



Date: 3/1/2023

To: Heron Point Customers

From: Heron Point Seafood, LLC

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

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

As we head into Spring, we're seeing the US market tighten up for blue crab meat. Availability is tight and prices are on the rise. Production levels are slightly below average and supplies aren't meeting a pronounced increase in import demand. This demand is being fueled by multiple variables, all combining for the 'perfect storm' in Indonesia. First, the aggressive buying in early 2023 by a select few importers, contractually obligated to service retail commitments, created optimism on the beach that overall US demand was on the rise. Prices rose and importers, seeking to secure needed Spring/Summer supply in a rising market, jumped in to get their fair share of available production. Second, availability from alternative fresh and pasteurized fisheries has yet to materialize. The Philippines, India and Vietnam aren't yet in season, and Venezuela is only just emerging. Third, China and Vietnam are both in low season, further limiting access to alternative red crab inventory. All of this has resulted in added pressure on the Indonesian fishery, and the laws of supply & demand have taken over. Over the last few weeks, beach prices have increased +40% and containers commitments are being awarded to the highest bidders. Despite this recent price climb, we don't expect a return to the 2021 market. Until these other fisheries emerge, we expect to see continued price tightening. Based on the recent import activity, inventory positions may improve by summer which, depending on how strong operator/consumer demand is, could help stabilize the market.

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

Vietnam is now emerging from its low season with production levels estimated at historic averages. We expect this production to pick up soon with a higher volume of inbound product arriving in May and throughout the summer. China, normally in low season and about to move into Conservation, is now exporting crab meat. How is this happening when there's limited fishing and processing occurring? China remains in the market as it's relying on its frozen inventory to support US demand. Harvested in 2021 and 2022, this crab meat is being thawed, picked, pasteurized and marketed as 'refrigerated' to importers seeking value priced meat. Buyer beware



as the quality of this resource is questionable to say the least. Heavy in moisture, soft in texture and with limited shelf life, it's an inferior red crab option.

Supply Chain Update

Despite freight rates being at pre-pandemic levels, expectations are that marine freight will firm again based on the unsettled US economy, predicted slowdown in consumer discretionary spending, and a resulting overall decline in inbound volume. Trucking costs are also favorable, but excess capacity resulting in low spot rates will likely consolidate the market. Fewer options will result in higher trucking costs. (source: *Freightwaves.com*)

Diesel pricing has come down -5% since February, now averaging \$4.29/gallon nationally. Diesel prices have declined more than -15% over the last 12 months. (Source: AAA).

