



Date: 9/1/2022
To: Heron Point Customers
From: Heron Point Seafood, LLC
Re: September Market Outlook – *Portunus pelagicus* and *Portunus haanii*

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

After a long 24 months of market volatility, the opportunity to focus on crab meat has never been better. With prices moving back to attractively low levels, crab is well positioned for increased demand. The last 24 months have been challenging, with many foodservice operators and retailers moving away from the expensive protein. Now, with prices at levels not seen since the onset of the pandemic, the time is right to get behind crab once again. Overseas, the demand for containers is also picking up, with importers starting to commit to new builds. So far, the impact has been minimal, and we expect this attractively priced inventory will hit warehouses in late October. At that time, a more stable market is likely to emerge with everyone working off a similar buying base. Until then, pressure to move off expensive inventory remains, so low priced deals will continue into Q4. From a supply standpoint, catch rates remain good due to an extended rainy season in Indonesia. Normally, hotter, drier weather would limit harvests, but that has yet to occur. The timing of its arrival could coincide with an uptick in container orders leading to further price firming on the beach. It's uncertain whether that translates to the street.

Buyer Beware

As previously noted, Tunisian blue and Chinese red crab meat, frozen and shipped to Indonesia and The Philippines for thawing, picking, packing and pasteurization, is a reality in today's market. Because of this process, the product offers inferior texture, flavor and shelf life. Much of the aggressive pricing being peddled on the street ties to this type of refreshed product. For price buyers with a lower threshold for quality, this product offers a solution. However, to avoid potential customer issues and complaints, we would recommend asking frank questions about where and how the product was produced, and where the crab was originally harvested. The old adage, "if it seems too good to be true, it usually is" applies.

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

The red crab fisheries typically follow blue crab from a pricing standpoint. We've seen that over the past few months with more price volatility. China, representing 80-90% of the overall supply, has just returned to production and has started to ship containers. Pricing is trickier this year for

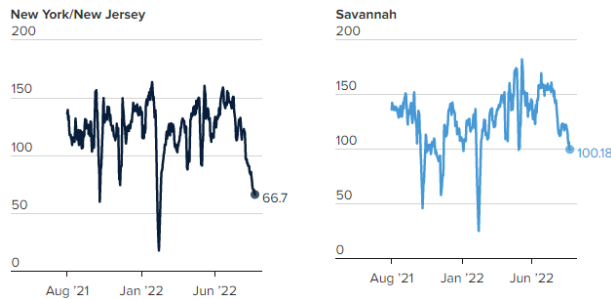


China as the Indonesian and Vietnamese blue and red fisheries are softening. China faces higher operating costs and a continued tariff but must sell into a softening US market. Lastly, a good amount of Chinese previously frozen inventory remains in the US so the appetite for new production is tempered right now from US importers.

Supply Chain Update

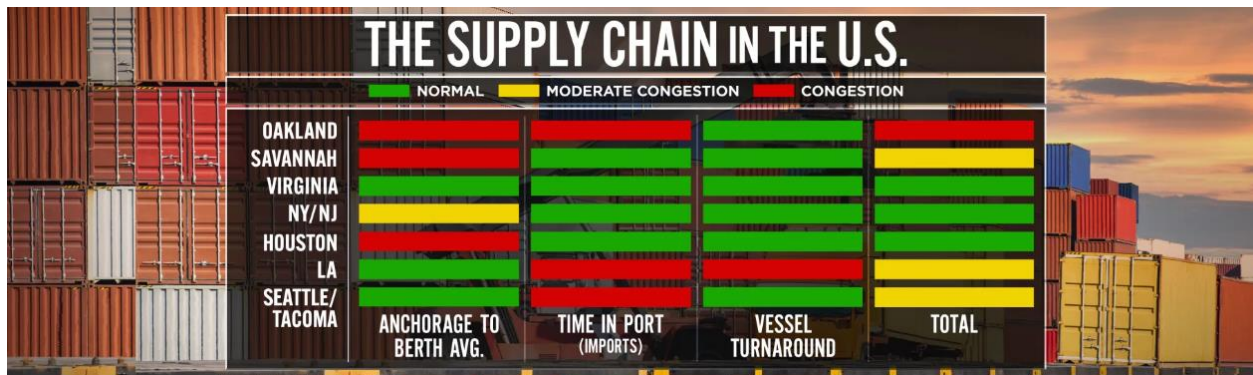
The US supply chain for pasteurized crab meat is more stable than it's been over the past six months, driven by reduced overall demand on imports. Since early Q2, commitments to new container shipments have dwindled down to a trickle. This has reduced the pressure on an

Ocean shipment bookings from China to the U.S.



already overtaxed US port network. Additionally, other industries have seen a slowdown in imports as well, providing further relief. According to Josh Brazil of *Project44*, “(this week) we’re seeing an 18.5% drop (in ship congestion), from 70 down to 57 vessels waiting for berths at East Coast ports.” (source: *CNBC*, 8/17/22). Despite this, we are still seeing delays in scheduled off-loads averaging

upwards of 1-2 weeks in key ports. The chart below from *Marine Traffic* showcases this challenge for Houston, Savannah and Oakland.



The good news is that fuel costs are on the decline and staffing challenges are improving, resulting in more stable inbound and outbound freight costs.