

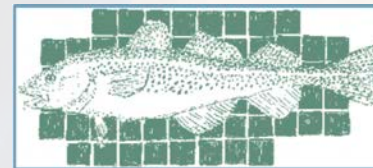
Snow Crab Update for New Brunswick Seafood Industry 2023

John Sackton
Seafood Datasearch
Province of New Brunswick
March 2023



Background

- 40+ Years in Seafood Industry
- Crab, shrimp, lobster and cod market analyst since 1997
- Price and market outlooks for Atlantic Canada, Alaska, and US West Coast
- 2005-2018 Price arbitrator for Alaska crab
- Expert on Mussel and Oyster Markets
- Co-Founder of NFI's Global Seafood Market Conference
- Annual Market Review for Fisheries Council of Canada
- Founder of SeafoodNews and Seafood Datasearch



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Seafood News
The Winding Glass: What does 40 years in the American Seafood Industry look like?
The Winding Glass is the latest and greatest volume of what makes Seafood News what it is today. It is a unique blend of news, analysis, and commentary on the industry. It is the industry's most comprehensive and authoritative source of information. It is the industry's most comprehensive and authoritative source of information. It is the industry's most comprehensive and authoritative source of information.

FFAW Sounds Alarm Over Fish Deaths in Northern Harvest Science Park
An aquaculture company opened itself up to speculation about the impact of a 20-year-old facility that will be used to produce salmon. The company's management is proactively addressing the concerns, with the provincial government's involvement.

FFAW: No Net Progress on Canadian Safe Access
Business of Some Crabs in Being Sea-Crow, But Shiver Than Expected, Taster Crab Included
The Winding Glass: What does 40 years in the American Seafood Industry look like?
The Battle Over Fish Farming in The Open Ocean Heats Up, An EPA Permit Looms
Right Whale Deaths Prompt Call For Canadian Snow Crab Import Ban In U.S.

WEEKLY RECAP | September 20, 2019



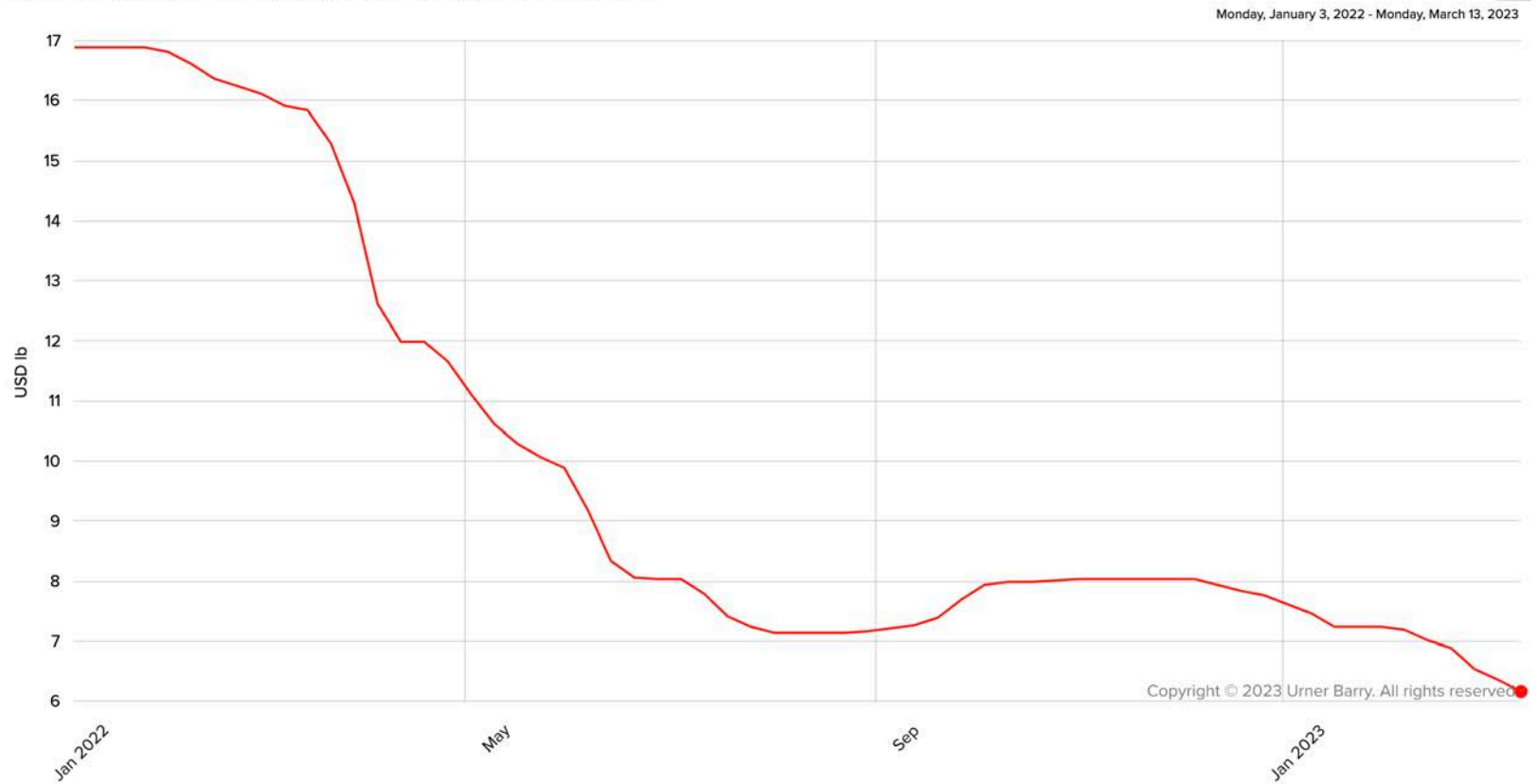
Outline for Today

- Historic Crab Price Decline and inventory build up
- Retail and Foodservice Usage of Crab
- Japan Market Conditions
- Snow Crab Experience of 2022-23 season
- Supply and Trade Issues
- US Economic Outlook
- Can the crab market recover in 2023
- Questions and Discussion



Between January 2022 and March 2023 Crab Prices Declined 62%

UB Crab, Snow, Cluster, Gulf Lawrence, 5-8 oz., Ex-Warehouse EC



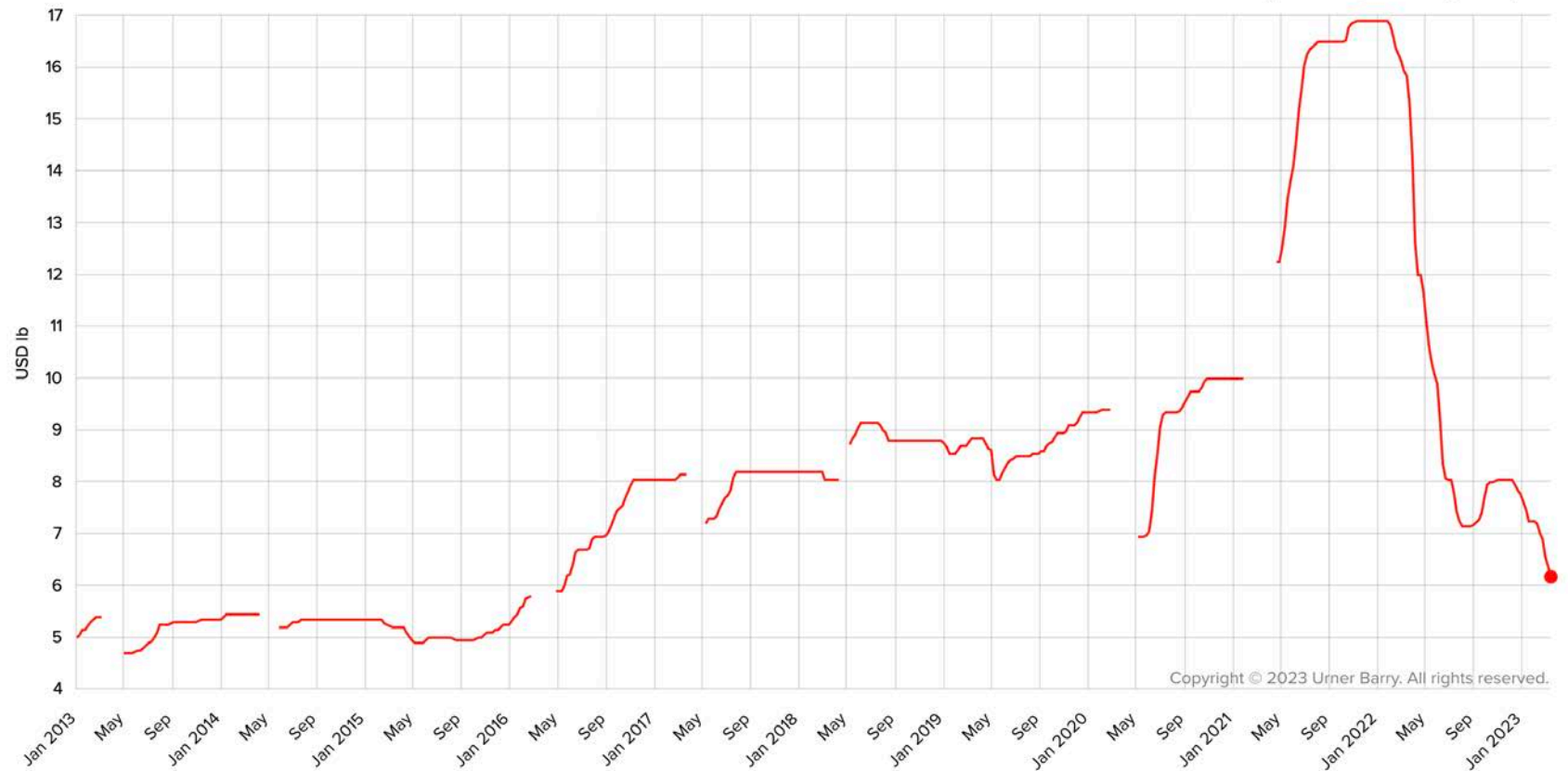
Source: Urner Barry Comtell



The price decline is unprecedented

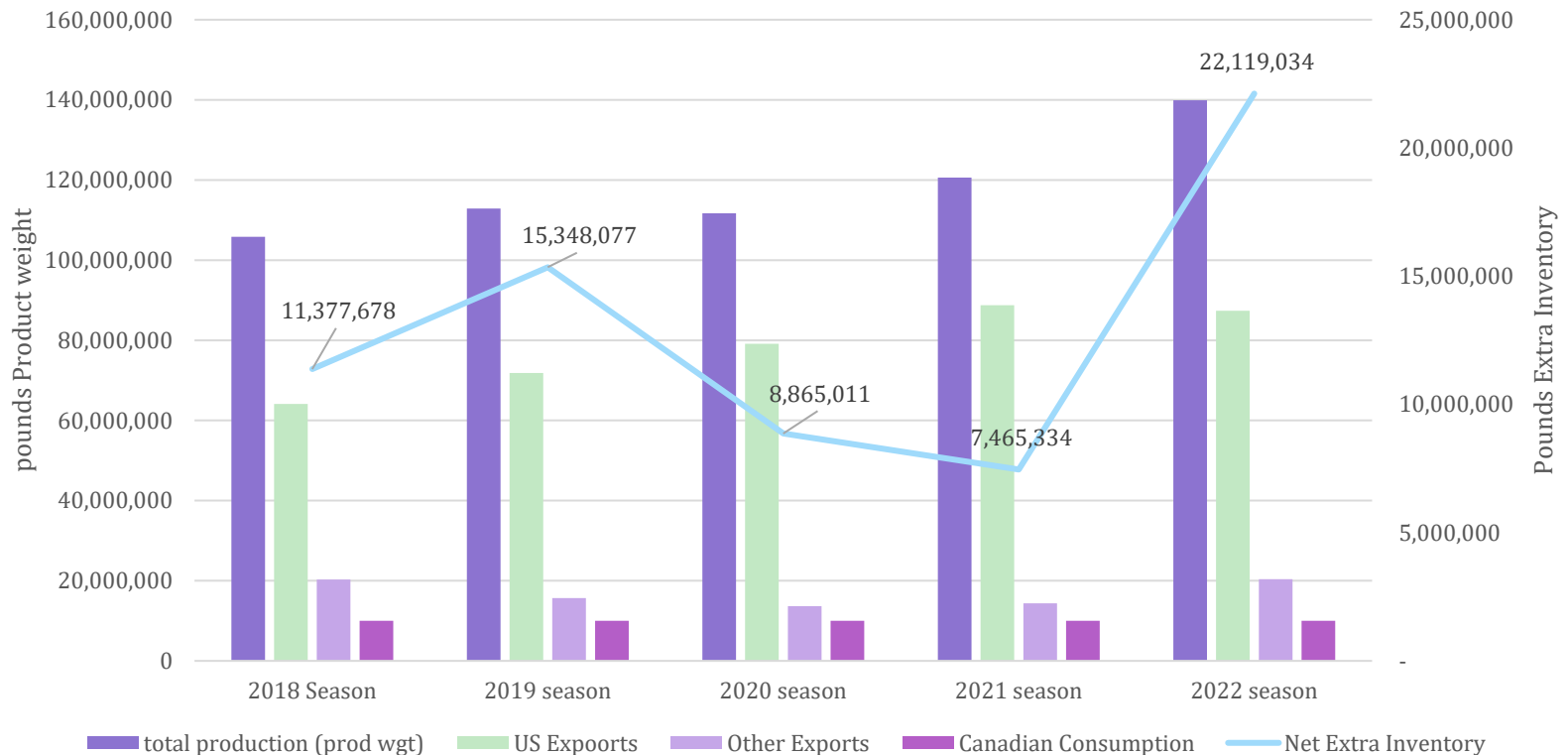
UB Crab, Snow, Cluster, Gulf Lawrence, 5-8 oz., Ex-Warehouse EC

Monday, December 31, 2012 - Monday, March 13, 2023



Huge build up in inventory crashed prices

Disappearance Model for Canadian Snow Crab

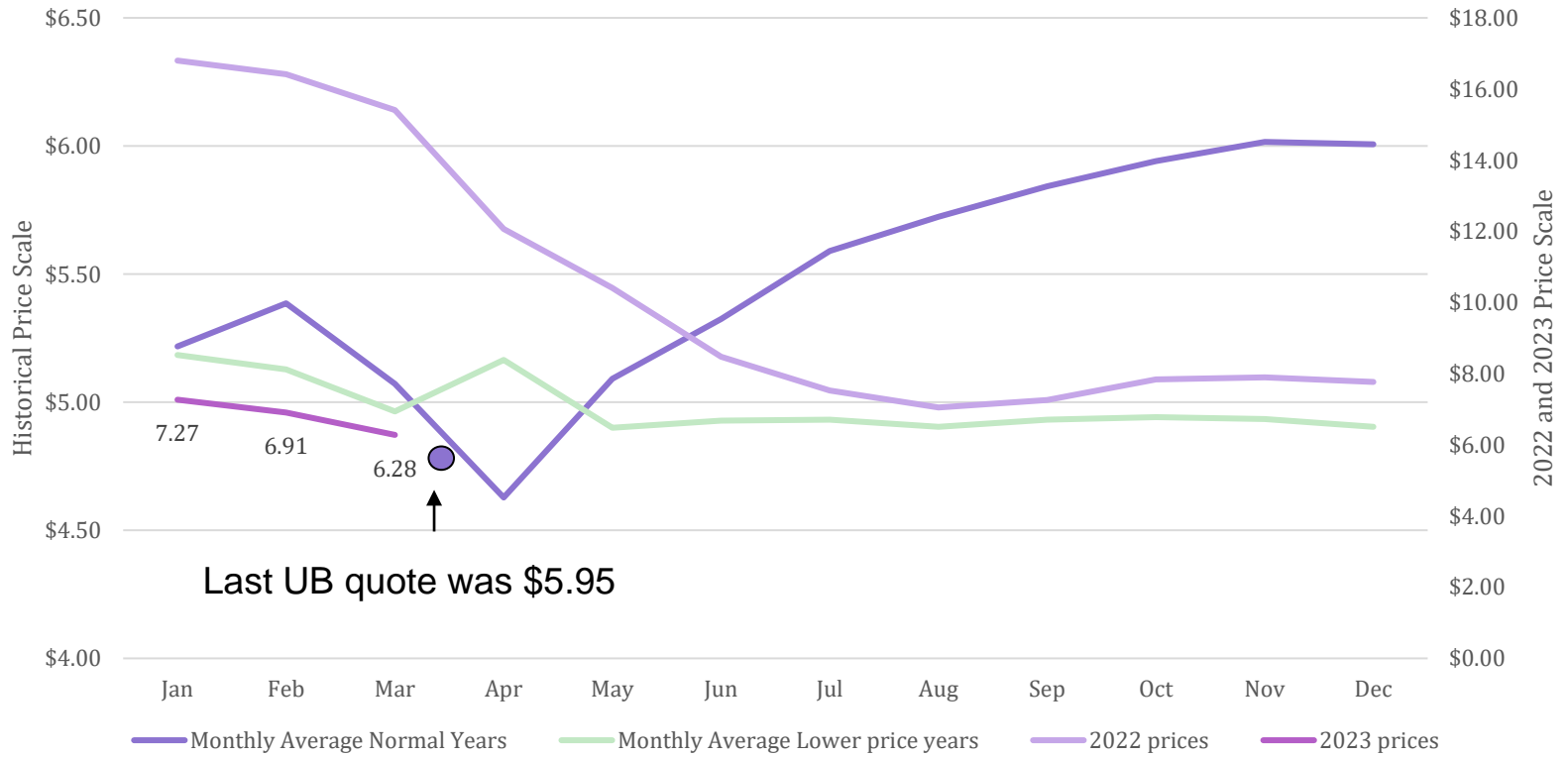


Unsold crab still in Canada was 300% higher in 2022 at the end of the year. Feb and March shipments will reduce this amount



So far this year market continues to be weak

Market Behavior in Years Prices Decline Jan-Mar

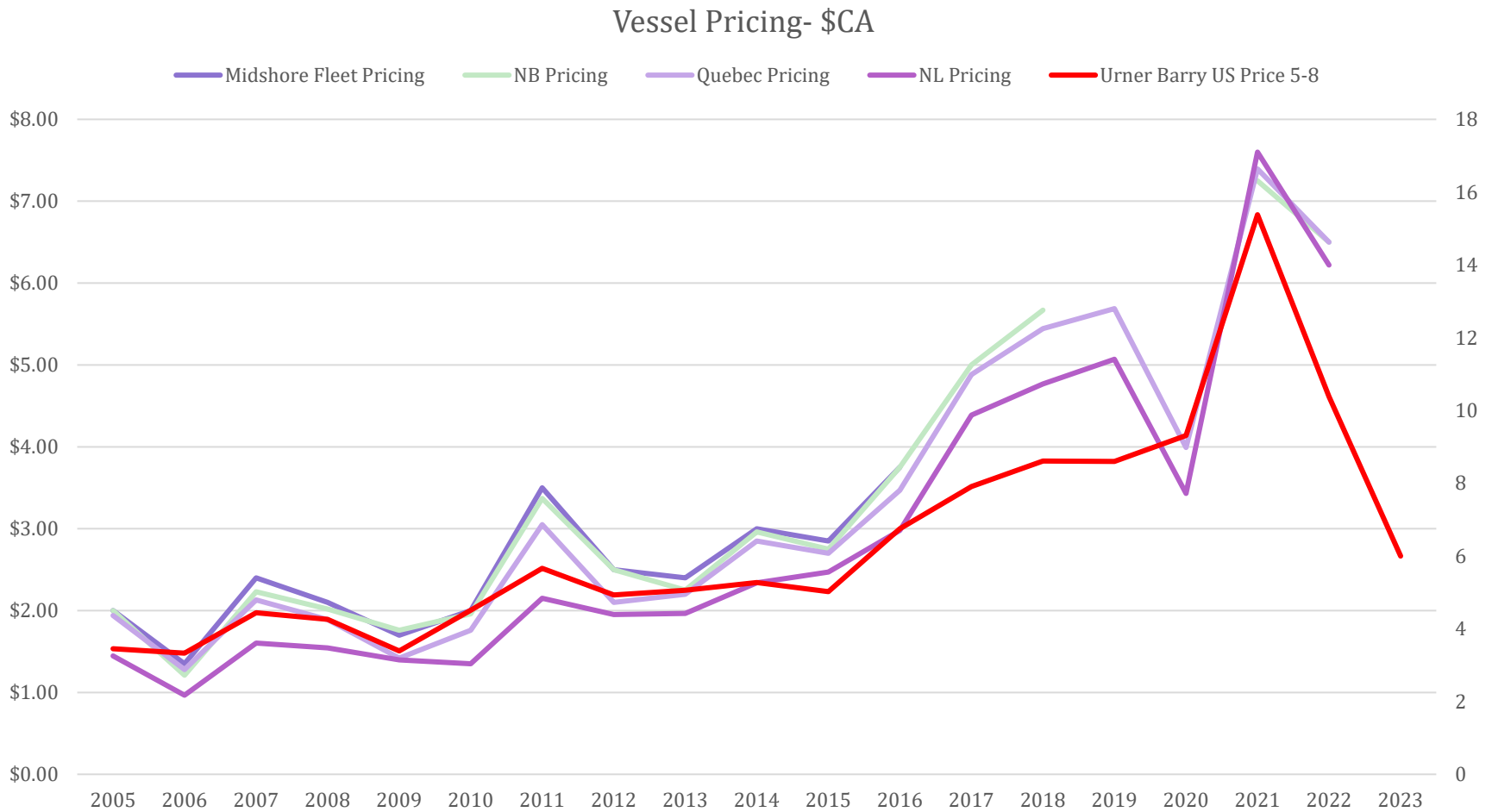


Last UB quote was \$5.95

Source: Seafood Datasearch and Uner Barry



Recent history of shore prices and US wholesale price

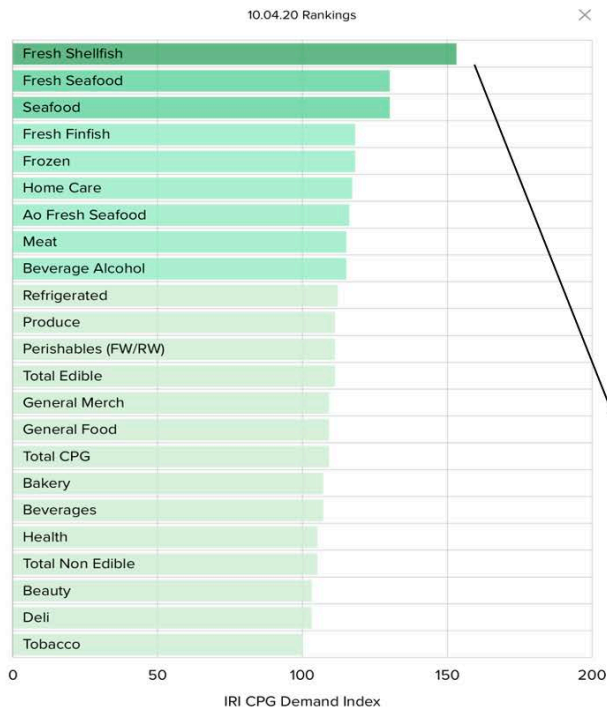


Source: Seafood Datasearch

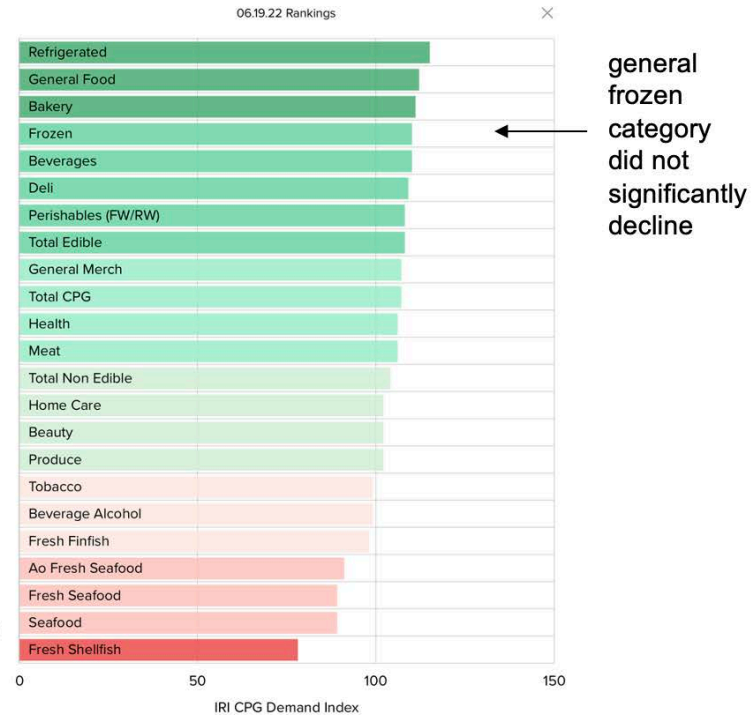


We know exactly why sales collapsed: After 2021 record prices, retail sales collapsed when stimulus programs ended

Oct 2021: crab led all sectors in increased demand



June 2022: crab was worst performing category



Source: IRI data from 210 Analytics



Perfect Storm Caused Consumers to back away from crab

- Record High Prices in stores
- Ending of Stimulus Money supporting purchases
- Inflation and High Gas Prices changing purchase behavior
- Ebbing of pandemic led to more spending on restaurants, sports, travel
- Despite strong job market, consumer incomes fell behind inflation

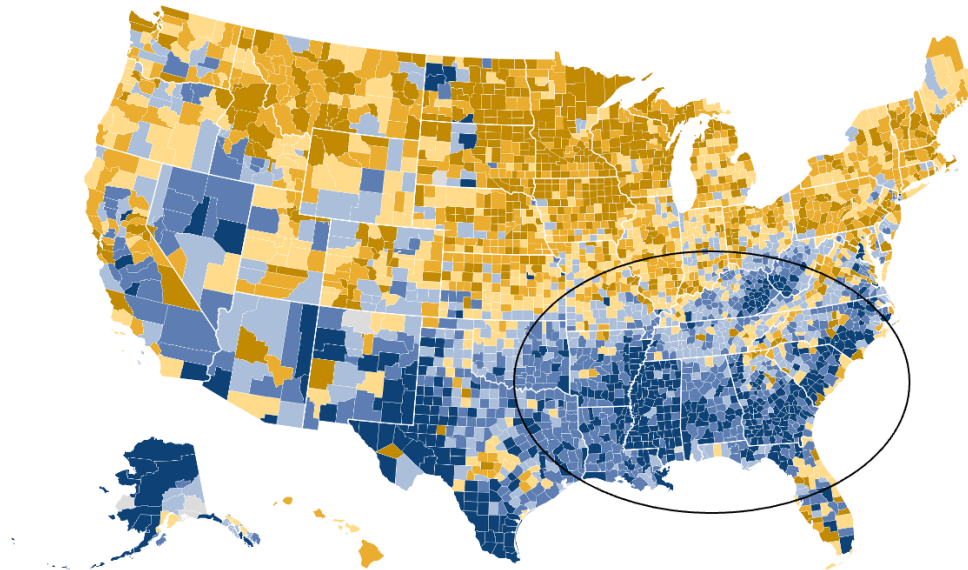


Crab consumption highest in regions under economic pressure

Heart of snow crab consumption corresponds with lowest credit scores

Average credit score

■ 687.2-726.0 ■ 726.0-733.7 ■ 733.7-740.3 ■ 740.3-745.8 ■ 745.8-750.9 ■ 750.9-774.3



Note: FICO averages for individuals with credit cards by county as of 2019
Source: Sumit Agarwal, Andrea Presbitero, André Silva and Carlo Wix

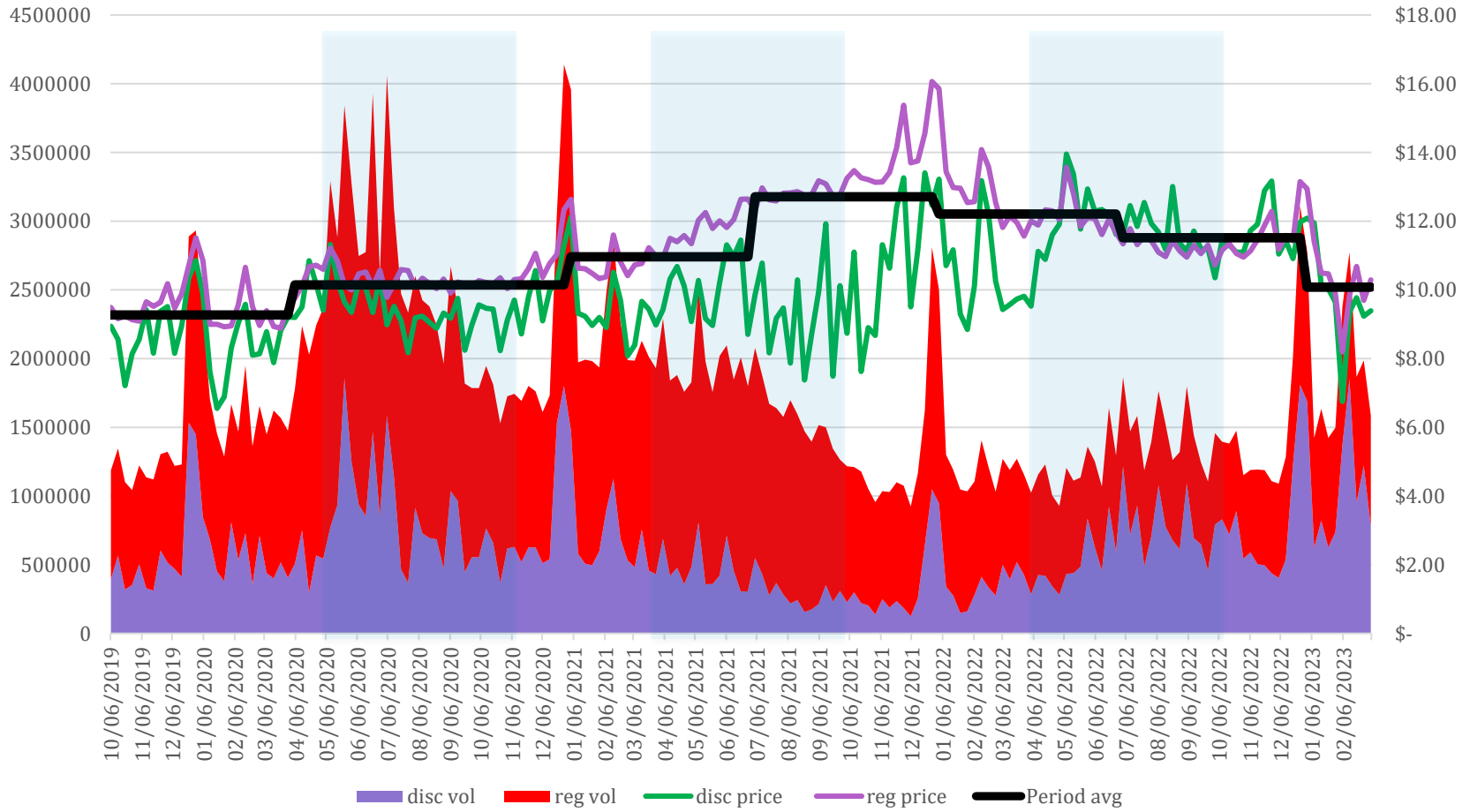


THE WASHINGTON POST



Volume fell in each of the past two seasons

History of Crab at Retail From Pandemic to Now

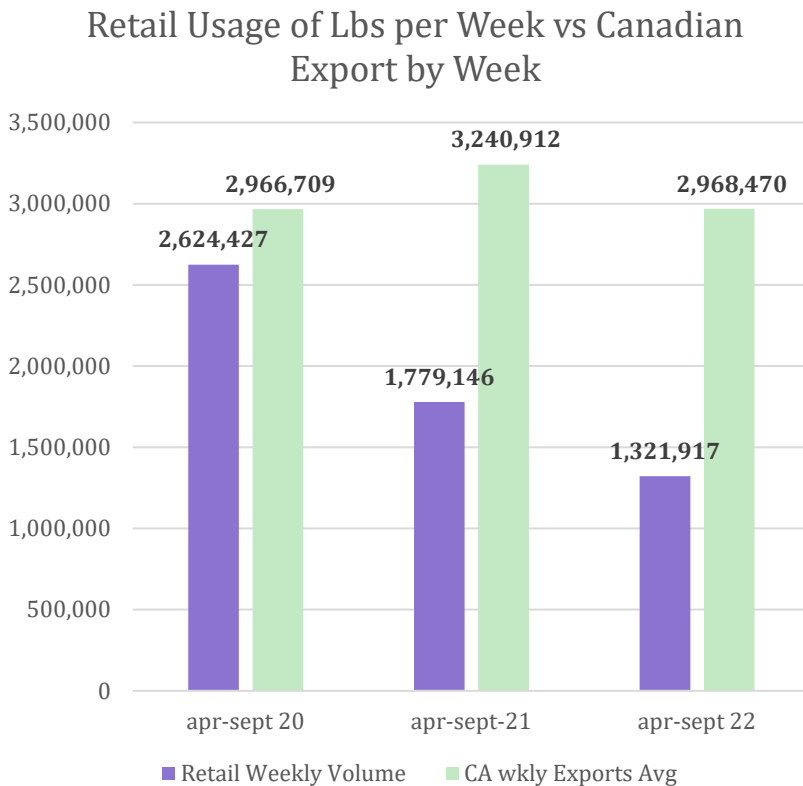


Source: Uner Barry IRI retail data



How Inventory Grew

While retail sales fell, Canada kept shipping more crab



When sales slowed everyone in supply chain affected

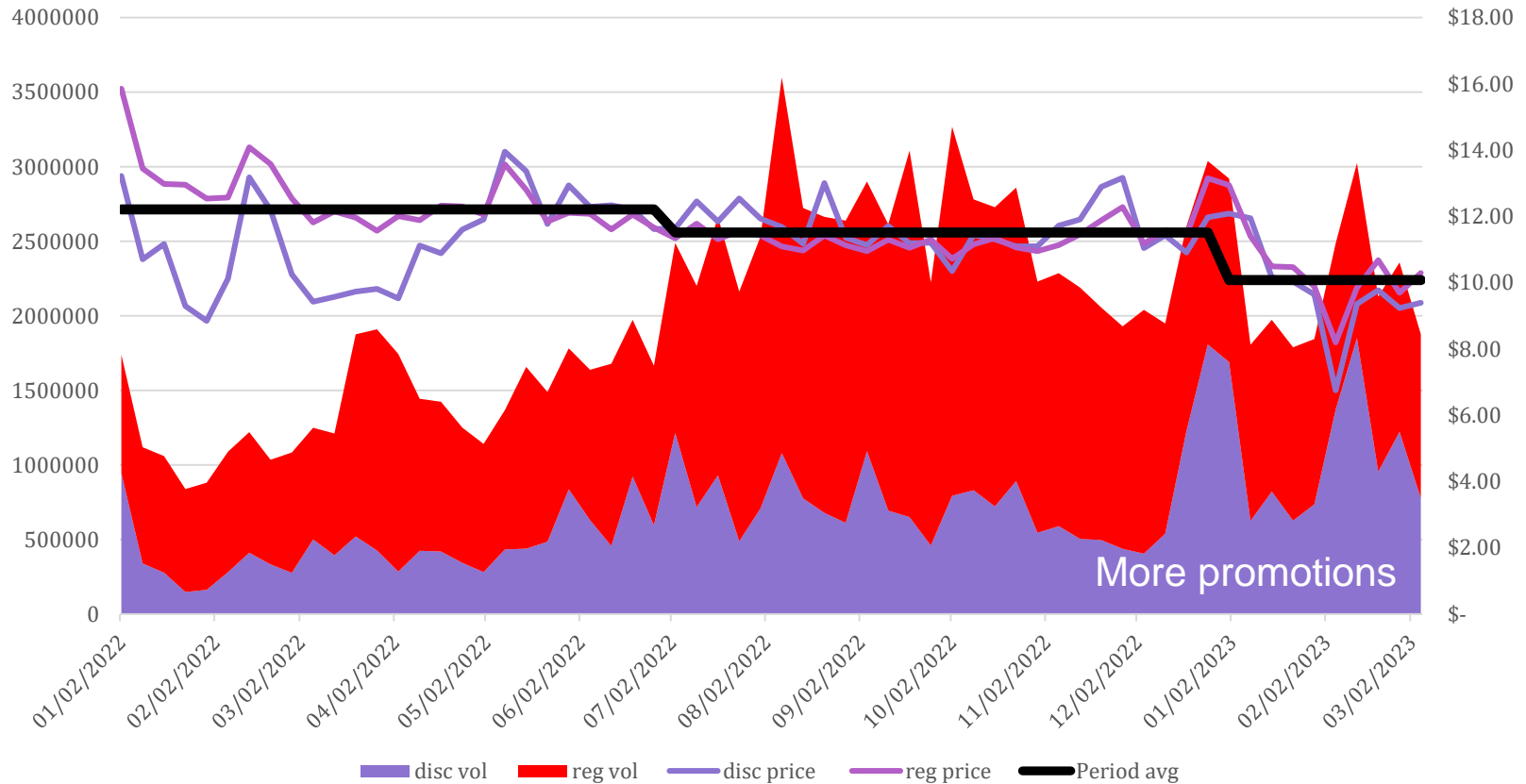
- Retailers did not anticipate the sales slowdown in 2021.
- By 2022, retail volume had fallen 50%, or by 1.3 million lbs per week
- Retailers did not reduce price enough in 2022
- Canada increased production 33%

Note this is grocery data. Club store data (13% of sales) not included



Only since December have promotions increased and prices dropped

History of Retail sales from 2022 until March 2023



Source: Urner Barry IRI retail data



Snow Crab still more expensive than steak

Giant
VALID FRI.-THURS. | MAR. 17-23, 2023

BUTCHER SHOP

\$7.99 /lb.
WHEN YOU BUY 3 PKGS. OR MORE*
Porterhouse or T-Bone Steak
USDA Choice Beef 5915316
*Other Quantities: \$8.99/lb.

BEST

\$10.99 /lb.
Snow Crab Clusters
Wild Caught, Frozen or Thawed
for Your Convenience 5909732

For 2023:

- What would increase retail sales volume by at least 1 million lbs per week.
- Without that level of sales velocity our inventory won't clear out.



Foodservice sales of seafood were flat in 2022

- Seafood up 0.25% while Crab declined - 1.4%
- All other items (meat, poultry, dairy) were up 3% to 6%

Sales increased for lodging, casino and non-commercial venues

Growth is coming from Lodging/Casino and Bar and Grill

▼ DOWN -3.6%
Street Customers
(1-19 units)

▲ UP 24.7%
Lodging and Casino

▼ DOWN -4.5%
Regional Customers
(20-250 units)

▲ UP 8.6%
Non-Commercial

▲ UP .41%
National Customers
(250 units +)



Photo by Sarah Chappell (Snapchat)



Photo by Sarah Chappell (Snapchat)



Inflation hit restaurant sales; decline in inflation is positive

Inflation changing restaurant behavior

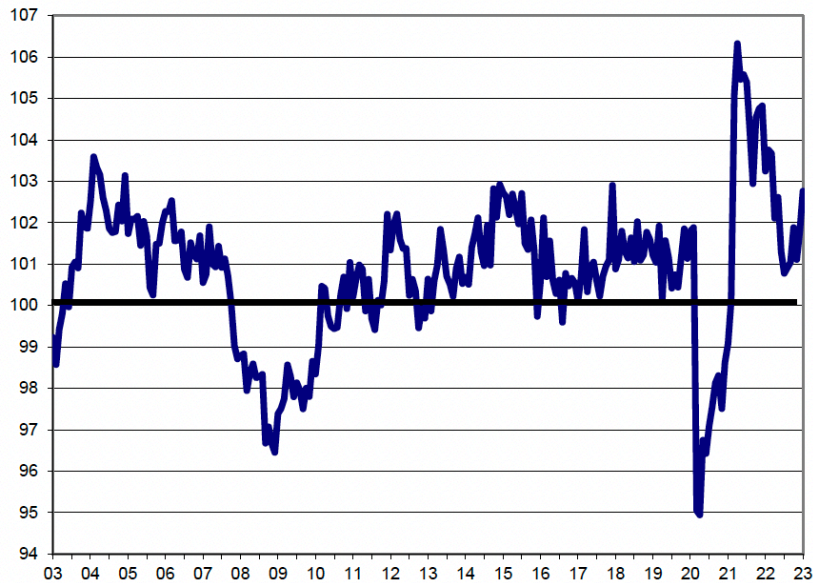
Majority of U.S. adults have adjusted eating and drinking behaviors as a result of inflation

- 82% eating out less often
- 86% Baby boomers eat out less often
- 73% buying less meat



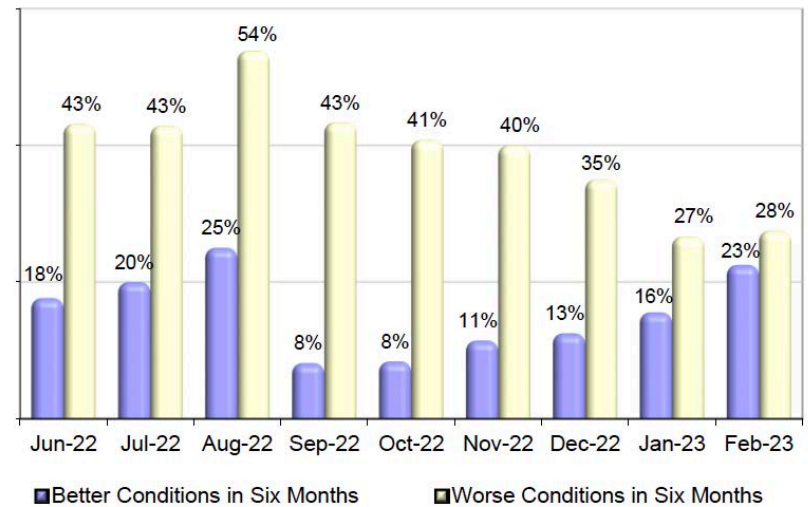
Restaurant operator outlook is improving

Restaurant Performance Index



Source: NRA; Values Greater than 100 = Expansion; Values Less than 100 = Contraction

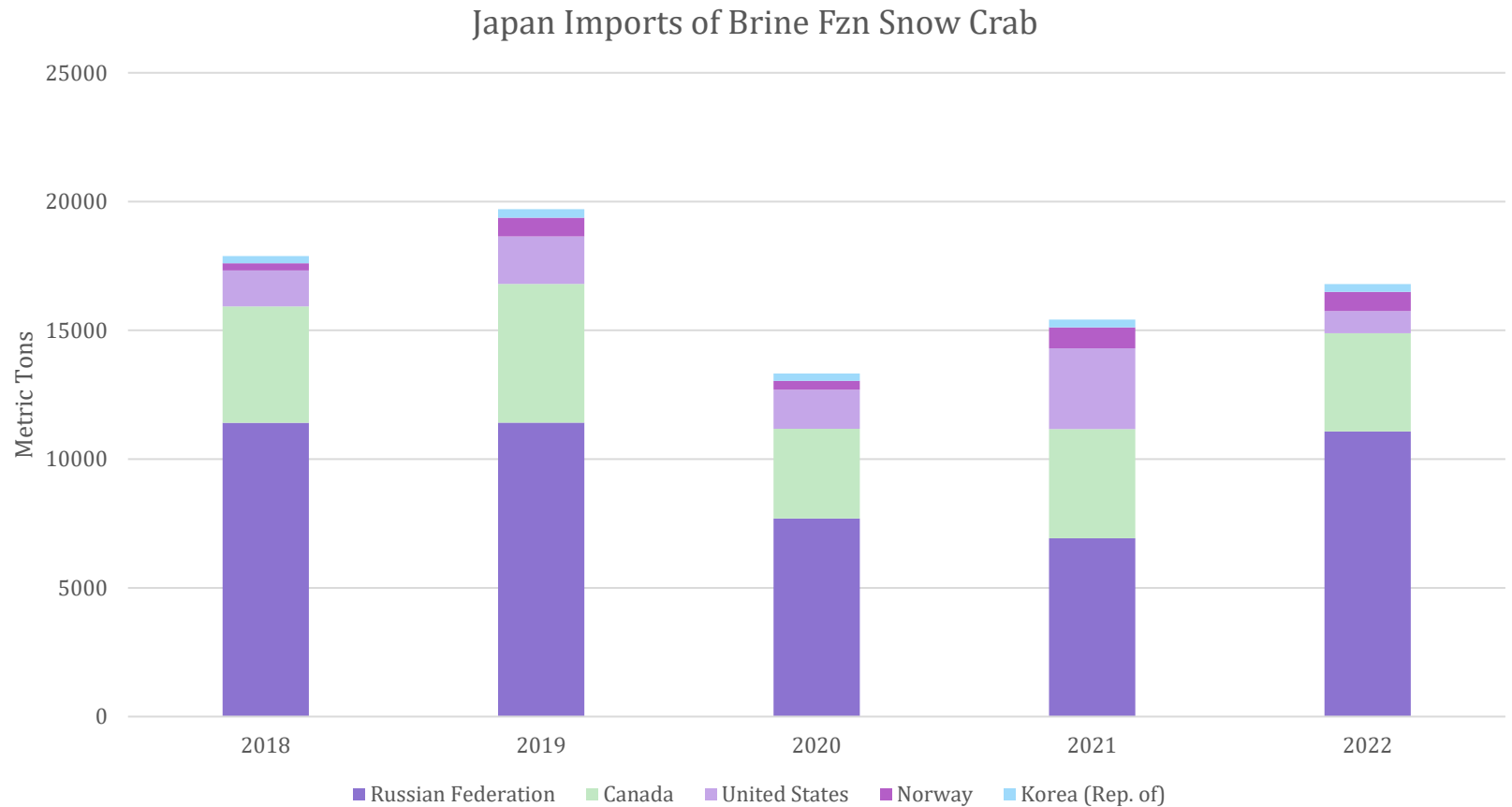
Restaurant Operators' Outlook for General Economic Conditions in Six Months



Source: National Restaurant Association, Restaurant Industry Tracking Survey



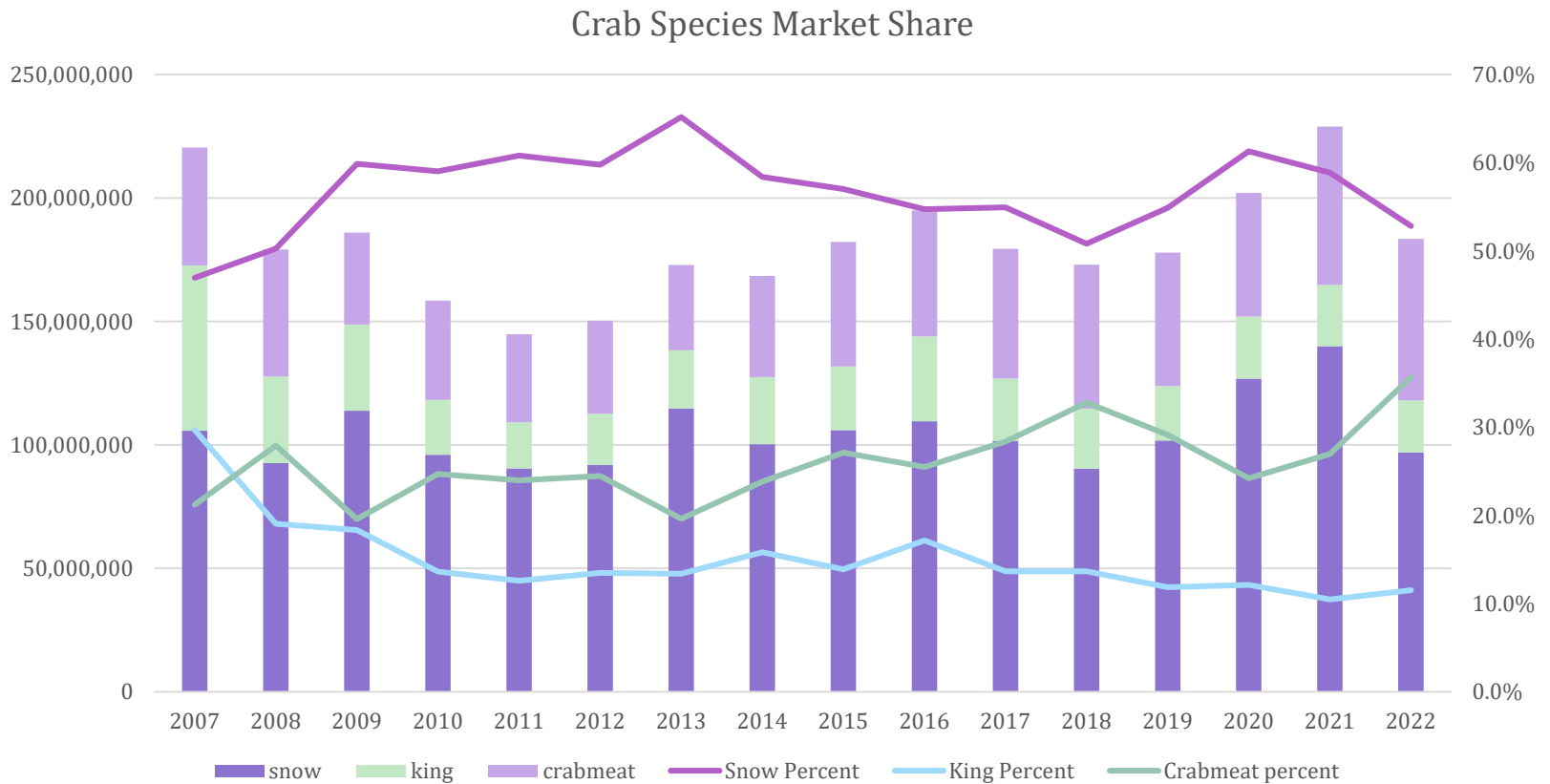
Canada maintains market share in Japan: Russian crab less suitable for meat picking



Source: Global Trade Tracker



Crabmeat usage increasing in Japan

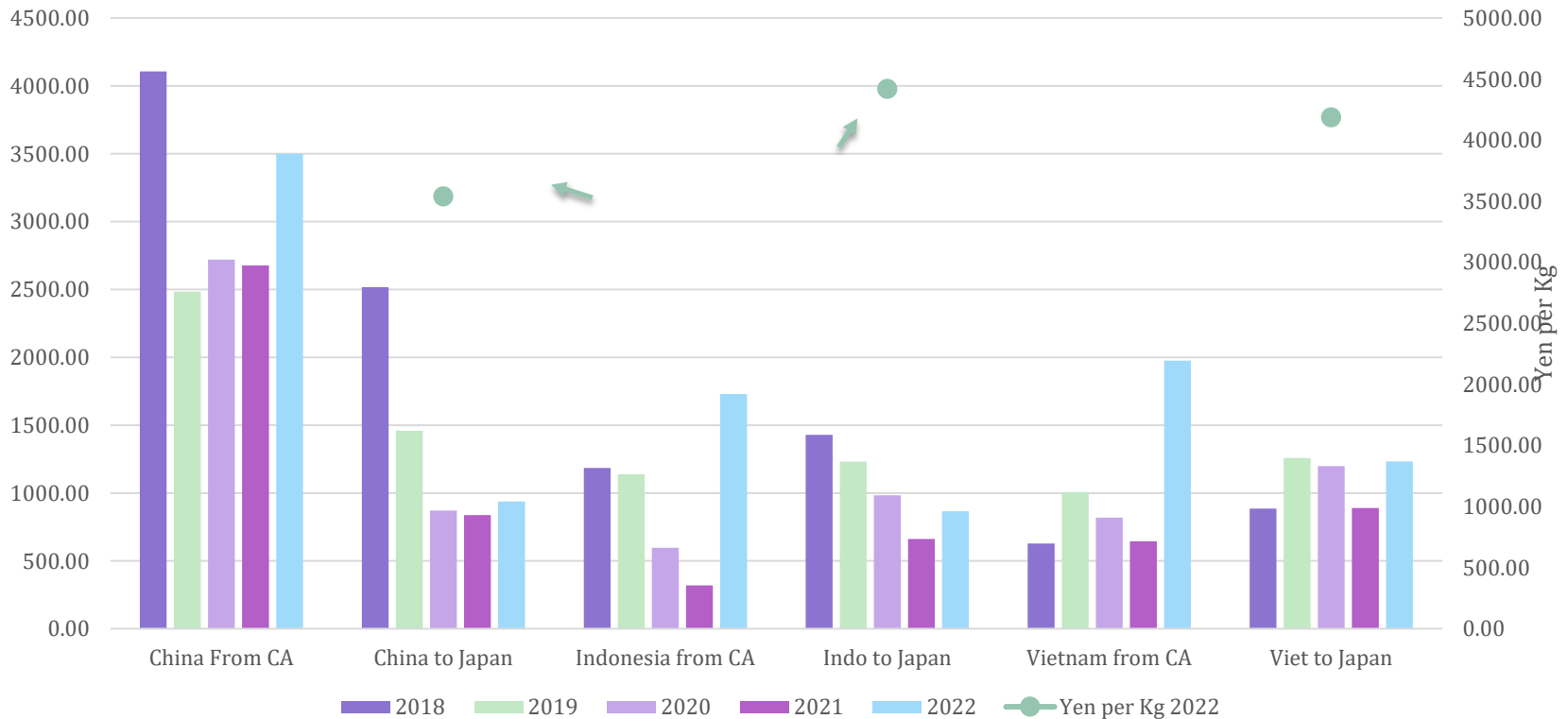


Source: Global Trade Tracker



Canadian sales to Asia increased along with meat shipments to Japan

Growth of Crabmeat Exports to Japan



Source: Global Trade Tracker



Overall snow crab quotas to increase again, mainly in area 12

CA snow crab quota likely to Increase Again in 2023

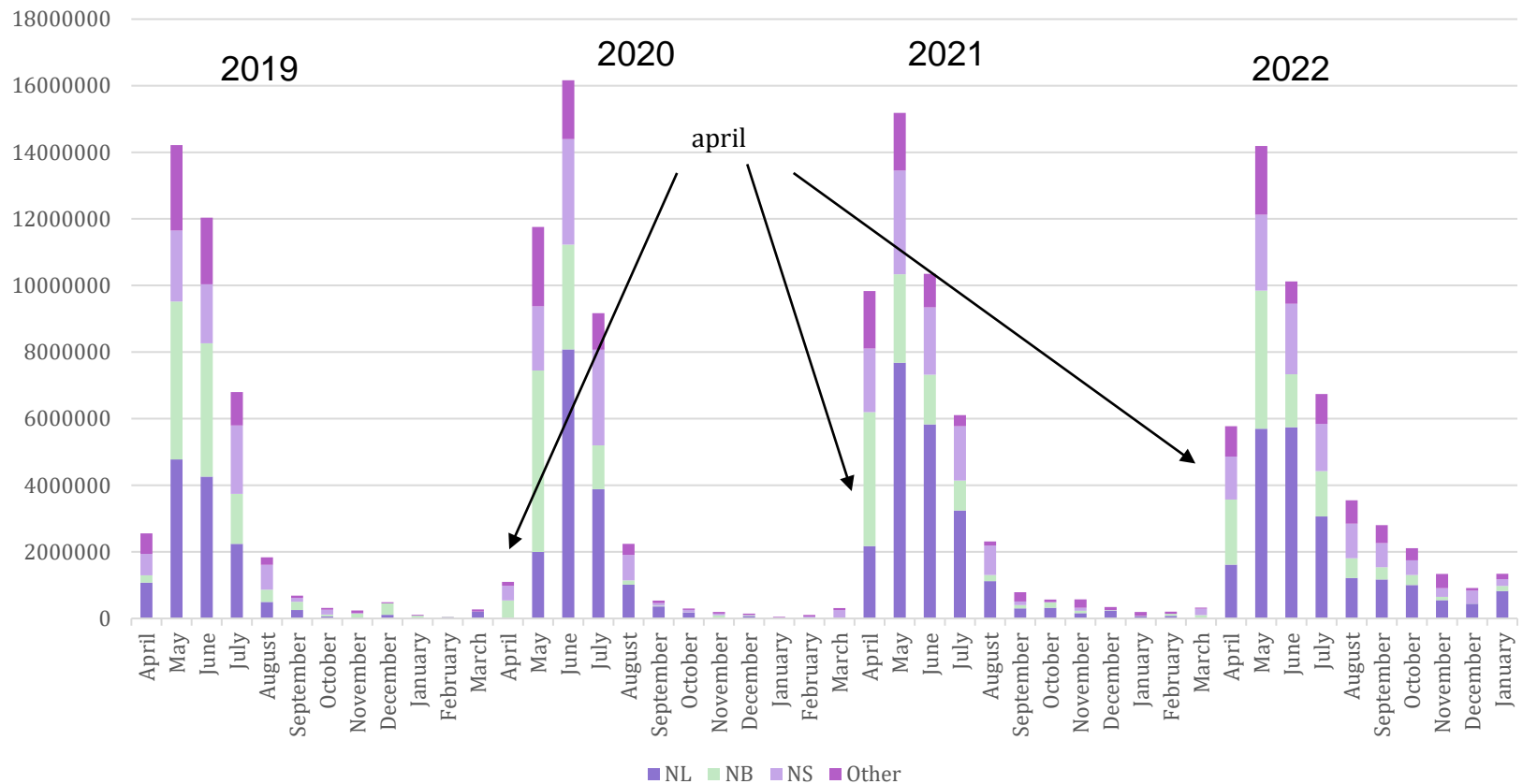


Source: Seafood Datasearch



Ocean conditions point to early season, but market conditions do not

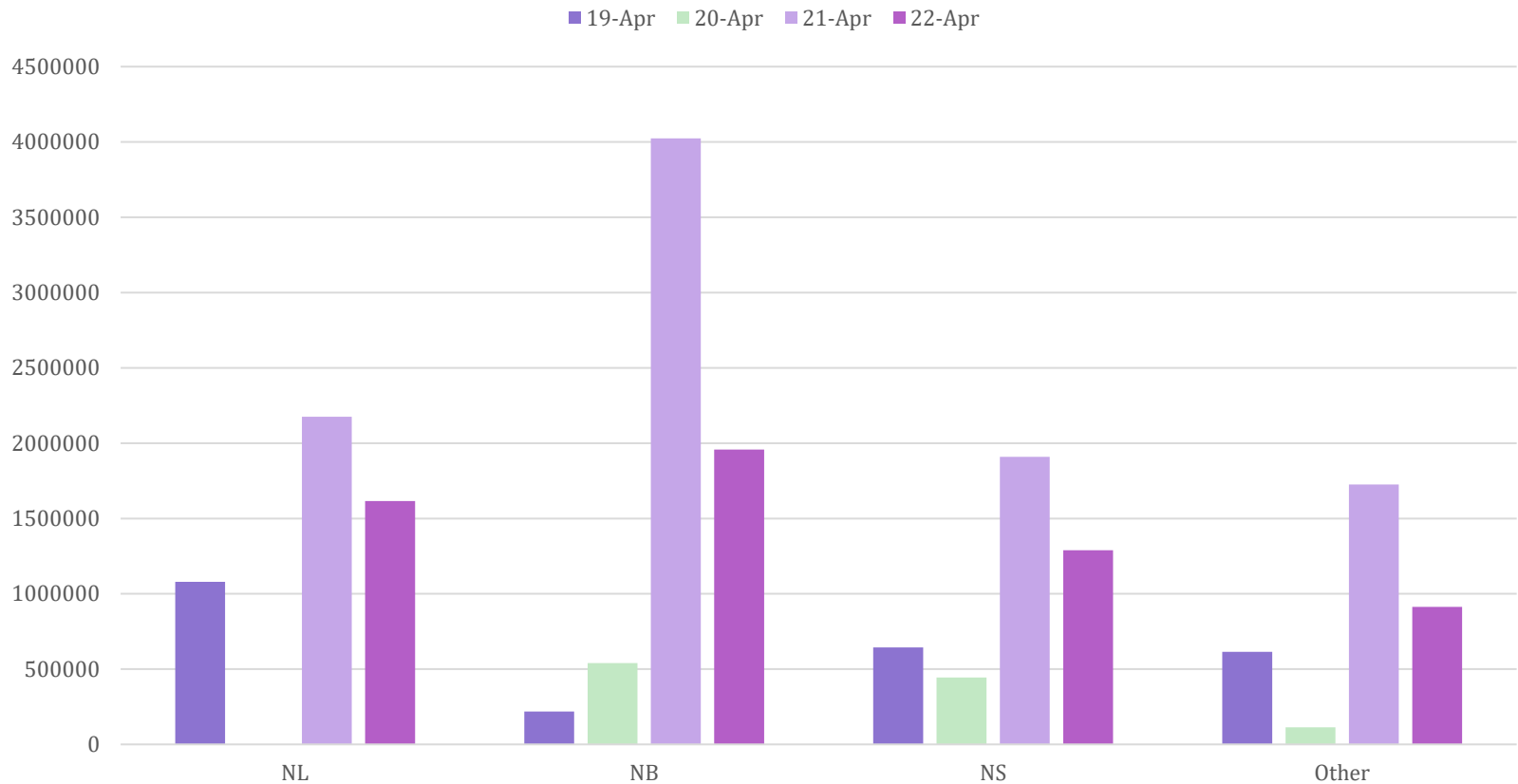
Seasonal Exports by Province



Source: Seafood Datasearch



April exports by Province

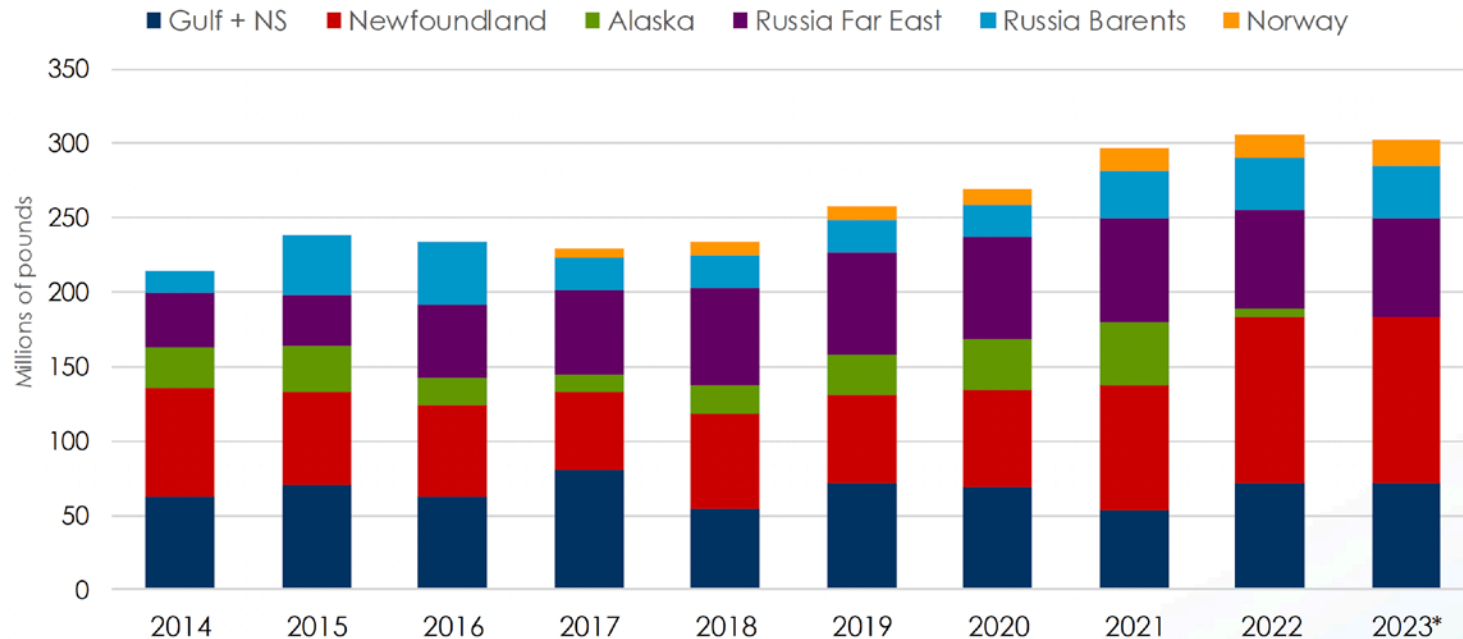


Source: Global Trade Tracker



Little change is expected in global snow crab supply

World Snow Crab supply (major producers)

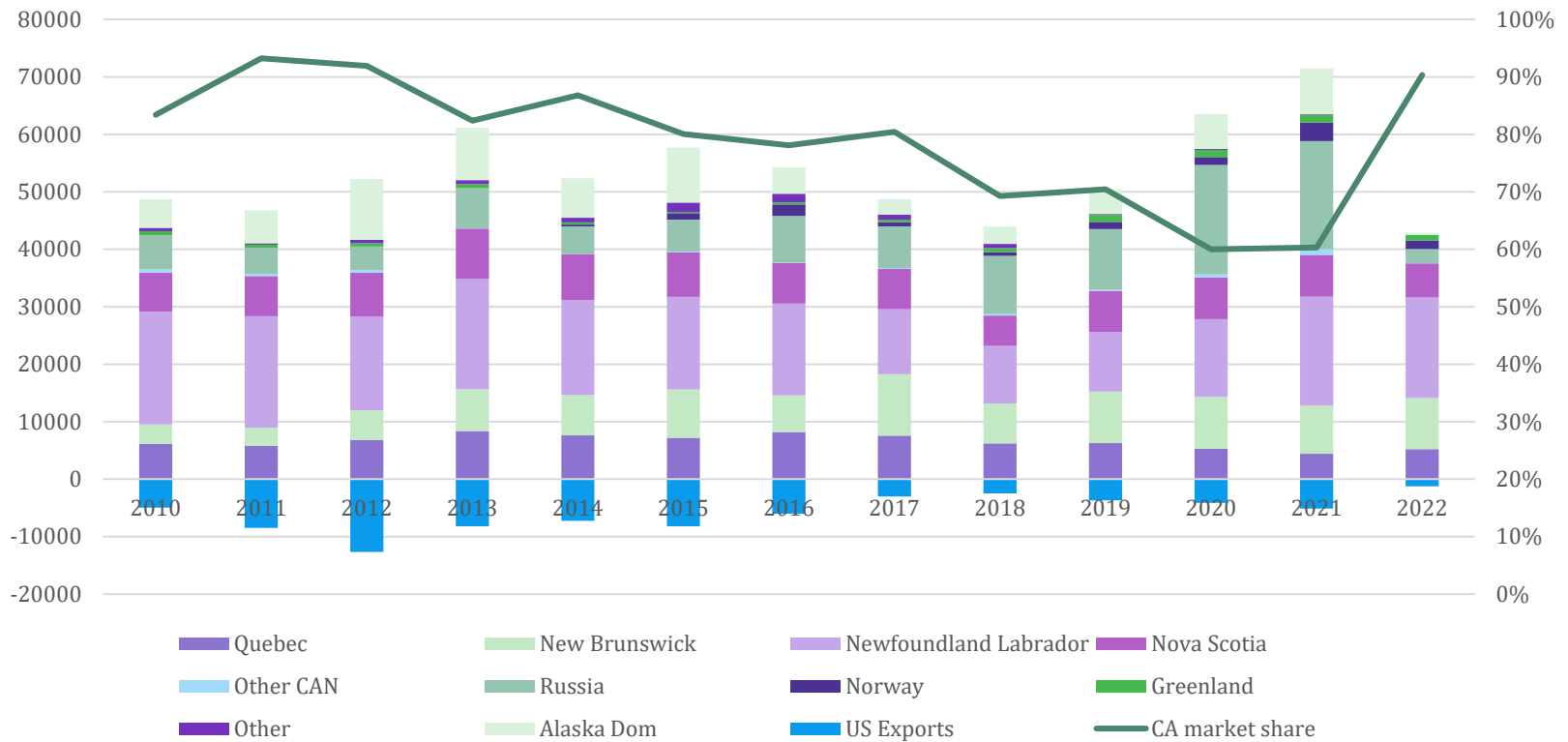


Source: FAO, Seafood DataResearch, Les Hodges Consulting, *2023 is an estimate from the panel



US Snow Crab supply fell in 2022 as crab stayed in Canada

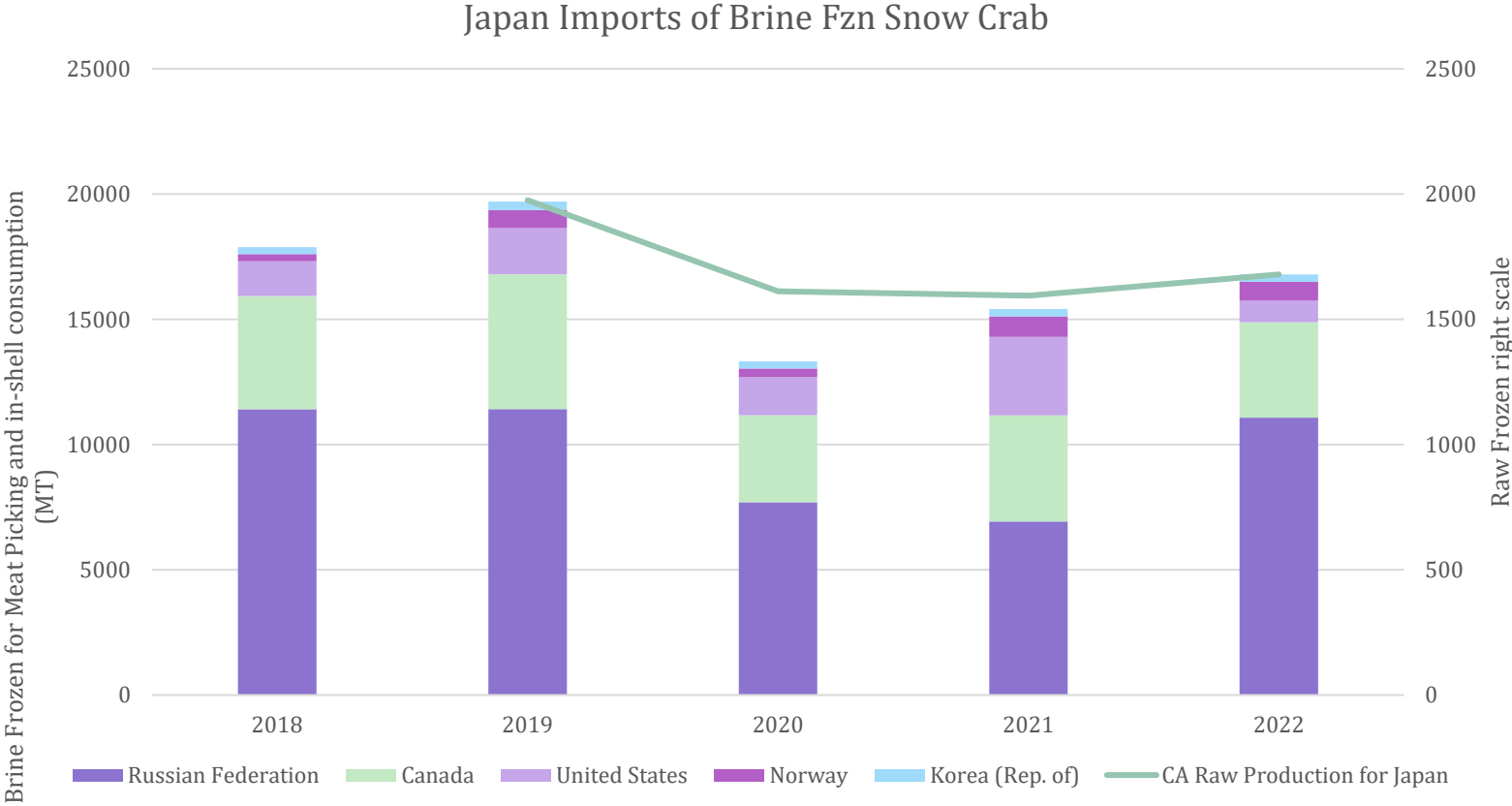
Change in US Snow Crab Supply



Source: Seafood Datasearch



Japan is increasing crab imports

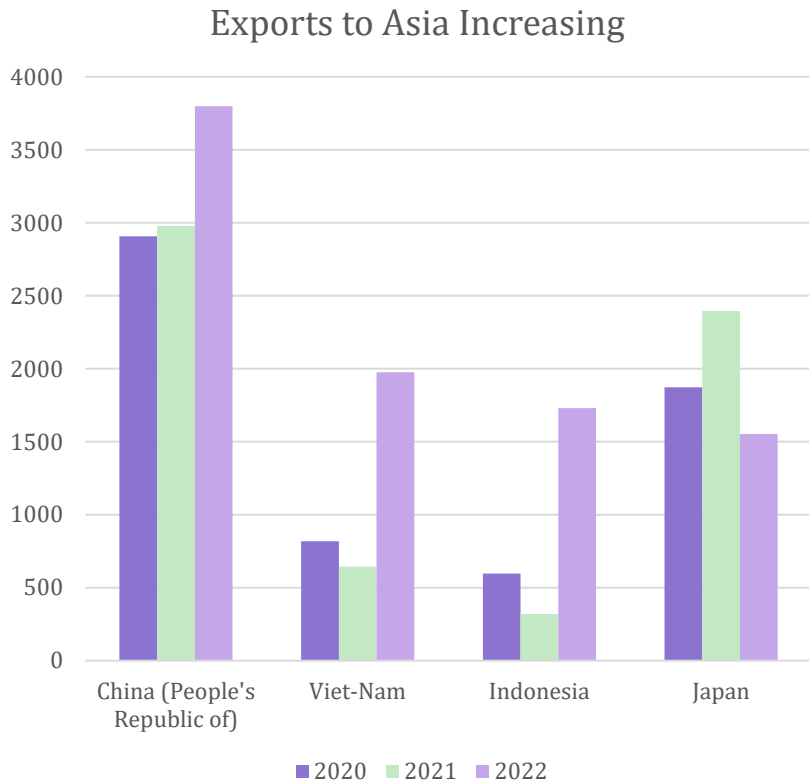


Source: Global Trade Tracker

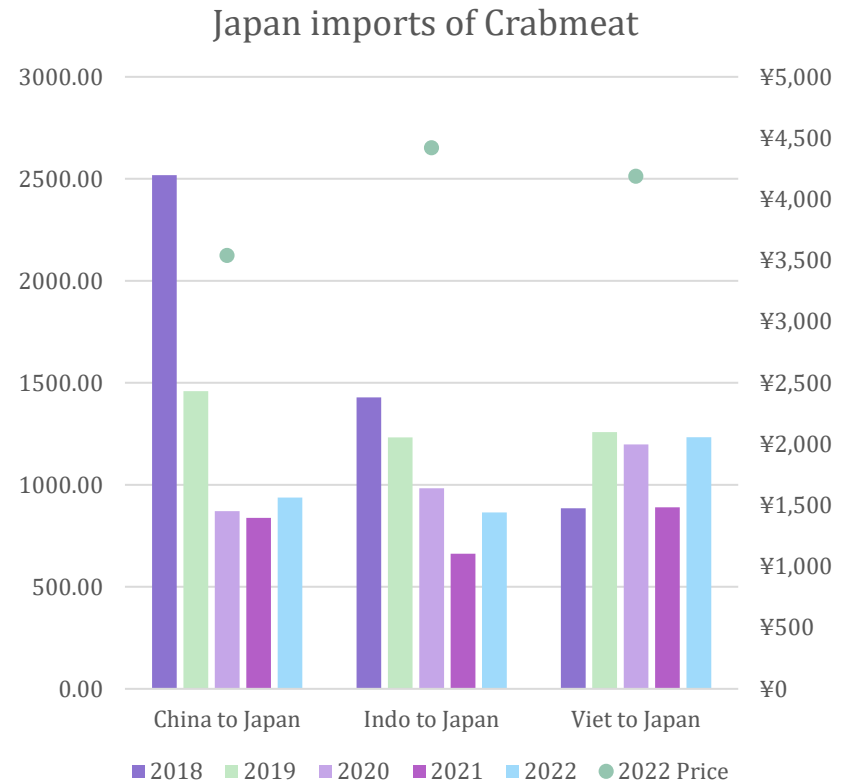


Japan's demand for crabmeat leading to more CA sales to Asia

Sales are Increasing to SE Asia



Japan Increasing buy of Crabmeat

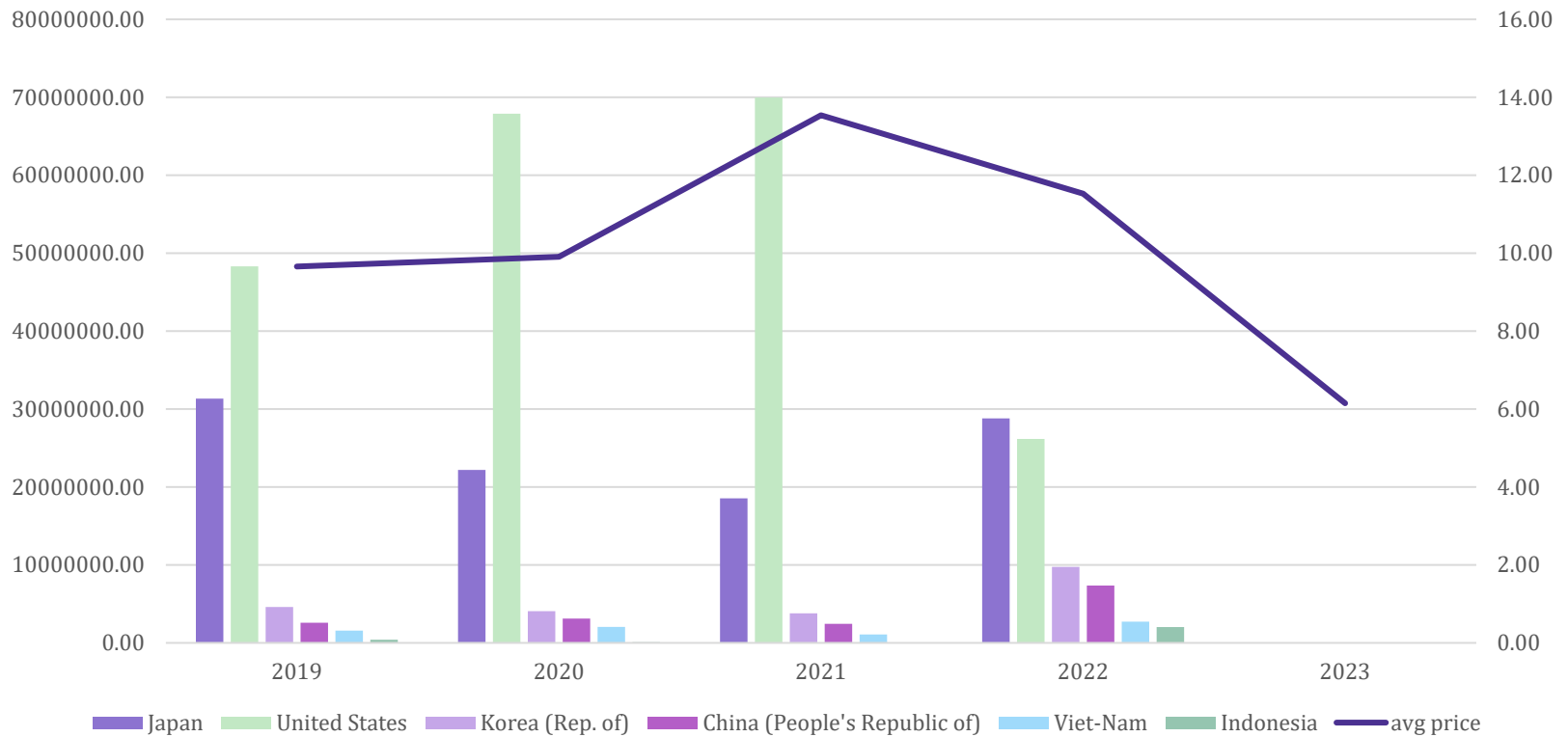


Source: Global Trade Tracker



Russian US crab sales being partly made up in Asia

Russian Crab Disposition

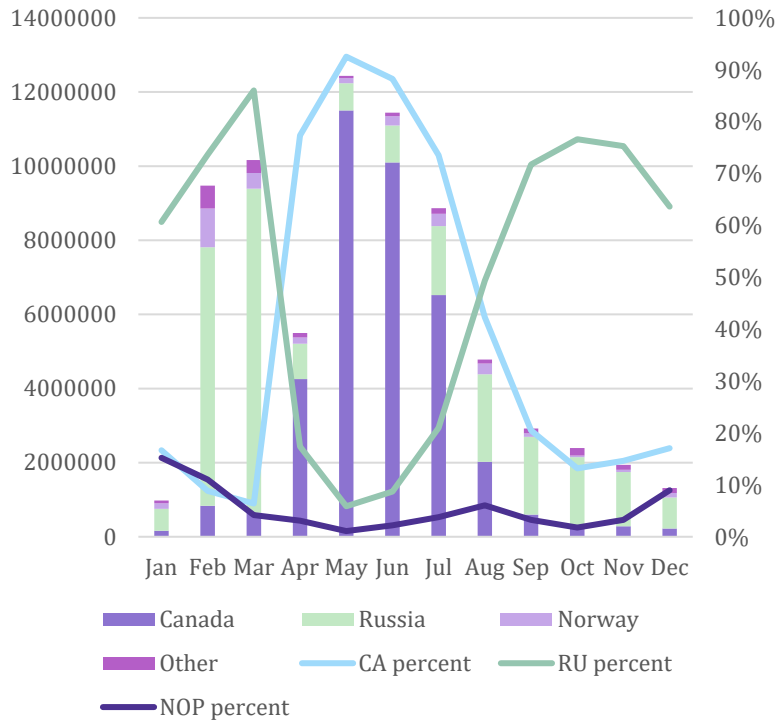


Source: Global Trade Tracker

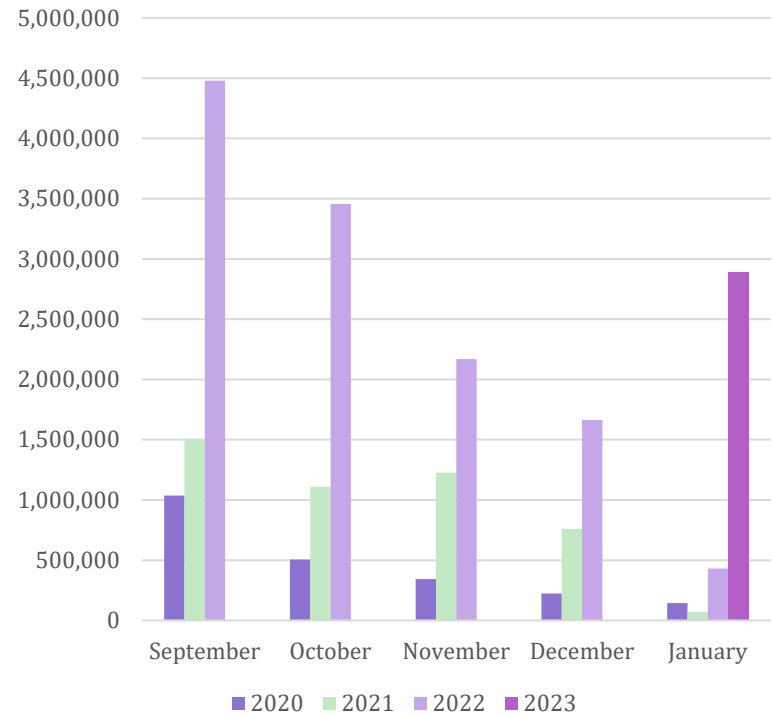


Canada gaining sales in N. America due to less Russian crab

Monthly Average Snow Crab Imports 2019-2021 with Market Share



Canada is benefitting from lack of Russian exports

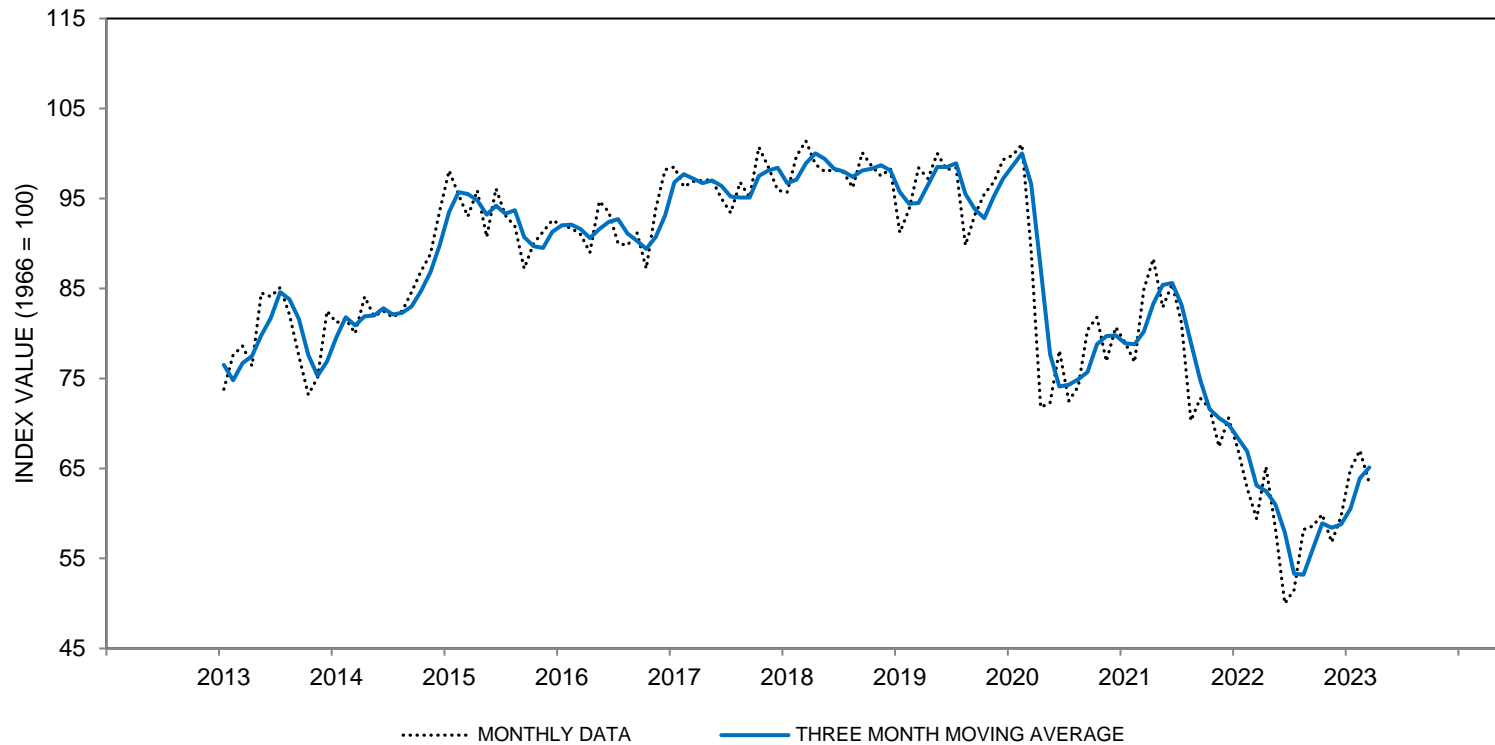


Source: Seafood Datasearch



Consumer Expectations have improved

THE INDEX OF CONSUMER SENTIMENT

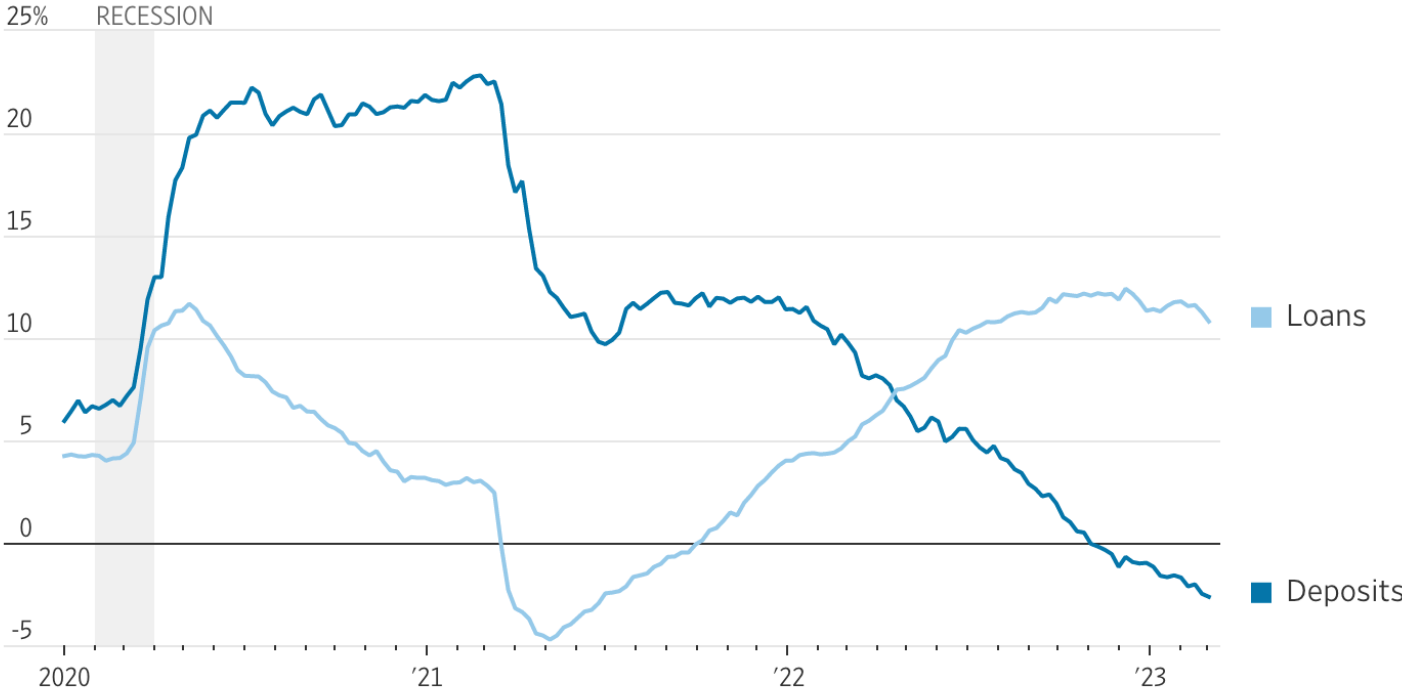


Source: Index from University of Michigan



Bank credit may contract

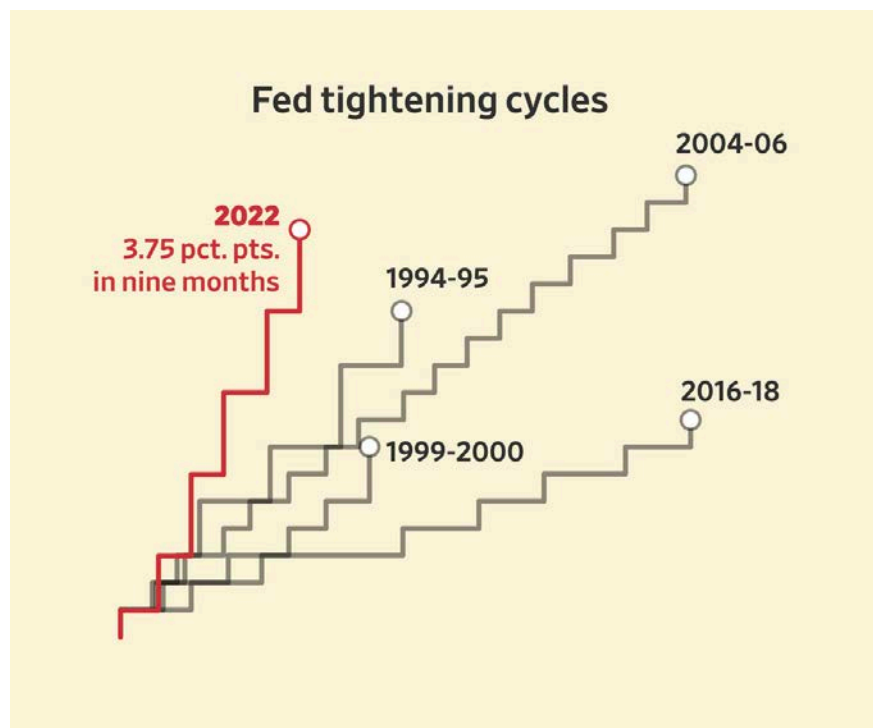
U.S. commercial bank deposits and loans, change from a year earlier



Source: Federal Reserve



Fed is moving faster to tighten credit

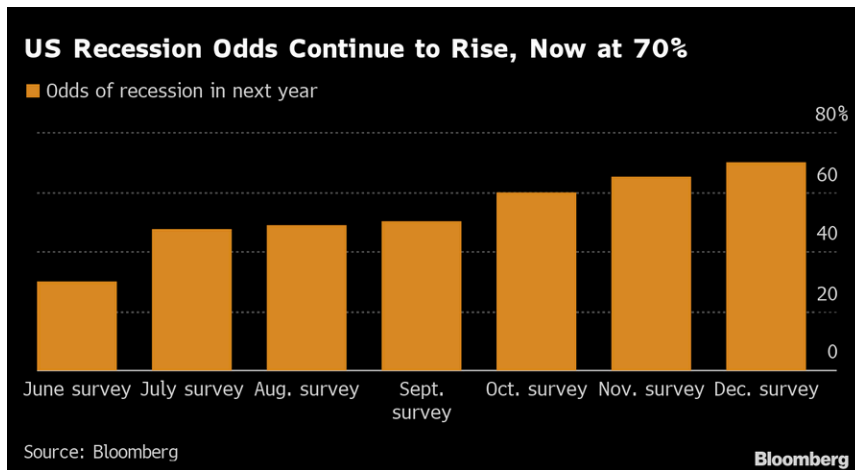


- Economists still uncertain about chances of US recession.
- Some still think strong labor market will prevent a deep recession.

Source: Wall st. Journal



Most economists expect US recession in 2023



- Most economists now expect a US recession in 2023.
- But whether it is deep or shallow is the most important factor in consumer behavior.
- Lower energy prices and a strong job market could create a recession no one notices.



Issues for 2023

- Can we double the volume of crab sales from 1.3 million lbs per week to 2.6 million lbs per week in the April to September period?
- Will our Retail and Foodservice partners believe they can make money selling crab or will they be scared off by last year's experience.?



What's Needed To Double Volume of Crab Sales

- Increased consumer confidence
- Willingness to spend more on seafood
- Crab price must represent huge value
- Retailers must believe they can make money selling crab
- Retailers must believe they are seeing the 'bottom of the market' price

- This is possible
- One retailer at Boston said in 2022 they sold 50 loads
- They project 175 loads if they can sell at \$6.99

(Avg retail was 11.50 to 12.25 last year)



Foodservice sales will depend on strong travel and tourism season

- Travel and tourism can be affected by recession and job losses.
- The summer sales climate is not in our control.



Major buyers will wait to see when final price established

- Major buyers will not start buying volume until they feel prices are as low as they'll go.
- Banks will not finance crab that is not moving.
- Warehouses will not take crab that is not moving.



These factors put huge pressure on harvesters and processors to agree on pricing that will move crab.



Recent increases in exports and retail sales show there is a path forward

- Some stores and customers are responding to lower crab prices. Not everyone at the Boston Seafood Show agreed.
- We don't know how fast sentiment might change.
- Economically the industry can't afford to produce and hold crab as banks and warehouses will not cooperate.
- However, sales this year at almost any price could help bring about a better season next year
- If prices are such that inventory doesn't move we will face the same situation for a third year.. And I'm not sure how many companies or boats could survive that.



Positive factors for Snow Crab in 2023

Positive Factors

- There is some evidence of increased retail sales at lower prices
- Canada's exports to the US during the Oct-Mar period increased due to the ban on Russian crab.
- Japan's buying of crabmeat is increasing
- Canadian snow crab is preferred over Russian for Japanese meat market.
- Snow crab can represent a value at retail compared to other seafood for consumers who become aware of lower prices.
- Cruise ship and casino use of crab may benefit vis a vis lobster as lobster prices rise.



Negative factors for Snow Crab in 2023

Negative Factors

- Record levels of inventory represent a huge drag on the market.
- Although retail sales have picked up this is still tentative and could be due to Lent.
- Increasing economic worries at the consumer level could limit travel and tourism this summer.
- Bank lending will shrink, and interest rates will rise, making purchase of crab riskier.
- Warehouses are reluctant to take new season crab without a "one in-one out" guarantee.
- Buyers will need a few weeks to believe in the new price; during that time crab will have to be stored.
- A moderate pace of landings and trip limits may be needed.



Time for Questions

- Please put questions in chat and they will be presented.



Red Lobster last ran crabfest in 2020; this price is from 2013

