



Date: 7/1/2022

To:

From: – Heron Point Seafood, LLC

Cc:

Re: July Market Outlook – *Portunus pelagicus* and *Portunus haanii*

Blue Swimming Crab / *Portunus pelagicus* (SE Asia)

The onset of summer has brought with it increased travel and foodservice activity. We have seen the expected early summer increase in demand across the country. There's an uptick in traffic at restaurants and resorts, positively impacting demand for crab meat. While the economy remains challenging, there's a belief that consumers are going to travel and eat out this summer, regardless. Coupled with more inventory in-country, orders are being placed and filled and product is once again moving. Prices on the street are softer, allowing operators the ability to bring back crab applications at a more consumer friendly price point. It's still expensive, but we do think this trend will continue and more and more crab will find its way back on the menu by fall, just in time for the holiday push. Pricing on the beach has come off somewhat, but with a 90 day lead time from port to port, importers won't see the impact of this until the fall. Venezuela's pricing has firmed considerably, and their fishery goes on conservation next month which should drive more demand to pasteurized along the Eastern seaboard.

Red Swimming Crab / *Portunus haanii* (Vietnam, China)

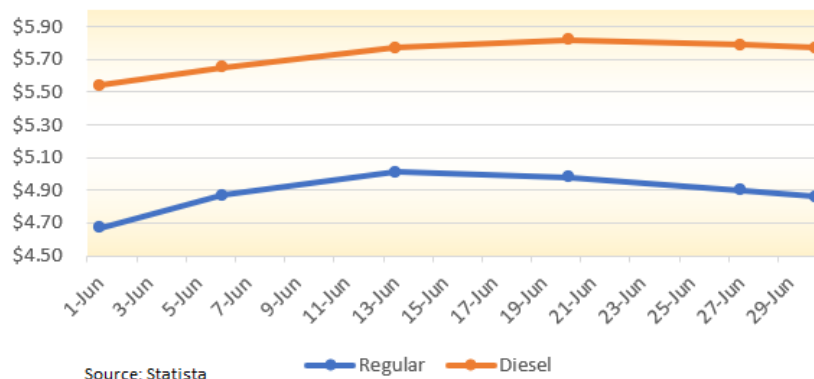
Production in Vietnam is in full swing for red crab. Demand has been strong overall, particularly on the Lump grade, driven by migration from blue crab users seeking better value. We do expect a stronger inbound flow from Vietnam starting this month, with improved availability for the duration of the summer. China remains on conservation and won't be a factor stateside until November, getting back into production in August/September. Until then, offers on Chinese *haanii* processed from frozen crab are still being made. Buyer beware.

Supply Chain Update

Over the past 30 days, Diesel prices have increased by a net \$0.23/gallon or 4.2%. We have seen this start to soften, with average pricing dropping -\$0.02/gallon over the last week. Regardless, fuel costs remain high, and when coupled with labor shortages, are keeping overall freight costs up. These are having an impact on importer profitability but passing these increases on remains a challenge in an environment where moving inventory is a priority.



Comparative US Retail Gas Prices
Ave \$/Gallon June 2022



Container prices have fallen off since their peak in September of '21, but other product and shipping costs are up due to inflation. For example, shipping a container from China to West Coast USA was averaging close to \$20,000 in Q4 '21. It's now down 50% at roughly \$10,000 (source: *Freightos*). Inflation continues to drive costs up throughout the supply chain, with packaging supplies, maintenance, insurance and labor costs on the rise.

Finally, delays remain a continued challenge for the industry. Inbound container schedules are being hampered by delays in outbound vessels traveling to Asia. Cargo ships are sitting in port or off shore for weeks awaiting containers to fill their capacity. These delays interrupt the flow and timing of imports back into the US market.