



Date: 7/1/2023

To:

From: - Heron Point Seafood, LLC.

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

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

The strong 4th of July week in restaurants across the country seems to bode well for the remainder of the summer. Despite tough weather in many markets, traffic was good and consumers appeared to be out and about, spending in restaurants and enjoying crab dishes. With prices on the rise over the past few months, it's easy to lose sight of the fact that crab remains a good value relative to where it was in 2021. There is optimism in the market for continued strong demand in July and for the duration of the summer season.

Overseas, processors are feeling continued pressure to fill containers as soon as possible. This importer demand is driven by both a need to rebuild core warehouse inventories and a need to support normal Q4 holiday demand. Coupled with a recent reduction in landings, this strong demand has kept prices high on the beach. Normally, Indonesia sees a slowdown in landings in May/June as the weather gets hotter and drier. This season defied that norm, and the low season was delayed by a few months. How long this will last is anyone's guess, but increased demand against reduced capacity means continued strong prices.

In-country inventory remains tight across most grades, particularly with Colossal and Jumbo Lump. Availability of value grades (Claw, Special, Lump) is better, but as noted above, prices continue to climb.

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

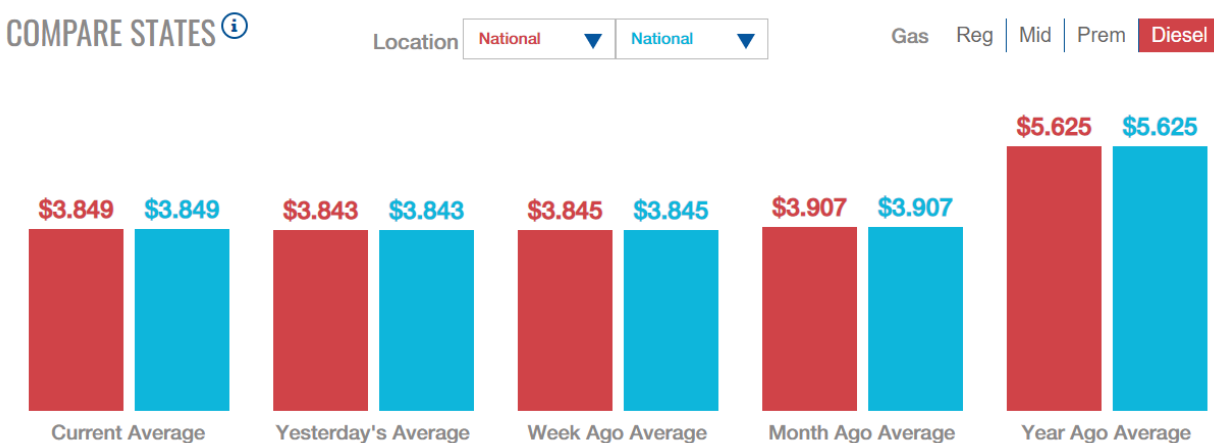
Vietnam continues to be confounding, struggling to produce historical levels due to poor landings. The 2+ month delay due to high temperatures/dry conditions has improved, but slowly. While we see some light at the end of the tunnel, production remains constrained, and containers are being shipped partially full. There are signs that things may be improving in this regard, and we hold out hope that inbound containers will be full come September/October. Until that time, availability will be somewhat limited based on grade and timing. With China being out of the



picture for new production, the overall *haanii* availability is presenting a challenge for the US market. Based on China's reduced exports during last summer's market correction in the US, we believe much of what's being sold is previously frozen raw material, put up in 2022 for thawing/selling in 2023. As we've noted before, quality and shelf-life issues abound with this product, so buyer should beware. New Chinese production will commence in August and we expect to see that in the US in late September and October.

Supply Chain Update

Once again, we're seeing a decline in diesel pricing across the country, down \$0.07 per gallon since June and -32% vs YAGO. (Source: AAA).



Based on a recently published study (*The McCown Report*) by Blue Alpha Capital, port congestion issues have shifted from the West Coast to the East Coast (*Seatrade Maritime News*). The West Coast, once representing 75% of all containership congestion, is now only 33%. "The last month has seen an increase in this eastward shift and now Houston and New York have as many containerships waiting for berths as LA/LB combined." (*The McCown Report*). The prediction is for an increase in delays due to this increased congestion. We are already experiencing these delays, and are noticing an increased consolidation across shipping lanes.