

SEAFOOD MARKET UPDATES – 12/16/10

Bahama Lobster Tails – Demand has been really good as both retail and foodservice accounts make commitments for the holidays. Our Island Queen Lobster Tails continue to get a premium as the best Warm Water Tail available. Expect supplies to be extremely tight as we have over sold our regular production.

Canadian Lobster Tails – The market is rising. The quality of the lobsters is really good due to the colder weather. Southwest Nova Scotia season is open now and is producing the largest Lobsters of the year.

Scallops – The market is currently stable after rising for the past several months .The quota off the East Coast of the US was reduced this year from 56 million pounds to 47 million pounds while demand remained strong. In China, the farmers did not seed as many Scallops the past few years because of the downturn in the economy and so they have less production while consumption has risen domestically. The quota in Argentina, another producer of high quality small Scallops, was also slashed pushing prices up further. Currently, the weather is harsh in the Northeast where the fishing occurs for domestic Scallops and so we will see lower landings through the winter. March 1, the fisherman will renew their days at sea allocation and then fishing can resume heavy again. Hopefully this increased fishing activity will help push prices down in early spring

King Crab – Crab has now hit historic Highs and product is VERY LIMITED. Red king crab is being produced now in Alaska but the bulk is going to Japan at \$ 14.00 lb. This will yield mostly 9/12 and 12/14 count and we are getting sporadic offers. Limited amounts of Russian Red & Browns are now coming in. Argentine crab is starting to arrive and product is being produced this week. This will be mostly 20/24 & 20/Ups. Russian imports are far behind last years amounts as they try to stop illegal fishing on this resource. Our first retail boxes will be produced next week with back up product available in mid January.

Dungeness Clusters – We have crabs being produced in our Sea Best label. Although everybody was expecting a banner year it has not yet materialized as boats are not finding as much crab as expected. We have new season crabs in inventory and for now they represent the best bargain in the crab category.

Canadian Snow Crab - The market started out this past spring with the quota in the Gulf cut 65 % and the fisherman in Newfoundland striking for a month for higher prices . They achieved their price , however they lost valuable fishing time and left 7% of the quota in the water when the season closed as scheduled . This cause much less Crab to be landed over previous years .The Japanese stepped in with a strong Yen and bought a large portion of the catch early which left less for the US . This caused US buyers to scramble for product and the prices climbed \$2.00 lb in just a few months. Currently there is very little product in cold storages

and high prices have slowed sales. The next season will start again in Canada next April.

Alaskan Snow Crab – Production gets under way in January

Russian Snow Crab – Product is limited and at very high prices

Asian Shrimp – EZ Peels –CPTO's –Skewers – Although still very tight overseas the Domestic Supply situation is improving. Thailand's currency strengthened against the USD and they experienced several natural disasters including flooding but their production has remained strong this year. Most of the other Asian countries (Vietnam & Indonesia) experienced bad climate issues as well as disease problems in there farming operations this year. Most people expect prices to stay firm until spring. But we want to move shrimp so don't turn down any volume orders without bringing the offer to the buyers first.

S/A Shrimp – Mid sizes of Ecuador shrimp have come back down after European holiday orders have all been filled. Large sizes remain tight and expensive.

Mexican Shrimp – Mexico had very poor production of there wild shrimp and there farm production was hit with White Spot virus this year. Tight supply and high prices are here to stay for a while on Mexican Shrimp.

Breaded Shrimp – Prices remain high but have stopped rising in both Thailand and China.

Mahi – There are some remaining inventories in Taiwan from their April season, prices have risen .40 /lb on portions as demand has stayed strong due to late starting South American season. Peru and Ecuador are producing very small quantities and the season is running over a month late. Once warmer weather finally settles in, being in the Southern Hemisphere their seasons are reversed from ours in the Northern Hemisphere, they do expect a fair to good production as a minor El Nino is reported.

Tilapia – It's a Crazy market. The supply side knows that there is not enough fish in the ponds to supply the expected demand for sales January to June. Sales side sees sluggish sales as customers reject the new price levels. Farmers want to empty the ponds now and not wait until after China New Year for fear of a freeze. Prices have softened some as plants want to take advantage of the fish from the clearing of ponds. If sales improve to last years volume for lent there could be a severe shortage before next harvest in May/June.

While Pangasius (Swai) - The Vietnamese government is setting a restriction in 2011 of Swai production to 2.2 billion pounds like 2009. They will also enforce a minimum selling price, because many farmers are struggling. The result of this will be frozen Swai fillets could increase by as much as \$.20 - \$.30 lb over the coming months. Today- 20 exporters and VESEP signed an agreement to further

raise the price of fillets up, which means we could see additional price increases as early as next week.

China Catfish – Prices have moved as the supply in the US and China became very tight. New production from China should be available by mid January but prices are up \$.75 - \$.80 from last years lows.

Domestic Catfish – Pond bank price for live fish will hit \$.90 on Monday and is expected to go higher. This will be the highest pond bank price paid since the early 80's. Many US farms have been stopped farming catfish and converted to row crops. The total Catfish Acreage in the southern U.S. has dropped from 175K acres in 2002 to only 95k acres in 2010. Many processors expect to be rationing fillets during Lent. Nuggets will be tight during Lent so if your customer has specific needs he should commit early.

Alligator – The price of gator Skins remains low due to the economy so meat production remains limited. Prices have increased by roughly \$.50 a pound. We have retail Gator meat available and a limited amount of the unbreaded nuggets.

Sea Bass – Prices have increased approx \$.50 a pound and are expected to increase more.

SHRIMP

Tigers

Production in the major areas (Bangladesh and India) is all but over. Next production cycle occurs in late March. Vietnam has a limited harvest cycle in January. This harvest usually produces large sizes 4/6 through 16/20. Bear in mind that duties from Vietnam will keep the import cost high. Indonesia will produce throughout the year, and we can see some shrimp being offered. We do not usually see reduced prices from Indonesia for 2 reasons, 1. Production is limited this time of year, and 2. Weak US dollar is restricting imports.

Supply in the US is moderate, most US importers learned a lesson last year and have 1-2 month stock right now. The short sizes are large shrimp (8/12 and larger) and medium (31/40 and down).

The medium sizes were slow moving through the 3rd quarter, until mid size whites, eclipsed them in price. We have noticed a few customer switching to the cheaper Tigers. We have not seen this occur over the last several years.

Price should remain firm, as production is off cycle and certain sizes are limited. However, if sales slow we may see discounting on core sizes (13 thru 21).

Whites

Production is off cycle in Thailand. Normal peak season is June – July. We have received reports of sever backlogs in producing orders. Many orders are delayed 3-5 weeks. This pertains mostly to value added (CPTO, PXD, EZPeel) all items that show a better return than Block HLSO. Since the packers are scrambling to fill

orders, raw material prices are stubbornly high. The weak US dollar is not helping. Indonesia has limited production, but is priced high as it compares to Thailand. India will produce a small amount of product, but will reach full production in the summer. We see a noticeable shift away from Block HLSO as the producers need to maximize revenue and Block HLSO is the least profitable form. Ecuador is lowering its price. This is sort of normal this time of year as Europe stops buying for Christmas. South American Shrimp prices have dropped recently, but should show life after the first of the year. Any lower price is a good thing, as most importers do not want to support the latest price offers from overseas.

Supply in the US is limited. Value added is extremely short, as most US retailer (in my opinion) waited too long to place holiday business. They anticipated lower prices that did not materialize (weak US dollar). Block HLSO is mixed, SE Asian origins are short, but mid size South America (31/35 and 36/40) is plentiful. US importers are discounting those sizes.

Price will be attractive for buyers of Ecuador whites (only mid sizes). Product from SE Asia (especially value added) should remain firm until current back log wanes.

As you all know, the last several Months have been brutal in the industry. Raw material continues to be tight and prices are holding. I strongly recommend that everyone take a look at their current inventory and make some decisions as far as Lent is concerned.

THAILAND in general continues to be very firm.

There are several hundred if not more containers that have not shipped for the holidays. These are containers booked by the large retailers (Box Stores) back as far as June and July. These customers have now been notified that their containers are being pushed back again to January/February.

With the current supply problems and the horrific weather compounded by the US Dollar, it is questionable if these contracts will ever be filled. These contracts have been renegotiated several times and still sit un-shipped.

In my last few updates I said it would be April before we saw any kind of relief in the market. I stand by this still today and fear it may even be longer June / July. I am being told that production for the first three Months of next year will be at least 30% less than the current low production levels.

It is said that the only thing that might help the situation is if the packers that have all these late containers booked, simply walk away from the customer. This is not likely to happen as it will close the door with them (Sam's / Wal-Mart)

Look for things to continue to struggle along...

Because of all issues currently plaguing Thailand, there has been a lot of activity (Inquiries) in Indonesia. This will keep things firm there.

INDONESIA is not showing any improvement in supply yet. The packers are looking for orders for their January production, but seems difficult for the Importers to pay the high cost. On the other hand the Importers are very concerned about the delayed shipments of their contracts and some of them *have* adjusted their contract prices to help the packers to buy the raw materials at the

higher amounts, so they can ship the containers right away, which has assisted in creating the uncontrollable prices.

The packers who have not gotten help from the customers are suffering even more to get the raw material and packers are estimating that the raw material prices will remain uncontrollable until there is a significant improvement on the supply quantity and all of the packers have enough raw material to cover their outstanding orders.

Some of the packers are predicting that the raw material may get tougher in January if the end of the year sales is good and the importers need to refill their warehouses.