

# Pacific Seafood

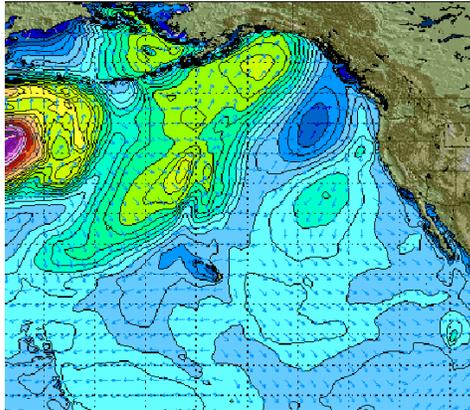
## MARKET REPORT

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### West Coast Weather



Monday wave model from [www.stormsurf.com](http://www.stormsurf.com)

### Season Openers & Holidays

Dec 15<sup>th</sup> – West Coast Dungeness Opener (tentative)

December 25<sup>th</sup> - Christmas

### West Coast Bottom Fish

Alaska: Limited to no activity currently. Most boats and factories are preparing for the January 1st Pacific Cod opening. We'll be offering fresh Pacific Cod subject to weather conditions the first week of January and continue through April.

Canada: We have a couple boats still braving it through the weather systems to keep us in fresh fish. Most of their catch is Pacific Rockfish (Snapper, Perch, Roughey) and some Pollock. They'll continue for the next couple weeks before shutting down to prepare for January fishing efforts.

Lower West Coast (WA/OR/CA): We have consistent supplies of fresh flatfish, mainly Dover Sole, Rex Sole, and some Arrowtooth Flounder. Weather has been the theme for the last couple of weeks and will continue to be throughout the winter months, but expect availability to come down slightly as more boats convert to Dungeness Crab fishing.



### Wild Salmon

**Kings** – Fresh Alaskan troll kings will be available in limited quantities due to winter storms and lack of effort. Boat price in Sitka and Yakutat increased \$1 per pound due to supply and demand. Plenty of high quality Frozen at Sea kings are available, considerably more economical than fresh. Frozen Vac Pac PBO fillets are also available.

**Cohos** - Fresh is essentially complete, with only small quantities coming from the Puget Sound and upper Columbia River. Most of those are getting dark and paler meat. Frozen options are H&G, PBO Vac Pac fillets (supplies are limited and will run out prior to new season) and Vac Pac portions.

**Keta** – Fresh available through the latter part of December from the Puget Sound. Frozen options are H&G, Vac Pac PBO fillets and portions.

**Sockeye** – Frozen only until Copper River opens in mid-May. Product forms available in frozen are H&G, fillets and Vac Pac portions.

**Pinks** – Limited supplies of frozen H&G and PBO Vac Pac fillets.



### Halibut

Supply for fresh is over, the season ended 11-18 with last landings on Tuesday. Frozen market has slipped somewhat in the last month for 10/20, some of this may be to burn off excess inventory positions for value added and other frozen inventory programs, and as a response to boat prices that dropped about \$0.40 a month ago. We expect to see a gradual appreciation in prices for under 20 lb fish as most frozen inventory is costed higher than what a low "sell" supports. 20/40 prices remains somewhat more stable. Over 40 lb fish continue to receive an additional premium with some sales of 80/up occurring. Accurately measuring "supply" is a question mark: A larger percent of quota was put away for specific frozen value added programs but it was also purchased at

a "frozen fish" premium from the boats, which was much more closely priced to fresh price fish than in years past. This could easily result in resistance by the customer and result in processors liquidating what is perceived to be excess. This picture is murky at the moment but certainly frozen 10/20's are priced as low as they have been for some time....No fresh until March: My opinion is 10/20 prices likely to slowly escalate after processors feel more comfortable with their inventory positions and if value added sales movement achieves expectations. Expect over 20 prices to firm up as well but not as dramatically.



### Farmed Atlantic Salmon

Atlantic prices have stabilized for the time being. Expect a minor increase in the month of December. This will be due to logistics out of Chile, (fruit and flowers will take the air space) as well as a major farm in Canada that will be decreasing harvest and the holiday demand.



### Live Lobster

Forecast is strong supply if the weather holds, prices should stay affordable. We should see ample supply of lobsters around. Pacific Seafood sources all #1 hard-shell lobster, so buyer beware as you are being quoted; verify what you are getting.



### Dungeness Crab

Here we are on December 1<sup>st</sup>, and the Dungeness from San Francisco are hitting the market a couple of weeks behind schedule. Retailers are eager to get some



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fresh whole cooks in their cases to drive some sales, and the limited production area may just supply enough to whet their whistle. Other market segments are also waiting on the season as frozen inventories are very low. The season from southern Washington to central California has been delayed from December 1<sup>st</sup> to no earlier than the 15<sup>th</sup> as the meat fill percentage of the resource was below standards set by the states. Additional testing will be performed prior to the 7<sup>th</sup> to make sure the crabs are ready to head to the market. With a little crab in the market now and the start of the season pushed back right in front of the holiday season, demand may wane slightly as retailers promote other items like Hams, Turkeys and Prime Rib. Frozen product forms are also low, but there may be more downward pressure coming from the buyers as they will buy short, hoping the pricing may ease from the fall levels. If the resource is strong, the market will slide down, as there will be Alaska Snow crab hitting the docks in Seattle mid-February. If the landings through late December are lower than anticipated, the market should stay relatively stable. The live market will consume a certain volume of crab weekly, but when landings drop, the demand across the Pacific Ocean, specifically China, will have an impact on the vessel price, and could drive the market price for other product forms, both fresh and frozen.



### Shrimp

The 2011 season is over, and we have had a terrific season. In fact, it may shape up to be one of the best in recent memory. Markets worldwide have been taking advantage of the great value of this cooked peeled ready to eat shrimp. Make sure to book your needs early. Pacific Seafood now has the only BRC certified shrimp plant on the coast = Pacific Shrimp in Newport Oregon. This positions Pacific Seafood to meet the ever growing demand for food safety, so our customers can rest assured

that they are buying the safest shrimp available.

### King Crab

Availability continues to tighten as quotas remain the same or shrink, as in the case of Alaska, whose Bering Sea Red King quote dropped from 14.8 million pounds live weight in 2010, to just over 7 million pounds in 2011 – a 47% reduction. With the strength of the Japanese Yen, expect prices to continue to move upward on this sought after crab. Russian Far East Blue King Crab fishery in Okhotsk is complete, while the Russian Bering Sea Blue King is presently being fished. The Bering Sea Crab will not deliver until latter part of the year, maybe in time for holidays, but do not count on it and it too, will not be cheap. Russian Gold King Crab fishery is finished. Some weakening in the market of 20+ Gold Crab, while other sizes remain steady in price. No more Gold King crab from Russia until spring of 2012. Barents Sea Fishery has come and gone, quicker than previous years, but with same quota being caught. Crab is beautiful and we expect to see new season in the market sometime in December.

### Snow Crab

Eastern Canada completed their fishery over the summer. There is inventory in Boston of 5/8, 8+ and some 10+ oz sections. Best value on crab available today. The Alaska Snow Crab quota was, unlike Bering Sea Red King, increased by 64% year over year, and so we expect good things for the beginning of 2012 when this fishery will commence in earnest.

### Farmed Steelhead

Steelhead out of our farm in Washington will still be a value. There is ample supply and prices are steady. Holidays are a great time to promote a USA, natural product for all the holiday parties.

### Chilean Sea Bass

Good supplies of both Patagonian and Mawzoni H&G are in the pipeline at this time. Demand is strong keeping markets firm with some small upward trending a

possibility. Costs with smaller fish of under 10 KG are in demand more and are bringing stronger costs. The Mawzoni season has yet to begin as the ice melt that needs to occur in the Ross Sea has yet to happen. Mawzone harvests usually begin sometime in December with fish beginning to enter the market beginning in late February early March. Fishing for Patagonian fish is year round and there is currently product in the pipeline with some short gaps in supply. Fillets and portions have availability at this time. The processing of fillets and portions is shore based, and markets looks to remain firm with perhaps small increases if demand remains steady. The holiday season combined with the end of fresh Halibut season makes Chilean Sea Bass a great menu alternative. Both H&G and processed product look to remain firm, with small increases taking place through the holidays. Costs at this time look to continue inch up for the next few months.

### Tilapia

The tilapia market has a few components. Fresh out of South America and frozen from China, Indonesia or South America. Fresh market is stable right now in terms of pricing. Supply is challenged with most processors allocating their product each week, thus no real supply to do any major promoting, but adequate supply to keep the market fed at minimal levels. On frozen, China is clearly the driving force on the market. Frozen Chinese tilapia has moved up in the past 90 days by about 10%. We believe it has hit its seasonal high. Typically it will stay this way until after Lent 2012 then it will recede. Other frozen sources mentioned out of Indonesia and South America are a very stable market year round as they are a higher quality products marketed at higher levels taking out the bumps in the market.

### Domestic Catfish

The catfish market remains difficult. Unfortunately, the pond bank prices have not relaxed as we had hoped. In lieu of a pond bank decrease that would put

processors cross with their farmer base, processors have begun to cut back on processing at this time. This could be a good news, bad news deal. Good news is that it will stretch the supply out into the spring allowing orders to be filled at better rates. Bad news is that price may remain high. There is definitely less supply out there, but due to the corresponding decrease in demand, we don't foresee the market being as adversely affected in 2012 as it was in 2011

### In Shell Oysters

- Shigoku – Willapa Bay, WA
- Fanny Bay Petite – Vancouver Is.
- Naked Roys X-Small-Samish Bay
- Samish Bay – Samish Bay, WA
- Pacific Oyster 3-4" Hood Canal, WA
- Maple Point – Hood Canal, WA
- Kumamoto-Humbolt Bay, CA
- Penn Cove Select-Samish Bay, WA
- Kusshi-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** – Great time of year to feature these northwest morsels.

**Venus Clams** – Venus continue to be both excellent quality and value. Due to our partners seeding efforts, future supply of Venus Clams are very good.

**Savory Clams** – Availability is consistent and will continue to be a great choice.



### Scallops

With 3½ months remaining in the scallop season, approximately 85% has been caught. Most of the remaining harvest is expected to be caught by the end of December with a handful of trips to be fished in January and February. Prices have been high but stable. Prices may soften slightly as they return just before Thanksgiving and then prices should rise slowly through New Year's. January and February are generally poor fishing months but it depends whether the boats are able to fish as planned in December. The boats are catching primarily 10/20's and some large 20/30's with less than 2% U/10's. Beginning in January there will be an inshore supply of Canadian 20/30's and 30/40's. Prices on new season China Bays are expected to be more expensive, however there is an excess supply of dry and wet bays in the country.



### Prawns

U.S. Shrimp market can be categorized as stable with some discounting in larger sizes to keep inventory moving in a fairly quiet market environment. With the economy in the doldrums, the demand for shrimp products at retail and foodservice is understandably soft. There are enough inventories to take care of the available demand, but not enough to push prices lower. With production now on a seasonal downturn, it is very possible that we will

see some shortages of shrimp this winter and in the first quarter of 2012.



### Swai

Market prices for Swai have started moving upwards again. The average market price - across all sizes - has taken about a .15 lb price increase in the past 60 days. This pressure is expected to continue through Lent 2012. U.S. Secretary of Agriculture Tom Vilsack is in Vietnam this month and will work to open that country for U.S. exports. Mr. Vilsack's trip is prompted in part by the Trans-Pacific Partnership trade negotiations intended to ensure U.S. products get a fair shake on government regulation and oversight. But that fairness must start at home. Open trade should help reduce the "tariff" talk that has surrounded Swai the past couple years.

### Lobster Frozen

North Atlantic Lobster - Live market is being supplied by Maine landings for the most part. Holding facilities in Canada have adequate inventory of live, and the SWNS (Southwest Nova Scotia) boats set their gear today, so live holdings will only go up until the Christmas sales start in mid-December. There are a few processors running now, and frozen inventories are OK, with some of the larger raw tail sizes still short. SWNS (South West Nova Scotia) will produce 40% 1 lb to 1 ¼ lb starting off and the rest of the lobster will be larger than that, as they go by the US minimum measure. Average size will go up as the season progresses, low inventories of whole cooked and whole raw. There appears to still be an overhang of small lobster tails in the market and prices are still unsettled. Inventories of larger tails and lobster meat are adequate. With very little production of frozen processed lobster, inventories and prices will likely start to firm up.

**Warm Water Lobster** - Warm water lobster market is EXTREMELY steady and has been for the past number of months. The challenge with warm water lobster is that there are dozens of countries that



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produce it in South America. Harvest, processing and packing capabilities are widely varied. Pricing tends to reflect these variations so when you see a cheap quote you need to verify all the details of the source. Our group sources the majority of our warm water lobster from a South American processor that harvests the lobster responsibly and processes it in state of the art facilities.

### Import/Domestic Squid

Squid is harvested virtually worldwide. A number of species are included. The majority of the squid sold in the USA is the “loligo” species. Loligo are preferred for their consistent sizing and thicker wall tube that provide a better bite. China is by far the leading country. China lands wild loligo squid and processes it for shipment around the world. 2011 saw the import squid market take a few increases totaling about 15%. The market has found some stability at this point and we believe these increases are over for now. The next domestic fishery is set to open April 1<sup>st</sup> 2012, with what looks like the same catch quota of 118 thousand tons, although we are hearing rumors that some of the processors are going to be pushing for a larger quota this next season. We are unsure what their target tonnage is. We were able to catch a very large chunk of the quota this past season, but there is still a slight shortage of market squid for cleaning stock and for export. It seems that there are more and more consumers every year and California loligo is gaining even more popularity. China, as we know, has been a major player in the squid market and even though Japan has suffered its tragedy, market wise, they seem to be little effected and are buying large amounts of clean water, building material, and cheap protein to feed their people.

### Beef

Boxed beef cutout values were higher on Choice and weak on Select, with light demand and fairly light offerings. Reduced production due to the Thanksgiving holiday supported expectations in appreciated beef

prices, however mostly on Choice. Although all Choice meat primals experienced higher prices, the rib complex was the largest contributing factor to the overall strengthened Choice value. Depreciating Select round and loin prices played into the weaker Select price, while chuck and rib items were steady to firm. Beef trimmings started to decline this trading session, while fed cattle grinds continued to have modest gains, and blended cattle grinds were generally steady. Forward negotiated sales were slow again this week, with notable trades in Select briskets and ground chuck.

### Pork

An over-abundance of loin products forced sellers to discount prices throughout the week to entice buyers. In spite of the lower trading levels, packers still had extra loads as the week ended. A stalemate was noted for the Boston butt complex as both sides of the trade were content with current price levels. Pre-holiday jitters plagued sellers this week as inventories amassed due to the sizeable harvest. Sellers of processor cuts and trim were doing all they could in an effort to reduce their surplus even though freezer space was a valuable commodity itself. At the same time, buyers were hesitant to procure product going into the holiday week for two reasons, one: their orders were limited, and two: keep the amount of product held over for the long weekend minimal. Bone-in ham price levels were steady to firm; seedless bellies weaker undertones, trim complex sharply lower for the week.

### Poultry

Egg set reductions and holiday closures have helped to propel the poultry market upward during what is typically a slow time for chicken. Whether the price increases will stick, remains to be seen. Chicken wings and Drumettes are the darling of the market with product coming up short and expensive as large chains run promotions during the football season. Don't expect any price relief on wings until after March Madness.

### 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 Americans 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](http://www.pacseafood.com)