



Date: 11/1/2022
To: Heron Point Customers
From: Heron Point Seafood, LLC
Re: November Market Outlook – *Portunus pelagicus* and *Portunus haanii*

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

November should provide some much-needed market stability for pasteurized crab meat. We expect that containers shipped in early Fall will arrive over the next several weeks. The recent wide price variances have largely closed as importers have been working off of similarly valued inventory. Any remaining deals most likely come with a story, so it's important to ask questions regarding species, remaining shelf life, whether it was previously frozen, where it came from, etc. From a supply standpoint, the Indonesian fishery has seen steady production throughout the summer and fall. Supplies are sufficient for existing demand. Beach pricing is firm and has risen steadily over the past 60 days driven by recent commitments and anticipated demand in Q4/Q1. As such, we do expect prices to increase slowly, reflective of these cost increases as well as significant increases in freight. Despite this, we are now at pre-pandemic levels for most grades, offering operators tremendous value. The time is right to focus again on this beloved species.

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

China represents 80-85%+ of the total supply of red swimming crab. Its core season runs August through December with minimal exports in Q1 and a complete shutdown (Conservation) from May-August. This has been a strange season for Chinese exports with little new season production being shipped. This is being driven by two factors; price and need. The current market for red crab, impacted by a major correction in blue crab over the last 90 days, is lower than what Chinese processors and their fishermen need to profitably catch and ship product. Secondly, and perhaps more significantly, previously frozen red crab shipped in early 2022 is still sitting in US warehouses. Importers (with no Chinese affiliation) are pushing back on imports, not committing to new containers. What does this mean? It means that much of what's been caught this season will be frozen again and thawed for future production. While the quality concerns are obvious, the impact on future market pricing is also something to watch.

Heron Point Seafood is the largest importer of swimming crab from Vietnam, the only other red crab fishery. Vietnam is in peak production right now with refrigerated (never frozen) product.



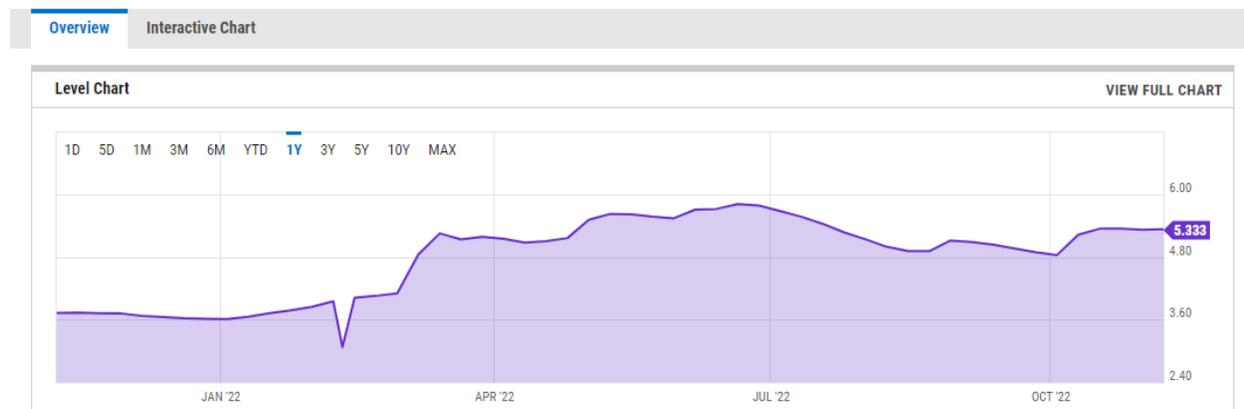
Availability is good and prices are stable. Vietnam's season runs through December with considerably less inventory put up in Q1/Q2.

Supply Chain Update

Supplies of diesel fuel, jet fuel, and heating oil are at their lowest levels since 2008. This fact has led to diesel prices now averaging \$5.33/gallon nationwide (source: Energy Information Association). Expectations are that freight costs will increase through year-end as diesel pricing continues to rise. On the front line, fishermen often dictate when and how often they'll fish for crabs. From Indonesia to Nicaragua, if it's not cost effective to fish crabs, fishermen will either not go out or focus on a species that's more profitable. With gas prices on the rise, fishermen are going to demand higher pricing or not fish. Conversely, Ocean Freight rates have come down significantly and are expected to continue to soften as more capacity materializes.

US Retail Diesel Price

5.333 USD/gal for Wk of Nov 07 2022



Source: Ycharts.com