shrimp was worth \$3.36/lb. in October, a nice 8.4% gain over 2009 and even a worthwhile 3.1% gain over 2008.

That translated into a total cumulative value for imported shrimp of \$3.3 billion, up 8.4% as well. Even as supply inches up, demand seems to be growing faster, pushing up prices. That's because shrimp, even at current strong prices, is a good value compared to other shellfish such as king and snow crab. That should mean strong holiday sales through January at least.

Rank	Country	2008	2009	2010
1.	Thailand	322.6	333.1	354.0
2.	Ecuador	103.6	112.2	122.4
3.	Indonesia	164.3	133.1	112.2
4.	China	88.7	75.9	82.3
5.	Vietnam	81.5	74.7	81.1
6.	India	27.8	37.0	49.3
7.	Malaysia	52.8	32.4	43.0
8.	Mexico	53.0	70.7	39.1
9.	Honduras	9.6	12.6	17.5
10.	Guyana	17.2	17.5	15.6

Source: NMFS; million lbs., Jan-Oct

Current wholesale demand should continue

to attract more shrimp production from foreign suppliers. If import supplies increase slowly, prices are very likely to continue moving up at a brisk pace as other shellfish supplies fall short.

This past summer's Alaska salmon season really was a barn-burner, but perhaps in ways not quite appreciated a couple of months ago. Amended data from Alaska Department of Revenue have given added weight to the dominance of sockeye salmon in the marketplace as well as a dose of reality in the kinds of products produced from Alaska's salmon harvest.

The Alaska Department of Revenue, which compiles the Alaska Salmon Price Report, recently amended its May-Aug report (see STN 10/25/10) after discovering some inadvertent "mislabeling" and "miss-categorizing" of salmon from one region of the state.

What the new numbers say confirms the trends seen previously but gives some important shades of meaning. The amended numbers, seen in bold in the table below, show that sockeye fillets are indeed an important item in the marketplace. The average price for frozen sockeye fillets was a whopping \$5.06/lb. this past summer, not the \$3.62/lb. originally calculated. This coincides more closely with anecdotal evidence at the time.

However, it also shows that supply is a key ingredient in determining price. Instead of 10.4 million pounds of frozen sockeye fillets sold, as first indicated, only 7.4 million pounds were sold. While this shows growth over the amount sold in 2009, it's more modest growth.

Chums saw the other major change with the new numbers. While the average wholesale price stayed close to the first-reported numbers (\$1.60 vs. \$1.64/lb.), the volume of H&G increased by about 3 million pounds, the same amount reduced from the sockeye totals. Thus, 34.7 million pounds of frozen H&G chums were sold this past summer, about 3 million pounds more than first reported. Chums are an important product, and H&G remains the dominant form.

Alaska Salmon Sales Volume & Wholesale Prices-- <b>AMENDED</b>							
Species	Product	2008		2009		2010	
		Sales	\$/lb.	Sales	\$/lb.	Sales	\$/lb.
Chinook	H&G Fresh	1,124	\$7.81	967	\$5.99	845	\$6.94
	H&G Frozen	425	\$5.21	578	\$2.83	375	\$3.88
	Fillet Fresh	24	\$6.45	57	\$9.55	58	\$8.71
	Fillet Frozen	117	\$4.95	131	\$5.12	165	\$7.86
Coho	H&G Fresh	2,266	\$3.29	2,126	\$2.90	2,346	\$3.02
	H&G Frozen	3,119	\$2.72	3,155	\$2.09	2,440	\$2.68
	Fillet Fresh	607	\$6.00	607	\$5.86	239	\$6.27
	Fillet Frozen	342	\$4.56	1,106	\$4.47	817	\$5.78
Sockeye	H&G Fresh	11,775	\$3.57	13,660	\$3.67	11,672	\$4.03
	H&G Frozen	34,478	\$2.22	46,072	\$2.39	50,270	\$2.99
	Fillet Fresh	1,313	\$7.04	2,715	\$6.88	2,629	\$8.02
	Fillet Frozen	5,807	\$4.45	6,771	\$3.86	<b>7,373</b>	<b>\$5.06</b>
	Canned/Tall	88,585	\$105.68	70,792	\$124.18	79,743	\$112.89
	Canned/Half	387,934	\$62.14	242,678	\$71.42	240,921	\$69.84
Pink	H&G Fresh	1,643	\$0.94	379	\$1.44	3,580	\$0.89
	H&G Frozen	21,463	\$0.96	35,892	\$0.91	62,372	\$1.29
	Fillet Fresh	--	--	--	--	--	--
	Fillet Frozen	1,644	\$1.45	--	--	--	--
	Canned/Tall	562,206	\$58.95	263,271	\$76.12	303,281	\$79.17
	Canned/Half	206,860	\$39.72	235,643	\$47.10	167,730	\$46.53
Chum	H&G Fresh	4,661	\$1.33	2,752	\$1.40	4,998	\$1.55
	H&G Frozen	23,379	\$1.10	33,798	\$1.17	<b>34,688</b>	<b>\$1.60</b>
	Fillet Fresh	--	--	2,567	\$2.32	1,727	\$3.22
	Fillet Frozen	1,755	\$2.09	1,494	\$2.15	2,379	\$3.29

Source: Amended Alaska Salmon Price Report; May-Aug; sales are '000 lbs. except canned which is cases; \$/lb and \$/case are state averages.

Sincerely,

Ken Talley, Editor