

This year will test the halibut market like it hasn't been tested before. With the fishery expected to produce much less product than even last year and prices at record levels across the board, marketers are facing a shrinking demand for halibut and strong push-back on pricing.

The new season is set to start March 17 and will run through November 7, 2012. The catch limit for the quota-share fisheries in Alaska and British Columbia this season is down 18.3% from last year (See STN 2/13/12) to 33.5 million pounds from the 41.1 million pounds of last season.

The big question is how the market is going to take the lower catch limit after last year's severe downturn. If the past is any guide, prices could escalate even further. Will this year be different?

The ex-vessel price is a good measure of the value of halibut. Last year, with the drop in catch, the average price hit a nose-bleeding \$6.61/lb. (Note the correction from the previous issue of STN when the average was reported at a still-hefty \$5.20/lb.) Last year's average price was a whopping gain of 35.7% over 2010's \$4.87/lb.

Price trends suggest that increases are slowing even as supply shrinks. The market is having a hard time handling continuous increases at high levels.

For example, last year when the catch fell by 20.4%, the average price gained 35.7%. The previous year, however, the catch had fallen 4.5% and the price had skyrocketed 56.6%. Supply declines may be accelerating over time, but price gains are slowing.

In terms of monthly price trends, first-month landings no longer bring the top prices of the season, though they are still high. As the table shows, the highest ex-vessel prices now routinely come from September on. This has happened the last two seasons. Two things seem to be going on: First, the season is beginning to wind down and the fresh market is looking for its last supply of fish until the following spring. In addition, frozen buyers are scurrying for product in earnest as the year-end holidays approach, a time for increased dining out.

Last season, the highest ex-vessel price of the year occurred in September, at \$6.84/lb., and that price held until the season closed in mid-November. The same trend took place the previous season as well.

And while the opening month's price was not the highest of the season, it was still high. Perhaps more importantly, especially for the upcoming fishery, the first month's price is always higher than the closing month's price. Last season opened at \$6.37/lb., which was well above the last month's price of the previous season. In other words, the upcoming opener will again see prices above \$6/lb.

Halibut Catch & Average Price			
Area	2009	2010	2011
2A (WA, OR, CA)	0.50	0.41	0.52
2B (BC)	6.57	6.62	6.65
2C (SE Alaska)	4.86	4.39	2.29
3A (Central AK)	21.35	20.09	14.27
3B (West AK)	10.62	9.94	7.34
4 (Far West AK)	7.26	7.31	7.75
Total	51.16	48.76	38.83
Average \$/lb.	\$3.11	\$4.87	\$6.61

Source: IPHC, NMFS; million lbs., ex-vessel \$/lb. is for Alaska.

Halibut Ex-Vessel Price Trends			
	2009	2010	2011
March	\$3.57	\$4.65	\$6.37
April	\$3.22	\$4.49	\$6.33
May	\$2.79	\$4.44	\$6.39
June	\$2.97	\$4.67	\$6.49
July	\$3.07	\$4.82	\$6.61
August	\$3.18	\$5.07	\$6.75
September	\$3.06	\$5.22	\$6.84
October	\$3.06	\$5.22	\$6.84
November	\$3.06	\$5.22	\$6.84
Average	\$3.11	\$4.87	\$6.61

Source: NMFS; \$/lb., Alaska monthly; annual average STN.

Halibut Monthly Landings			
	2009	2010	2011
March	1.199	4.608	3.165
April	6.433	5.701	3.642
May	8.178	7.762	6.449
June	6.585	6.570	5.573
July	6.377	6.288	4.745
August	8.347	6.894	6.018
September	6.024	5.590	4.066
October	6.027	4.239	3.651
November	1.493	.701	.994
Total	50.663	48.353	38.303
Avg/Month	5.629	5.372	4.256

Source: IPHC; million lbs.; AK & BC landings.

During the first month of the fishery, halibut will head to the starved fresh market. That means only a few Alaska ports will be active because of the logistics needed to get the fish to the Lower 48. Homer, Petersburg, and Kodiak are the ports of action. Most landings in the first two weeks (i.e. the month of March) of the fishery will be delivered there. And because it's the fresh market that is wanting the fish, ex-vessel prices will be especially high.

Last year, for example, the only ports reporting landings for March were those three ports. Prices were high, though they did get higher as the season wore on. The first-of-the-season fish averaged \$6.36/lb. in Homer, \$6.67/lb. in Petersburg, and \$5.99/lb. in Kodiak.

In terms of when the best supply of halibut is available, the biggest production month for each of the last two seasons was May. In May 2011, 6.4 million pounds were delivered in the quota-share fisheries. In May 2010, that total was 7.8 million pounds. In 2009 May saw strong landings of 8.2 million pounds, but August, with 8.3 million pounds, had the highest landings.

Part of the explanation for this production creep towards the beginning of fishing probably has to do with the strong demand by the fresh market for halibut. In the past, buyers in late summer were stoking up their inventories for fall and winter demand. Now, however, the fresh market, lacking fresh halibut since the previous November, is staking a claim on early fish.

So what can you expect for the new halibut season come March 17? No doubt prices will be slightly higher than last November as the fresh market scrambles for product. But a lid could be placed on the increase as this season's market is somewhat different than last year's. For one thing, Ash Wednesday, the beginning of Lent's accelerated seafood marketing efforts, took place last Wednesday, February 22. Last year, Ash Wednesday and the halibut opening occurred cheek by jowl, March 9 and 12 respectively. This year's calendar means that the initial Lenten marketing push will be old news by the time this year's halibut season opens.

The other thing is that buyers are pushing back hard against current high prices for halibut. Admittedly, it is frozen buyers who are pushing back, but it may say something to the fresh market. Several large halibut sales contracts have fallen through in recent weeks as end-users, mostly food service, decided that frozen prices were too high. Suddenly, there is a lot of frozen halibut around and some holders are nervous about getting rid of it before the new season.

This has resulted in a general weakening of wholesale prices. For example, one buyer purchased a fair amount of 10-20s at \$6.60/lb. but says he won't pay more than \$6.25/lb. for the next order. Some wholesalers are buying much smaller volumes of fish at current prices.

Still, there is no denying that there will be less halibut available to the market. The demand for halibut, even if reduced, may be strong enough to keep prices up. After all, the amount of halibut available each month of the season is down. Last year, only 4.3 million pounds of halibut, on average, moved to market each month, down 20.8% from the previous year. This year, the monthly volume going to market may only average 3.5 million pounds.

Refreshed halibut has become a big business the last few years as catch limits have fallen. When landings fall short of demand in the fresh market, sellers will often refresh their frozen inventory and move it, especially at retail. This is likely to happen again if there is as much frozen inventory as recent events have suggested and if landings fall short of expectations.

Imported halibut is a critical part of the domestic halibut business. Admittedly, the biggest source of imports is British Columbia, but there is a fair amount of frozen halibut from China where it went from North America for reprocessing. Halibut imports hit 12.9 million pounds last year, down 5.8%. The average import price was \$6.66/lb., up 28.1% from 2010.

Imports are the major source of Atlantic halibut, which is virtually indistinguishable from Pacific halibut to the market. Some 4.5 million pounds came into the U.S. last year, an increase of 4.5% over the previous year. This halibut isn't cheap, with import prices averaging \$6.79/lb., up 17.5% from the previous year. The higher price in the face of increased volume tells the tale.

As is usual for this time of the year, then, the halibut market has its share of confusion blowing through it, but this could be the year when the market says enough to higher prices.

Last year was a difficult one for shrimp as the market got tighter on reduced imports from major suppliers . Yet, the deficit in supply was made up by strong production from other suppliers. And, thankfully, demand in the U.S. remained strong as shrimp retained its position as a “best buy” in a market whipsawed by ever-increasing prices of other once-popular shellfish.

While shrimp prices continued to grow right along with other shellfish last year, shrimp was a much more affordable commodity than king or Dungeness crab. The thing about shrimp is that even when it is spread across retail advertising flyers, it still retains its cachet as a special seafood

Shrimp Import Trends			
	2009	2010	2011
December Volume	108.2	116.1	118.2
Jan-Dec Volume	1,217.6	1,236.6	1,271.9
Import Value	\$3,778.1	\$4,294.9	\$5,164.3
\$/lb.	\$3.10	\$3.47	\$4.06

Source: NMFS; million lbs. & \$ except \$/lb.

item and attracts consumers even when they step away from other high-priced shellfish. Of course, even at its highest prices, shrimp doesn't enter the high-end vapors of those others.

All told, 1.3 billion pounds of shrimp came into the U.S. last year, a decent 2.8% increase over the volume of 2010, especially considering the adverse effects of weather and disease in several major producers. In the last month of the year, 118.2 million pounds of shrimp were imported, just 1.8% more than the previous year. Both December's and the full year's import totals were the best in the last three years, testifying to the strong market despite the recession.

More testimony to the strength of the U.S. market is the huge increase in both value and average import price for last year's shrimp. Overall, last year's shrimp imports were worth \$5.2 billion, a whopping 20.2% increase in value over 2010. This coincided with an overall increase in protein prices last year as producers worked to offset rising production costs they had suffered with over the last two years. And the market let producers do this, demonstrated by the 17% increase in average price of the imported shrimp, settling at \$4.06/lb. from \$3.47/lb. in 2010.

As the new year gets underway, there is some worry about the continuing increases in shrimp prices. With the recession lifting from the economy, the worry lessens that consumers will balk at higher prices throughout the year. However, the recent increase in gasoline prices may be a thunderhead on the horizon if consumer's spend money on gas instead of shrimp.

Major shrimp producers expect this year to be an easier slog than last year. The top suppliers of shrimp to the U.S. market didn't see much jostling in the ranks by year end. However, there was enough disruption of production in some countries that the U.S. could have run short except that other nations stepped up to the plate and made up for possible shortfalls.

Thailand, number one supplier of shrimp to the U.S., saw exports to the U.S. drop 8.3% to 407.8 million pounds from 2010. Major floods in the spring played havoc with farmers. This year, the monsoon should be normal. In 2112, Thai shrimp production should hit 1.6 billion pounds. Exports will continue to move to value-added.

Ecuador helped replace shrimp from Thailand with a 13.6% increase in exports to the U.S. The government is engaged in a survey of shrimp farms to get a better handle on production.

India was the big surprise as the movement to white shrimp continued. Exports to the U.S. gained 59.5% from the previous year to 106.1 million pounds. The shrimp industry is ramping up production of white shrimp. Last year, 70% of total production was vannemai. There are still concerns about the quality of the seed for white production. The government continues to list approved hatcheries, but there are still some renegade facilities supplying raw material. This year black tiger production could hit 154.3 million pounds, while whites could reach 463 million pounds. Because of a shortage of shrimp in Thailand, Vietnam, and China, Indian product is in high demand, commanding high prices.

Top Ten U.S. Shrimp Imports				
Rank	Country	2009	2010	2011
1.	Thailand	420.0	444.9	407.8
2.	Ecuador	135.5	143.1	162.5
3.	Indonesia	152.8	134.7	155.1
4.	India	43.6	66.5	106.1
5.	Vietnam	91.7	106.1	99.6
6.	China	96.5	105.4	94.2
7.	Mexico	90.7	51.9	67.7
8.	Malaysia	40.6	53.7	64.5
9.	Honduras	19.3	22.6	23.0
10.	Peru	18.3	15.4	18.3

Source: NMFS; million lbs.

Vietnam saw total farmed shrimp production jump 5.5% last year, but exports to the U.S. fell by 6.5%. At times last year, there were recession-induced shortages of raw material. As well, other countries besides the U.S. compete for Vietnamese shrimp, including Japan, the EU, China, and South Korea. A disease outbreak hit black tigers last year. Total shrimp exports were worth \$2.4 billion, with \$1.4 billion black tigers and \$704 million whites. Vietnam is trying to ramp up its white shrimp production as well as move into value-added exports. With renewed investment in the industry, there should be no shortage of shrimp for export in 2012.

China's shrimp exports are beset by strong domestic demand for shrimp by the growing middle class there. That's one reason for the 10.6% drop in shrimp exports to the U.S. in 2011. China was an active buyer of Asian shrimp last year, impacting several markets besides the U.S.

Mexico had a good farmed shrimp production year in 2011 and sent 30.4% more shrimp to the U.S. than in 2010. All told, Mexico exported 67.7 million pounds of shrimp to the U.S. The three major shrimp farming states had strong harvests last year, with Sinaloa producing 110.2 million pounds, Sonora 89.7 million pounds, and Baja California 11.9 million pounds.

Malaysia is becoming an interesting factor in the shrimp market. Last year, it sent 64.5 million pounds of shrimp to the U.S., an increase of 20.1% over 2010. It is also produces very large white shrimp (8/12s and 13/15s) and they are in demand in both the U.S. and Japan.

The product mix in shrimp imports changed last year as marketers looked for the best bet in the recession-plagued market. Whatever those changes, though, prices for all products rose.

The context of the change in product mix is the higher import volume this year, albeit the increase was only 1.8% compared to 2010 to 1.3 billion pounds.

Shell-on imports were the volume leader, with 494.3 million pounds last year. This was a drop of 1.1% from 2010. While the average price rose 13.3% to \$3.92/lb., its share of the pack fell from 40.4% to 38.9%. Despite the drop in share, shell-on is still the biggest part of the pack. The drop was due to more emphasis on value-added products, which are better money-makers.

Shrimp Imports--Product Mix			
Product	2009 Share	2010 Share	2011 Share
Breaded	6.8%	7.4%	7.6%
Canned	0.8%	0.7%	0.6%
C&P	18.4%	17.6%	16.8%
Peeled	33.7%	33.9%	36.1%
Shell-On	40.3%	40.4%	38.9%
Total	100.0%	100.0%	100.0%

Source: NMFS; volume basis, C&P is cooked & peeled and includes prepared dinners.

Peeled shrimp is a case in point. Although it is only one-notch up on the value-added spectrum from shell-on, the volume of imports (product weight) rose 9.7% last year to 459.3 million pounds. Even with the increase in volume, the price rose 16.3% to \$4.27/lb. And on top of all this, peeled shrimp saw its share-of-pack rise from 33.9% to 38.9%, almost back to 2009.

Cooked and peeled (C&P), which includes prepared dinners, saw a drop in volume (2%) and in its share of the pack (from 17.6% to 16.8%) probably due to the big jump in price. The average import price rose 25.6% to \$4.41/lb. Even with its convenience and value,

C&P shrimp products suffered from marketers and consumers pushing back against the price.

Imported breaded shrimp, thanks to the lack of processing capacity in the U.S., saw a rising tide across the board. Import volume rose 5.4% while the average price rose a whopping 20.6% to \$3.04/lb. Yet, the product's share of market gained again, going to 7.6% from 7.4%.

Canned shrimp continues to lose its place as its share-of-market dropped along with the volume of imports. The price gained 14.9% as a small but traditional demand sought product.

Shrimp Imports--Volume & Prices						
Product	Volume			Average Price		
	2009	2010	2011	2009	2010	2011
Breaded	82.5	91.7	96.7	\$2.40	\$2.52	\$3.04
Canned	10.4	8.4	8.1	\$3.11	\$3.35	\$3.85
C&P	224.3	217.9	213.5	\$3.34	\$3.51	\$4.41
Peeled	409.7	418.7	459.3	\$3.23	\$3.67	\$4.27
Shell-On	490.7	499.9	494.3	\$3.00	\$3.46	\$3.92

Source: NMFS; million lbs.; \$/lb.; C&P is cooked & peeled and includes prepared dinners.