

Our Outlook For Seafood Costs For 2011

We expect the 2011 seafood prices to be above cost levels from 2010 based on a number of reasons. The most influential variable is oil prices. Marine diesel fuel prices remain high. This is the primary cost in fishing. The transportation we use to receive our products has continued to increase in price. This includes trucking and airfreight and has had impact on the cost of shipping by sea. Airfreight in particular is often 30% or more of the total value of a delivered product. Packaging materials, used for almost every product is manufactured using petrochemical products. A substantial drop in oil prices will bring these costs down but the impact takes a long time.

The next variable is demand. The world demand for many seafood products consumed in the United States is growing. The emerging economies in India, China and Brazil are demanding more seafood every year. Simply speaking, as they make more money they increase their consumption of sea-based proteins.

Many of these countries now purchase products that were once designated for export because their domestic market now offers a better return for the goods. The weak US dollar makes this situation worse. Their products simply cost more.

Wild harvested fish catches are not growing. Many fisheries have stabilized but few are growing. The difficulty of staying profitable has led many fisherman in the US out of the industry altogether. They cannot pay the mortgages on their boats. This is particularly true in fisheries that are strongly regulated. Almost all are. The small independent scallopers working the eastern seaboard of the US have had their quotas cut to the point where it is virtually impossible to break even. The fewer fish available force the market up.

Farmed fish have offered relief. But there are some problems here also. The fundamental reasoning behind the success of aquaculture on a large scale was stability. This idea of stability manifests itself in pricing, availability and consistency of product. The objective was to attract customers to this and it has worked. Fish farming like any other farming has its own unique problems. Intensive aquaculture in one area over an extended period of time stresses the environment. This can lead to the proliferation of diseases and parasites which occur in small amounts in the wild but are concentrated with density of farmed seafood. This had had major impact on shrimp farms and salmon farms. It is very hard to contain and if one grower is infected it spreads to the others rapidly. Virtually the entire salmon industry was destroyed in Chile by an anemia disease two years ago. An entire region of salmon production was left fallow to clean the water. Unsubstantiated reports about newer generations claim the disease has not been eradicated yet. The elimination of this source of salmon for the US raised prices 25% in a matter of weeks.

Clearly the pressures facing us are substantial. I will give you some of my expectations for this year by category.

Lobsters: Prices should be similar to last year. Catches are expected to be good. Expect high prices through Winter into late Spring. As Canada drops off the domestic product will fill the void with softer prices due to the amount of softer lobsters being harvested. Production picks up in the Summer and Canada reenters with production maxing out in October. Prices will begin to increase in December.

Imported shrimp: Imported shrimp products, especially value added products from Asia will continue to suffer from the tariffs imposed to protect our domestic producers. Tariffs up to 33% for some producers inflate that market. Product prices will stay the same as long as no new ailment constricts production.

Domestic shrimp: Katrina took its toll on shrimp production in two ways. The first was loss of fishing areas. The second and most important was the money offered to compensate fisherman and the compensation to oil cleanup workers. The pay was good enough to keep boats tied up. The fisherman who wanted to fish could not man their boats with crews because the pay was better working for the oil companies for the cleanup. Expect that to get better this year. Prices will remain high until late Spring, but will drop substantially when production picks up late Summer.

Pacific Halibut and wild salmon: Prices on halibut will be about the same this year because of the quota system used. It prevents too much fish from entering the market at one time. The outlook for wild salmon is much the same also. Early season Kings in late May-June will start out very high. The sockeye following it

will be a better value. As the season progresses through June prices soften. Late run Kings may be a value and sockeye will be reasonably priced by late June. Cohos should be fairly priced through the season.

Groundfish: The New England fisheries will face the same restrictions and quotas as they did last year. I believe only Haddock fishing quotas will increase. Expect much the same bad weather excluded.

Farmed shellfish: Probably the most stable area. More producers of farmed shellfish enter the market each year offering more competition for the growing demand. Expect stability or even decreases in prices.

Crabmeat: The fresh crabmeat produced in the US is a fraction of what is consumed. Prices will remain high with few exceptions. Imported fresh crabmeat is unpredictable. Venezuela is the largest producer. Production was down last year but it is an unpredictable resource. Pasteurized crabmeat from Southeast Asia is the dominant product.

Farmed Atlantic salmon: The continued absence of Chilean production along with the amount of fish lost disease in Canada increase the likelihood of prices remaining at the higher levels established last Fall. There will be adequate amounts of fish but fewer dips in market prices should be expected. Production in Europe can help counteract the steeper prices but if the dollar gets weaker this will be unlikely.

I hope this is of some help to you. Please contact us if you have any questions.