

# SEAFOOD TREND NEWSLETTER

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KEN TALLEY, EDITOR

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Dear Subscriber,

Dungeness crab is always an adventure, it seems, and this year is no exception. Just when the market is hungry for product, the West Coast season will likely be delayed. The market is ready for Dungeness, but this year's Dungeness is not quite ready for prime time.

That's the word that came from Washington, Oregon, and California late last week. With quality tests showing Dungeness crab doesn't have the meat-fill necessary for the market, the three states have decided that the season won't open until at least December 15, two weeks later than normal. The effect on the market could be surprising since holiday demand could be hot.

The delay in the season will give fishermen and processors time to assess the market. With high wholesale prices, strong export demand, limited carryover inventory, and the recession hanging over the consumer, there is plenty of uncertainty to go around with the delay in the season. Feeding the uncertainty for Dungeness crab is the overall supply/demand equation for competing crabs, king crab and snow crab. All three are in the market mix. At the same time, Dungeness marketers have to be encouraged as they review last season's results.

And what a year it's been for West Coast Dungeness crab. The market was so strong that the law of supply and demand took a back seat as landings and value roared to new heights.

As the table below shows, the total harvest of coastal Dungeness crab hit 70.5 million pounds this past season, a 23.9% increase over the previous season. This total doesn't take into account Alaska's smaller fishery or Puget Sound's on-going fishery.

Despite the strong increase in landings, the demand for the product was so strong that the total ex-vessel value increased at an even faster rate than did supply. The three West Coast states saw their coastal fishery generate \$167.3 million in ex-vessel value, a 43.7% increase over the previous season and the highest value in at least the last five years.

Where the rubber meets the road, however, is the average price to the fishermen. And last season was a bonanza as crabbers averaged \$2.37/lb. for their crab, a very nice gain of 16.2% for the 2009-10 season though still down from the \$2.58/lb. average price in 2007-08.

At the wholesale level, the strong demand resulted in frozen whole cooks nearly reaching \$5/lb., while section prices nudged up against \$7/lb., and meat prices stayed around \$15/lb.

West Coast Dungeness Crab		2006-07	2007-08	2008-09	2009-10	2010-11
Washington	Landings	14.3	15.3	10.3	16.6	21.8
	Value	\$32.6	\$40.6	\$21.9	\$37.6	\$61.3
	\$/lb.	\$2.28	\$2.65	\$2.12	\$2.27	\$2.81
Oregon	Landings	15.1	12.3	13.0	23.1	21.2
	Value	\$32.9	\$29.4	\$26.1	\$44.6	\$49.0
	\$/lb.	\$2.18	\$2.38	\$2.00	\$1.93	\$2.30
California	Landings	13.5	8.4	6.2	17.2	27.5
	Value	\$30.4	\$23.0	\$14.7	\$34.2	\$56.7
	\$/lb.	\$2.26	\$2.75	\$2.37	\$1.99	\$2.06
Total	Landings	42.9	36.0	29.5	56.9	70.5
	Value	\$95.9	\$93.0	\$62.7	\$116.4	\$167.3
	\$/lb.	\$2.23	\$2.58	\$2.12	\$2.04	\$2.37

Source: WDF&W, ODF&W, CDF&G; millions lbs. & \$ except \$/lb.; ex-vessel value; Washington is coastal only, tribal & non-tribal.

While the overall trend in last season's coastal Dungeness crab fishery was upward, there were enough variations and surprises in the three states to keep the market awake and watching.

Take Oregon, the only state to show a drop in landings, albeit a small drop. Last year, Oregon crabbers landed 21.2 million pounds of Dungeness, down 9% from the previous season. With the slightly lower supply, marketers chased after the available crab, paying fishermen an average of \$2.30/lb., an increase of 19.2% over the 2009-10 season average. This resulted in a total dockside value of \$49 million, up 10%. This was the second most valuable Dungeness fishery in Oregon's history, topped only by the \$52.9 million of the 2004-05 season.

Oregon's fishery is the only Dungeness crab fishery on the Pacific Coast to be certified as sustainable by the Marine Stewardship Council, a designation achieved in December 2010.

Washington had very strong Dungeness fishery last season, both tribal and non-tribal fishermen seeing strong gains in landings. All told, Washington harvested 21.8 million pounds of Dungeness crab, up 31.3% from the 16.6 million pounds of the previous season. Non-tribal crabbers saw their catch move from 13 million pounds in 2009-10 to 16.7 million pounds last season. Tribal crabbers saw landings go from 3.6 million pounds to 5.1 million pounds.

The value of that crab was the highest of the three states at \$61.3 million, a gain of 63%. The average ex-vessel price saw a 23.8% gain, going from \$2.27/lb. to \$2.81/lb. Once again, Washington's January opening (for all but the very southern tip of the state) worked out well for fishermen because once they started fishing demand was strong after the holiday landings. For the last couple of years, Washington crabbers have had the highest ex-vessel price on the coast.

Washington crabbers have also benefited from the strong demand for live crab. As the season drew to a close in mid-September, live buyers were paying as much as \$5.10/lb. for Dungeness crab. Washington was the last coastal fishery to close and crab was wanted.

In many ways, California was the star of the coastal fishery for Dungeness. Not only did that state see the biggest growth in landings of any of the three states, but it also saw the highest growth in dockside value of the fishery. California was the poster child for the explosive market.

Total landings for the California fishery hit 27.5 million pounds this past season, a gain of 59.9% over the 17.2 million pounds of the previous season. And the star of the landings derby was central California, which saw landings jump from a normal 3.4 million pounds in 2009-10 to an astonishing 19 million pounds this past season. Early indications suggest that this season could see similar landings thanks to favorable ocean conditions. Previously, the central management area's peak catch was the 2004-05 season when 6.1 million pounds were caught.

The value of California's Dungeness harvest was \$56.7 million, a whopping gain of 65.8% over the previous season. The huge volume did keep ex-vessel prices in check compared with Washington and Oregon, but even so last season's average of \$2.06/lb. was a gain of 3.5% over the previous season. However, California crabbers still have a long way to go before hitting the heights of \$2.75/lb. in 2007-08 or even the statewide average of \$2.38/lb. of 2008-09.

Now comes the approaching Dungeness season along the West Coast and marketers and fishermen seem more uncertain than at any time in recent memory. This will make price negotiations a difficult task this year. The delay in opening from December 1 to December 15 or later could give the industry some breathing room to figure out the lay of the land.

The Oregon industry has already had its normal market update sponsored by the Oregon Department of Agriculture and the Oregon Dungeness Crab Commission. Price negotiations will come next and nobody is saying much about what prices will end up at. That's because the new dynamics of the Dungeness crab market have thrown traditional approaches in doubt. The market is changing as exports take a bigger bite of the Dungeness pie and the normal distribution of product forms seems to be changing as well.

The biggest change in the Dungeness crab market is the explosion of live crab exports. With the increase in exports, there has come a corresponding reduction in section production for the domestic market. Even with higher landings, production of traditional products is tightening.

It is difficult to size up the export market for live Dungeness crab. Marketers are certain that live crab is being exported to China and to British Columbia (and then to China). But government export figures give an incomplete picture because those figures do not pull out Dungeness crab by name. It can be assumed that shipments of live crab from Pacific coast ports are, in fact, Dungeness crab. But the numbers need to be used cautiously.

One reason is that the export category includes more than live crab. According to the export labels on government trade tables, the exported product is "Crab NSPF Live/Fresh/Salted/Brine." This translates into "crab not specifically provided for live/fresh/salted/brine." In other words, the crab in the product category could be any crab live, fresh, salted, or brined.

Providing a bit more uncertainty, the Pacific ports from which the product was exported include Anchorage, Honolulu, Los Angeles, Portland, San Diego, San Francisco, and Seattle.

However, assuming that the majority of this crab is live Dungeness, then there has been indeed, a major increase. Current figures through September show exports to China of this crab amounted to 1.8 million pounds from Pacific ports, up from 687,960 pounds last year. Exports of the same category to Canada, again from Pacific ports, showed strong growth, going from 10.4 million pounds a year ago to 15.8 million pounds this year.

The average price also should make marketers use these export numbers carefully. The average price of the crab in this category is \$2.24/lb. to Canada and \$3.08/lb. to China.

If the live crab exports are as high as these numbers suggest, this could result in a tightening of available product for the section market, perhaps 10% less than in the past. The live market supposedly makes up about 20% of the West Coast landings and it is increasing.

Snow crab is mostly quiet as Alaska crabbers wait until the new year to begin fishing. In the meantime, marketers are looking at export demand to expand the reach of opilio snow crab.

Some marketers have expected snow crab prices to soften, and it looks as though that is happening. However, these lower prices are still considerably higher than a year ago.

Look at imports. Through September, 85.8 million pounds of snow crab came into the U.S. market. That's down 5.8% from the 90.8 million pounds last year at this time. Supplies are down from all suppliers. Atlantic Canada's shipments are down, though only by 2.1%. Russia, the other major producer, though much smaller than Canada, has sent 23.6% less opilio this year.

Even though you might expect prices to rise due to a shortfall in supply, the average price has zoomed well beyond expectations. Through September, the average import value is \$5.59/lb., a whopping 44.1% increase over the \$3.88/lb. average price of last year.

However, actual market prices are seeing significant softening as holders of product try to move inventory for the holidays. Canadian snow crab is listed at \$5.35-\$5.40/lb. for 3-5s, down from \$5.60-\$5.65/lb. a month ago. Same for the other sizes, as 5-8s went from \$5.80-\$5.85/lb. to \$5.60-\$5.70/lb., 8-ups went from \$6.25-\$6.40/lb. to \$6.10-\$6.15/lb., and 10-ups went from \$6.50-\$6.55/lb. a month ago to \$6.40-\$6.45/lb. today, all prices FOB Boston.

With Alaska's Bering Sea snow crab fishery set to get going after the first of the year, look for efforts to expand the export market beyond Japan. A recent visitor to China came away excited about the possibility of increased sales there. The first goal was to see if live snow crab would work there since Chinese consumers prefer live product. However, it could be a complicated process, perhaps not as viable as it apparently is for Dungeness crab.

There is, however, surprisingly strong interest in frozen snow crab in China. In fact, Canadian exporters have been sending more and more product there for the last three years. They have done a lot of the groundwork. Snow crab gift packs for holiday giving show promise.

One object in this export effort is to reduce dependence on Japan, maybe boost prices.

Alaska's Bristol Bay red king crab fishery is all but finished for this year, in plenty of time for the crab to hit the year-end holiday market, even if it is too rich for the domestic trade.

Landings have hit 6.9 million pounds out of the total quota-share fishery allocation of 7 million pounds. As last week ended, two more deliveries were expected to cap off the fishery.

New-season product, from both Alaska and the Barents Sea, has entered the market. List prices for the largest--and most scarce--sizes have hit \$25/lb. Volume and demand are miniscule, which is not unexpected. But the few white tablecloth restaurants that need the largest sections of red king crab now have some product to meet their needs.

While the largest sized sections have hit record-high wholesale prices, smaller sections, including Golden king crab, have seen some weakness in pricing as holders try to move product.

Imports tell the story. Volume is well down from needs, which has pushed prices to very high levels. The most recent import numbers are through September. They shows imports at only 12.1 million pounds, down 25.3% from last year at this same time. However, the average price-per-pound has skyrocketed to \$9.96/lb., whopping 31.6% gain over last year.

All this is not really news, as the high price and scarce volume of imports have been a factor marketers have been dealing with for some time. Now that new-season production is moving to the market, there is only a continuation of the on-going situation. Japan remains the major buyer of Bristol Bay red king crab, while some Barents Sea production is entering the U.S. market, but at very low volumes and very high prices. This was expected, so no surprise.

New England's northern shrimp fishery has been hit with severe--and controversial--restrictions just as the market and demand for the product has recovered from years of problems.

The Atlantic States Marine Fisheries Commission recently set the total allowable catch for this winter fishery at only 2,000 metric tons, about half of last year's allowable catch.

This season's trawl fishery won't get started until January 2, 2012, about a month later than normal. On top of that, the fishery will take place only three days of each week, Monday, Thursday, and Friday. This acknowledges that the market will be much

Gulf of Maine Northern Shrimp				
	2008	2009	2010	2011
Landings	4,962	2,501	6,256	5,944
Value	\$5.4	\$2.2	\$7.5	\$9.8
\$/lb	\$.49	\$.40	\$.55	\$.75

Source: ASMFC; metric tons, \$ million except \$/lb.

constricted compared to recent years. Exports will simply not be a factor. Instead, the fishing days were allotted to help local farmers markets, which will be the main recipients of the shrimp.

The export market, which has been built up over the last three years, will not be a factor. Indeed, fishery managers will be taking a look at landings on January 18. If the pace is too fast, the fishery could be slowed even further. Processors are upset, especially those who had worked to re-establish the export market. It is simply uneconomical to set processing lines working on the three-day schedule set by the new regulations. Controversy has erupted over the new management regime, but it is likely that little if any change will take place for the new season.

The bellwether Bristol Bay sockeye season looks to be decent next year, not spectacular. According to the new forecast, next summer's Bristol Bay sockeye catch should come in at about 22.8 million fish. This compares to this past summer's catch of 21.9 million sockeye, slightly below the forecast of 28.5 million fish. This helped boost prices for the prized sockeyes.

Last year, Bristol Bay sockeyes averaged \$1/lb. to the fishermen, although the final price will probably be a bit higher when post-season adjustments are made.

All told, 32.3 million sockeye are expected to return to Bristol Bay in 2012. According to ADF&G, this is 14% lower than the previous 10-year average. Still, all river systems are expected to meet their spawning escapement goals. Good news for the future of the fishery.

Sincerely,  
Ken Talley, Editor