

Pacific Seafood

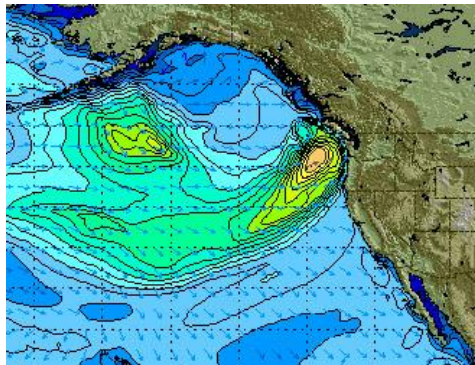
MARKET REPORT

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West Coast Weather



Monday wave model from www.stormsurf.com

Season Openers & Holidays

Oct 1 – Puget Sound Crab Opener

Oct 1 – SE AK Spot Prawns

Oct 31 – West Coast Shrimp Closes

Nov 15th – Halibut Season Closes

Nov 24th – Thanksgiving

Dec 1 – West Coast Dungeness Opener

West Coast Bottom Fish

Bottom fish is coming regularly to our Distribution centers from several areas of the coast. However, the number of boats working the fishery is limited as other seasons are in full effect. Salmon, Halibut, Shrimp, and Whiting are all giving many of the boats other markets to be working on while they hold their bottom fish quota for fishing this fall and winter. Expect availability of Sole and Rockfish to increase by late to middle of October through November. Until then, promote True Cod, Ling Cod, and Petrale as they're coming in good quantities.



Wild Salmon

Kings – Fresh wild king salmon continue to steal the show. The lower main stem Columbia River is now closed, however there are terminal fisheries ongoing in Blind Slough, Tongue Point and Deep River. The upper Columbia River Native American's will continue fishing in zone

6 (Bonneville Dam to McNary Dam) next week from 6 a.m. Monday through 6 p.m. Thursday. In addition to the Columbia River we are seeing net kings from Bellingham Bay, Puget Sound and Willapa Bay. Kings present a huge value as they are priced comparable to coho at this time.

Sockeye – Fresh sockeyes are done until Copper River opens in May. Frozen inventories will be put to the test this winter due to increased production and lower price of farmed fish. It is unknown how this will impact food service and retailers marketing decisions.

Coho – Cohos have been coming up short in all the major catch areas, from the Arctic region of Norton Sound, Kotzebue and Togiak to the lower Columbia River. The Copper River has probably been the most disappointing of all falling way short of expectations. However at this time the lower Columbia River and Willapa Bay are now producing decent numbers of net cohos. Expect a severe shortage of frozen coho items this off season.

Keta/Chum – The next major opportunity on some of the highest quality chums available will be in October when the Johnstone Straights fishery begins. The main openers should be the first and 3rd weeks of October. Puget Sound will begin producing chums in October as well.

Pinks – Canada's pink salmon fishery is the last remaining opportunity for fresh pinks. The frozen export market is hot and the season is winding down.



Halibut

85% of Alaska quota now landed: 73% of Canadian quota now landed: WA/OR non-native fisheries are finished for 2011. Prices remain strong on dockside both for fish going fresh and to be frozen. As salmon winds down expect more boats to

return to finish off individual quotas but we expect boat prices to remain firm or strengthen.



Farmed Atlantic Salmon

The Atlantic market is continuing to heat up. We have seen whole fish start climbing the past couple weeks and will continue as Canada production drops off with harvest cycle cut backs. Chile is starting to ramp up production again, which will help hold the market somewhat in check as the fresh wild goes away.



Live Lobster

We will have mostly local Maine product for the fall. Prices will moderate a little. We expect smaller lobster prices to come down slightly and larger lobster prices to edge up a little. Supply around this time of year will be dependent on the weather. Pacific Seafood sources all #1 hard-shell lobster so buyer beware as you are being quoted to verify what it is you are getting.



Dungeness Crab

The start of October will see a 10 day Northern Puget Sound opener, the official starting date was not official at time of printing. The Northern native fishery will kick off their season October 1st. With minimal amounts of product available in the market, boat prices will remain high with the live market (primarily Chinese export) being the catalyst behind that. The first opportunity for price relief on



fresh whole cooks might have to wait until the October opener in Blaine, WA. This is one of the bigger openers in the Puget Sound fishery. With the continued weakening of the US Dollar and the strength of the Chinese Yuan, expect the live market to keep pressure on that supply.



Blue Crab

Thailand: There have been good signs of better crab landings in Upper of Thai Gulf areas. The crab landings were 60% small and 40% medium size. Recovery of crabmeat was in the low levels by less than 25% and size of Jumbo ran at 4-5 gram/piece. The result of early season of crab effected the breakdown of Colossal reduced from 5-7% to 2-3%. Expect better volume and quality in the coming months.

Indonesia: The crab landing volume didn't improve over last month and hot weather in main landings was the major factor to poor crab landing. The crabmeat raw material remains at high prices due to crab size and recovery that all packers paid and got at the final finished products.

Philippines: The poor crab landing came from 2 big typhoons. Fishermen could not operate and go out catching in windy and high tides and quality of crab after typhoons was very bad resulting in mushy and loose meat.

Market Trend: Importers have very low crabmeat inventories and steady demand, but fresh meat from domestic and Venezuela could slow down and firm prices. The conservation period in Venezuela will start from Aug 15 to Oct 1.

Farmed Steelhead

Prices out of Chile remain steady. Harvest has resumed at our farm on the

Columbia River and expect continued year round supply. Be sure to talk to your sales rep about availability of our delicious and high quality Steelhead.

Chilean Sea Bass

H&G markets have softened over the past two months, but still remain at historic highs. One reason for the softening is end user resistance, causing demand to drop and forcing importers to lower sell costs to create cash flow. Imports into the US have slowed with prime sizes of 6-8 KG being shipped to China. At this time markets for replacement are foreseen to be near current levels. Fillet markets have increased and are firm at current levels. Fillets are cut from fish that are harvested on boats of a smaller scale with shorter ship dates. The Artisanal boats are coming up short and fillet orders are being filled by using H&G fish that is on hand, creating more handling which has contributed to the current higher market levels. Markets have increased as much as a dollar a pound over the past month but look at this time to be leveling off, and remaining firm at current levels.

Tilapia

Growers are beginning to forecast into Lent 2012 and have concerns about being able to keep up with supply during this historically heavy demand period for all seafood. As a result they have all pretty much cut back production in order to plan ahead for their Lenten needs. This has caused the market to take a slight increase but more importantly processors are putting their customers on allocation. Despite this, supply is forecasted to be adequate to current demand however it will be a difficult item to promote due to the supply issues.

Domestic Catfish

Supply is slowly beginning to catch up to demand. This is due to a combination of improved productions by the processors

combined with weakening demand in the market place. Prices are at all-time record highs. The market is expected to begin to soften, but as all indications from processors are that any market correction will be slow to come. Demand will play a significant role in how this market reacts. At these current levels we cannot see how it can sustain itself.

In Shell Oysters

- Shigoku – Willapa Bay, WA
- Fanny Bay Petite – Vancouver Is.
- Naked Roys X-Small-Samish Bay
- Tottens – Totten Inlet, WA
- Pacific Oyster 3-4" Hood Canal, WA
- Maple Point – Hood Canal, WA
- Kumamoto-Humbolt Bay, CA
- Penn Cove Select-Samish Bay, WA
- Kusschi-Stellar Bay- B.C. Canada
- BBQ's – 4-8" – Hood Canal, WA
- Baynes Sound 2-3" – BC Canada
- Dabob Bay – Hood Canal, WA
- Pacific 2-3" Clean- HC, WA
- Virginica – Totten Inlet, WA
- Pressure Shucked-Willapa Bay, WA



Mussels

We currently have 3 varieties of mussels: **Penn Cove Mussels** - Plenty of product, readily available, these have the majority of the beard removed.

Taylor Mediterranean Mussels - Meat fill has been excellent. Both medium and large sizes available.

Whales Cove Mediterranean - Our favorite mussels from Mexico. A little larger than local mussels but they are an excellent morsel of meat.



Clams

Manila Clams – The annual summer spawn continues to plague the West Coast manila growers. Although this



summer's temperatures have been more moderate than past summers, it still has not slowed down the spawn cycle to any major degree. The annual spawn makes manila clams extremely weak and shelf life can be diminished from 10 days to as little as 1 or 2 depending on the clam. It is difficult to detect weak clams. As we get into October the spawn will subside and product will be back to form.

Venus Clams – Long hot temperatures have made conditions unfavorable for harvest and shelf life, should be back online by end of October.

Savory Clams – Availability is consistent and will continue to be a great choice though the fall. As winter temperatures hit, the clams tend to dig deep making it hard to harvest and typically starts effecting the fishery in late-December.



Scallops

Recent new open areas have now been closed. These areas were bringing some much needed new supply of large u/10 scallops. With these areas closing, fresh landings of u/10's and 10/20's both are extremely short. These open areas did allow processors to get ahead of their frozen needs and resulted in some softening in pricing on domestic scallops. We need to enjoy this while we can as overall landings will not support any long term reduced pricing.



Prawns

Thailand

Firm orders for holiday needs have been booked and the packers are working on meeting their deadlines for shipping. During the past 3-4 weeks local market prices have been very firm as most U.S. importers have scaled back their

inventory positions. Large sizes 16/20 – 26/30 seem slightly weaker due to most U.S. importers targeting their purchase on medium small size count.

India

Whites - For the past couple weeks farmers are not harvesting and even postponing the harvest to force price increases. Arrivals are reduced and expected to have a gap of one month, available from September 15th to October 15th. Due to winter season setting in November - December, the harvest sizes in these months will be of medium sizes predominantly. There will be less quantity on 16/20 and bigger sizes from October to January.

Black Tigers - The arrivals are less, and the available quantity is also less. As to date there is not much seeding done, so the future arrivals will be less. We do not have a clear idea about the farming situation in the coming months. Block frozen buyers in USA are also buying at increased levels than in the beginning of August. The availability from October is uncertain. The situation will worsen if the monsoon rains continue and if the cyclonic weather starts in October.



Sushi

Numerous key items continue to be in short supply with rapidly expanding demand in East Asia, Russian and European markets. Yellowfin tuna items (loins, saku, nakaochi and cubes) continue to be a challenge for importers with many containers of product. Unagi (BBQ eel) prices appear to have peaked but we may see another 5-10% price increase before this run up is over. High demand in Japan leading up to and after the mid-August holiday season for Bigeye and Yellowfin tuna has moved the H&G and loin market up 20-30% especially on larger fish/higher grades.

Swai

This fast growing fish is virtually unaffected by any normal market conditions. From fry to harvest in 6 months, Swai can recover from any flex in demand very rapidly compared to any other farmed species. Mild flavored, moist and versatile, Swai is finding its way onto more and more restaurants menus as well as into more and more retail promotions. Consumers are fast learning about this excellent valued fish.

Lobster Frozen

North Atlantic Lobster - Earlier this year we reported the reduction of the NE Canadian lobster harvest of 40% from what was projected. Normally a reduction in landings of this magnitude would necessitate significant market increases; however the sluggish economy is hampering demand, especially on high dollar items like lobster tails. The small advance prices have quickly receded and this market is poised to take another decline in the coming weeks.

Warm Water Lobster - Landings are good, supply is excellent and market pricing reflects these conditions. Prices have been very stable at levels right around the North Atlantic lobster prices. These two commodities follow each other fairly closely, so as the North Atlantic market adjusts, it will impact warm water lobster tails as well.

Import/Domestic Squid

Previously reported supply challenges have improved as China has begun to fish again. There is tremendous variety in quality and specifications on imported squid so buyers beware. It is a notoriously short weight segment within our industry. When you buy from Pacific Seafood you can be assured of 100% net weight on our squid as well as all of our products. Squid is versatile and very popular in a variety of dishes and is #1 on



most all appetizer menus. Domestic market did follow the Import market up a couple months back. It is now very stable and expected to remain at current levels for the foreseeable future.

Octopus

Supply has improved however prices remain at record highs. Improved supply has come primarily from decreased demand due to the almost “doubling” of price in the past 4 months. We believe octopus has reached its apex and can go nowhere but down from here.

Canned Clams & Breaded Strips

Softening fuel prices are helping to stave off additional price increases. Due to the large size of the boats that fish for the clams, fuel is a major expense and any significant fuel cost increases cannot be absorbed by the processors. As noted the retraction of gas prices is helping stabilize this market. As we move into the fall more consumers will look to once again enjoy the ever popular clam chowder and breaded clam strips.

Beef

Boxed beef cutout values have finally leveled off as volumes have picked up slightly. Live cattle future prices showed unexpected strength throughout the last week of September, motivating buyers to purchase more than they have in months while prices were mostly flat. Select and Choice rib, chuck and round primals have been generally steady, while loins continued to soften, mainly in the strip loins, short loins and top butts.

Pork

Moderate demand has caused some softening in the pork market at the end of September, with the exception of butts and hams, which remain steady. Pork belly market has softened giving some much needed relief to bacon pricing. Producers are still struggling with the

fallout from the hot summer in the Mid-West as live hog inventories are down 8% over last year.

Poultry

The poultry market remains mixed. Wings are the hot item as inventories are weak coming into football season. Breast meat and fryers are soft with building inventories and dark meats are steady.

Import Food Safety and Quality

Assurance Program:

Pacific Seafood Group is committed to providing safe, wholesome, nutritious, and high quality seafood products to our customers. More than 80% of seafood consumed by American consumers are from import. To meet the increasing demand from consumers for food safety and quality, Pacific Seafood's Quality Assurance team has implemented an Import Food Safety and Quality Assurance Program to provide further protection and values to our customers. Pacific Seafood will only source products from pre-approved vendors and co-packers that meet the highest food safety and quality standards in the industry.

Vendors and Co-Packer Screening and Pre-Approval

- Pre-screening with FDA, CFIA, EU violation records
- HACCP Program
- HACCP Certificate
- Food Safety Specifications
- Recall information
- Traceability and Date Coding. Plant code to be assigned by Pacific
- Farmed: ACC/BAP, Species (catfish) Certification
- Packaging: Label review and approval
- Product Specifications
- Third Party Audits (GFSI and BRC) and Corrective Actions
- USDC QMP for private label program

Ongoing Verifications

- Daily QA Report from Co-Packers
- Farmed Species: Antibiotic Testing Report per Shipment
- Ready-to-Eat Products: Microbial Testing Report per Shipment
- Portside QC Inspections
- Yearly On-Site Audit

Check out:
www.pacseafood.com

Pacific Seafood Company

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PacificSeafood

The Pacific Advantage™

For more information regarding the Pacific Advantage Commitment go to:

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