Trade Adjustment Assistance for Farmers

Intensive Training:

Lobster Market Overview

Lobster Market Overview

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Executive Director
Chapter 1: Consumer Preferences

Workshop Overview

- Consumer preferences
- Protein and Seafood Trends
- US Lobster Exports; relationship with Canada
- Market supply chain
- Live lobster in the market
- Lobster processing sector
- Global market case study, price crash of 2008
- Future opportunities
What do people want to eat?

**Consumer Preference**

- 80% of seafood consumed through restaurants; 20% through retail

- Casual dining and retail demand for lobster expanded in 2008 motivated by low prices
  - Many chains added lobster to menu such as Panera, Pizzeria Uno, Outback, etc
US Consumer Seafood Preference

- US is 3rd largest seafood market in the world, behind Japan and China.
- Americans ate an average of 16.3 lbs of seafood in 2008 and is expected to remain stable.
  - < 40% shop for seafood at local grocery store 1x month
  - < 04% shop for seafood at local grocery store 1x week
  - 32% never shop for fresh seafood
- Poor economic conditions have seen a shift to more affordable seafoods, such as farm-raised products.
- Growing US Latino population enjoy seafood and are becoming more health conscious.
US Seafood Consumer Preferences

- Want to know where their food comes from; support domestic and local food sources
- Seeking sustainable sources (eco-labels)
- Seek wild caught, fresh, organic, chemical free over frozen and processed foods
- Seek convenience
- Health conscious; seek low fat, low cholesterol, high omega 3 and omega 6 fatty acids
  - USDA dietary guidelines recommend that 20% of total protein intake come from seafood; about 8 to 12 oz per week.

Consumer Preferences

[Graph showing consumer preferences for seafood attributes]

Base: 751 (Germany: 251, Spain: 250, UK: 250) - weighted data
Consumer Preferences

Weighing Wal-Mart
Feb 28, 2011 12:00 PM, By JEFF WELLS

Five years into its sustainability mission, the world’s largest retailer is getting some respect

“Lee came in with the fervor of the newly converted, and that really resonated with people,” said the EDF’s Harvey. “With Mike, his real signature has been to make Wal-Mart a more cohesive global company. He’s taken this initiative and moved it into foreign countries.”

Traceability

Traceability Challenge

Information Supply Chain

TAA
Traceability

Consumer Preference for Lobster

- 74% of consumers prefer to eat lobster in a restaurant
- 64% would be likely to buy lobster meat if it was cooked and picked from the shell
- 62% think lobster is good for you
- 50% don’t know how to cook a live lobster
- 67% are NOT encouraged to buy lobster when they see them in a live tank
- 93% will pay more for a really special ingredient for a meal

Source: Maine Lobster Promotion Council, 2005
Lobster Nutrition

<table>
<thead>
<tr>
<th>Nutrition Facts</th>
<th>Amount/Serving</th>
<th>% Daily Value*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serving Size</td>
<td>3 oz. (85g)</td>
<td></td>
</tr>
<tr>
<td>Servings Per Container</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calories</td>
<td>96</td>
<td></td>
</tr>
<tr>
<td>Calories from Fat</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Calories from Saturated Fat</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total Fat</td>
<td>0.09g</td>
<td>1%</td>
</tr>
<tr>
<td>Saturated Fat</td>
<td>0.107g</td>
<td>1%</td>
</tr>
<tr>
<td>Polyunsaturated Fat</td>
<td>0.16g</td>
<td></td>
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<tr>
<td>Monounsaturated Fat</td>
<td>0.091g</td>
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</tr>
<tr>
<td>Cholesterol</td>
<td>72mg</td>
<td>24%</td>
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<tr>
<td>Sodium</td>
<td>380mg</td>
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<td>Potassium</td>
<td>300mg</td>
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<td>Total Carbohydrate</td>
<td>1g</td>
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<tr>
<td>Dietary Fiber</td>
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<td>0%</td>
</tr>
<tr>
<td>Soluble Fiber</td>
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<td></td>
</tr>
<tr>
<td>Insoluble Fiber</td>
<td>0g</td>
<td></td>
</tr>
<tr>
<td>Sugars</td>
<td>0g</td>
<td></td>
</tr>
<tr>
<td>Protein</td>
<td>20.5g</td>
<td></td>
</tr>
</tbody>
</table>

Provided by Nutri-Facts from the USDA Nutrient Database for Standard Reference, Release 13

Consumer Preferences: Summary

- Lobster competes with beef, pork, poultry, and other seafood.
- Lobster is healthy and should be promoted as such.
- People want meals that are easy to prepare and consume.
- Seeking sustainable, healthy products; willing to pay.
- Want to be connected to harvesters.
Chapter 2: Protein and Seafood Trends

2007 Global Seafood and Meat Consumption per capita

- **Seafood**: 19%
- **Meat**: 81%
Seafood Consumption Trends

- Total food fish supply and consumption growing at 3.6% per year since 1961.
  - World’s population growing at 1.8% per year in that same period.

- Consumption of fish, mollusks, and crustaceans account for an average of 13.8% - 16.5% of animal protein intake in human diet.

Trends in World Seafood 1990-2008

Source: “Fisheries of the United States”, various years. NOAA / NMFS.
Seafood Menu Trends

<table>
<thead>
<tr>
<th>Number of Menu Items Mentioned by Species</th>
<th>Number of Menu Items Mentioned by Species</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flatfish</td>
<td>2001</td>
</tr>
<tr>
<td>Salmon</td>
<td>147</td>
</tr>
<tr>
<td>Tuna</td>
<td>141</td>
</tr>
<tr>
<td>Cod</td>
<td>52</td>
</tr>
<tr>
<td>Catfish</td>
<td>39</td>
</tr>
<tr>
<td>Mahi-Mahi</td>
<td>13</td>
</tr>
<tr>
<td>Tilapia</td>
<td>6</td>
</tr>
<tr>
<td>Whitefish</td>
<td>26</td>
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<tr>
<td>Halibut</td>
<td>21</td>
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<tr>
<td>Trout</td>
<td>9</td>
</tr>
<tr>
<td>Flounder</td>
<td>7</td>
</tr>
<tr>
<td>Haddock</td>
<td>3</td>
</tr>
<tr>
<td>Swordfish</td>
<td>17</td>
</tr>
<tr>
<td>Snapper</td>
<td>6</td>
</tr>
<tr>
<td>Sea Bass</td>
<td>2</td>
</tr>
<tr>
<td>Grouper</td>
<td>1</td>
</tr>
<tr>
<td>Sole</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Chain Account Menu Survey 2007 of top 200 chain restaurants. Includes multiple mentions of the same species (different preparations).

World Lobster Production (2006)

- Rock Lobster: 6%
- European Lobster: 2%
- American Lobster: 54%
- Spiny Lobster: 38%
Major Lobster Producers (2006)

Source: "Fisheries of the United States", various years. NOAA / NMFS.


Since 1993...
Lndgs - 26%
Imprts - 86%

Billion pounds, round weight

Source: "Fisheries of the United States", various years. NOAA / NMFS.
US Lobster Supply

Source: "Fisheries of the United States", various years. NOAA / NMFS.

US Lobster Production by Species
1992-2004

Source: "Fisheries of the United States", various years. NOAA / NMFS.
2009 US Lobster Landings

![Graph showing 2009 US Lobster Landings]

Spiny vs. American Lobster

- **Spiny Lobster**
  - Small live market in Asia; some in Mexico and US
  - Most sold as frozen tails; entire value of lobster
  - Little processing need

- **Homarus**
  - Large live market – domestic and abroad
  - Frozen tail is only PART of the lobster
  - Processed tails also yields claws, knuckles.
  - Value varies based on live, tail, and meat market
2009 American Lobster Landings by State

Percent of Landings

- Maine
- Massachusetts
- New Hampshire
- Rhode Island
- New York
- Connecticut
- New Jersey
- VA, MD, DE

American Lobster Commercial Landings by Area Fished
Source: ASMFC Lobster Data Warehouse, 2008

- Gulf of Maine
- Georges Bank
- Southern New England

Landing (millions of pounds)
Protein and Seafood Trends Summary

• Seafood makes up 15-18% of protein in human diet

• Seafood consumption increasing faster than rate of population increase worldwide

• Wild caught production has leveled off
  – Aquaculture on the rise

• American Lobster is 54% of total lobster production

Chapter 3: US LOBSTER EXPORTS & THE US/CANADA RELATIONSHIP
US Seafood Deficit

Export Market

• Total US Live lobster export: $345 million
• US processed seafood exports: $22 million
• US dominates live lobster market export to Europe
Lobster Exports by Volume

- US exported approximately 30 million pounds a year to Canada in 2007 and 2008
- US exported more than 8 million pounds each to Spain & Italy

### Lobster Exports by Volume

<table>
<thead>
<tr>
<th>Country</th>
<th>Thousand Pounds</th>
<th>Metric Tons</th>
<th>Thousand Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>32,247</td>
<td>14,627</td>
<td>163,900</td>
</tr>
<tr>
<td>Spain</td>
<td>8,547</td>
<td>3,677</td>
<td>64,848</td>
</tr>
<tr>
<td>Italy</td>
<td>5,960</td>
<td>2,676</td>
<td>47,268</td>
</tr>
<tr>
<td>France</td>
<td>4,681</td>
<td>2,010</td>
<td>39,924</td>
</tr>
<tr>
<td>Japan</td>
<td>2,084</td>
<td>836</td>
<td>26,643</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,838</td>
<td>733</td>
<td>20,739</td>
</tr>
<tr>
<td>China - Hong Kong</td>
<td>1,100</td>
<td>429</td>
<td>22,227</td>
</tr>
<tr>
<td>South Korea</td>
<td>668</td>
<td>276</td>
<td>19,278</td>
</tr>
<tr>
<td>Belgium</td>
<td>293</td>
<td>127</td>
<td>14,269</td>
</tr>
<tr>
<td>Other</td>
<td>2,394</td>
<td>939</td>
<td>27,072</td>
</tr>
<tr>
<td>Total</td>
<td>60,761</td>
<td>27,534</td>
<td>390,883</td>
</tr>
</tbody>
</table>

- Fresh and frozen lobster exports
  - 51% to Canada
  - 15% to Spain
  - 14% to Italy

Source: NOAA Fisheries of the United States
## US vs Canada Lobster Industry

<table>
<thead>
<tr>
<th></th>
<th>Canada</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landings (lbs)</td>
<td>124 million</td>
<td>96.9 million</td>
</tr>
<tr>
<td>Value (millions)</td>
<td>$495 million CAD</td>
<td>$300 million</td>
</tr>
<tr>
<td>($~ 473 million USD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg Price</td>
<td>$3.99 CAD (~$3.81 USD)</td>
<td>$3.02</td>
</tr>
<tr>
<td>Vessels</td>
<td>9,000+</td>
<td>7,000+</td>
</tr>
<tr>
<td>Buyers/shippers</td>
<td>100's</td>
<td>100's</td>
</tr>
<tr>
<td>Processing</td>
<td>40-50</td>
<td>&lt;10</td>
</tr>
<tr>
<td>Jobs</td>
<td>35,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Export value</td>
<td>$1 billion (60% to US)</td>
<td>$150-$200 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(45-50% to CN)</td>
</tr>
</tbody>
</table>

Sources: Dept. of Fisheries & Oceans, Maine Dept. of Marine Resources, Gardiner-Pinfold Consulting

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### U.S. lobster landings and exports to Canada, 2003-2008

Source: Presentation to Lobster Town Meeting, Portland, ME, Gardiner-Pinfold, 2010
Maine Lobster exports to Canada

### Live Lobster Exports to Canada

![Graph showing live lobster exports to Canada from 1996 to 2007.](image)

**Value in Millions USD**

- **Total Maine**
- **To Canada**

**Impact of Currency on Market**

- **US/Canadian exchange rates**
  - Weak US currency will boost US exports
  - Weak Canadian Dollar will boost Canadian exports

- **Rising value of CAD relative to USD**
  - Canadian revenues down $200 million over 5 years
Canadian and US lobster seasons limit price movement

Source: Presentation to Lobster Town Meeting, Portland, ME, Gardiner-Pinfold, 2010

2007 Monthly % Volume to Canada

Source: Presentation to Lobster Town Meeting, Portland, ME, Gardiner-Pinfold, 2010
Overseas Markets:
Live North American Lobster (volume)

Source: What are the Opportunities for North American Lobster, John Sackton, 2007

COOL (country of origin labeling)

• Lobster harvested in USA should be labeled as “product of the USA”
• Lobster frozen whole in Canada and sold in the USA should be labeled “Product of USA”
• Lobster harvested in the USA, but processed in Canada (altered from its original state) should be labeled “product of Canada”.
• Live lobster exported to Canada, co-mingled with CN lobster, and re-exported to the USA should be labeled “product of Canada and USA”
US/Canada Relationship Summary

- US has a $9 billion seafood deficit
- Live lobster exports are on the rise
- Major live lobster markets: Canada, Italy, France, Spain
- 51% of total lobster exports to Canada

Chapter 4: Market Supply Chain Overview
Market Conditions: Lobster Supply Chain

- **HARVESTERS**: Protect and harvest the lobster. Deliver an undifferentiated product to buying station/dealer.
- **DEALERS**: Sort and qualify the lobsters and transfer quickly to:
  - **PROCESSORS**: Process lobster and release inventory to meet market demand.
  - **LIVE DISTRIBUTION**: Direct to domestic and international retail and foodservice customers.
- **CUSTOMERS**:
  - **RESTAURANTS**: Today, most, if not all, added value happens here.
  - **RETAIL**: Live & frozen product
- **CONSUMERS**

Source: Moseley Group presentation to the Governor’s Task Force on the Economic Sustainability of Maine’s Lobster Industry.

Supply Chain Complexity
Lobster Pricing

- Harvesters and dealers compete to maximize their respective shares of revenues.
  - Need to collaborate to maximize the value of the resource
- The relationship is characterized by a lack of trust
  - Harvesters believe that dealers collude to fix prices
  - Strained relationships undermine the industry’s ability to function effectively in product markets
  - Prices are unstable and unpredictable

Lobster Pricing

- The boat price model provides a foundation for instability.
- Shore prices are set competitively in response to volume buying by shippers and processors.
- Price levels are sensitive to general market conditions, but the signal they send fails to influence either quantity or quality.
  - US lobster industry lands majority of product when prices are weakest
- Price does not influence quality because competition frustrates any attempt to set prices that differentiate on the basis of quality.
Source: Long-term value strategy for CN Lobster Industry, Gardiner-Pinfold, 2010


Source: NMFS Statistics Office
Harvesters

• Harvest product and bring it to shore
• Responsible for the quality and supply of product
• Delivery of undifferentiated product to dealers; delivery “run”

Dealer’s role

• Purchase product from lobstermen
  – Buys virtually all lobsters, regardless of quality or quantity
• Dealer may grade lobsters to gain value
  – Time and cost to employ shoreside workers
• Assume the risk to move lobster to customer
  – Shipping, credit issues, shrinkage
  – All lobsters are sold
Dealer’s role

Source: Island Seafood website, Eliot, ME

Talk to your dealer

- Who does your dealer sell to?
  - Who is his customer?
  - Who is the consumer?
- What is the average shrinkage in a week?
- Does your dealer grade or sell run?
Talk to your dealer

- Can your dealer get a better price for quality product? Do you know why?
  - Hard shell product is most valuable; shippable for live market and high meat yield for processors
  - Shedder has stable value during summer months due to high demand from New England tourists

- What actions can you take to improve quality and price?

The Markup

- Retail markups 30-40% of boat price
- Restaurant markups 300-400% of boat price

Source: Long-term value strategy for CN Lobster Industry, Gardiner-Pinfold, 2010
### Marketing Strategy

- Harvester-dealer rivalry is high; need to work together to maximize market returns
  - Harvesters and dealers each trying to maximize individual profits
  - Need more cohesion amongst players to stabilize price and supply
- Need marketable product
  - Market wants quality, consistency and stable pricing
- Who are your customers?
  - What do your customers want?
  - Base of customers for undifferentiated product
  - Build markets for premium products

### Marketing Opportunities

- Maine Lobster Harvest
- Promote the seasonal nature of the catch

Source: Maine Lobster Industry Strategic Plan, Mosely Group, 2009
Market Segmentation

Source: Long-term value strategy for CN Lobster Industry, Gardiner-Pinfold, 2010

Marketing Opportunities

• Product differentiation
  – Shedders – for taste, tender, sweet, succulent meat, ease of eating, seasonal
  – Hard-shells – for shipability, for high meat content; market the shell

• Innovative value-added convenience food
Marketing Obstacles

- Few large buyers at retail and restaurant level exert influence over prices
  - Undifferentiated product and lack of diversity in market give large buyers power
  - Allows for product substitution
  - Imposter lobster
- Dealers undercut one another to gain market share
Marketing Investment

- Promotion – Industry invest in generic promotions and building interest and awareness of the brand and products
  - $.05 per pound anticipated return of 5-8% increase in boat price
  - $.10 per pound, anticipated return of 12-18% increase in boat price

- Marketing and branding – Private companies invest in marketing and branding individual products and bring the products to market

Source: Maine Lobster Industry Strategic Plan, Mosely Group, 2009

Canada Moving Ahead on Marketing

Where and how to buy lobster. Find out how to select the right lobster for what you’re preparing and where to buy it.

Read more »
Market Supply Chain Summary

• Complex supply chain
• Highest markup is in the restaurant segment
• Boat price model is a foundation for instability
• Harvesters bring a high quantity of undifferentiated product to market when price is weak
• Dealers purchase product; turn it over
• Market opportunities – Canada moving ahead. Might New England get left behind?

Chapter 5: LIVE LOBSTER IN THE MARKET
Market Conditions: Lobster Supply Chain

- **HARVESTERS**
  - Protect and harvest the lobster
  - Deliver an undifferentiated product to buying station/dealer

- **DEALERS**
  - Sort and quality the lobsters and transfer quickly to:

- **PROCESSORS**
  - Process lobster and release inventory to meet market demand

- **LIVE DISTRIBUTION**
  - Direct to domestic and international retail and foodservice customers

- **CUSTOMERS**
  - **RESTAURANTS**
    - Today, most, if not all, added value happens here
  - **RETAIL**
    - Live & frozen product

- **CONSUMERS**

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Key Live Lobster Customers

- [Image of lobster and corn]
- [Image of seafood stand]
- [Image of seafood stand]
- [Image of people at outdoor event]
**US Live Market**

- Largest live market consumption
- Most cost effective way to sell lobster – no weight loss
- Volatile market dependent on supply
- Price varies by quality of shell → shippability
- Little differentiation, stable market
- White tablecloth restaurants take highest quality

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**Live Market Summary**

- Third tier in supply chain
- US – largest live lobster market worldwide
- Live market saturation varies regionally
  - Customers – fish shacks and retail take away in New England.
Chapter 6: LOBSTER PROCESSING SECTOR

Market Conditions: Lobster Supply Chain

- **HARVESTERS**
  - Protect and harvest the lobster
  - Deliver an undifferentiated product to buying station/dealer

- **DEALERS**
  - Sort and qualify the lobsters and transfer quickly to:

- **PROCESSORS**
  - Process lobster and release inventory to meet market demand

- **LIVE DISTRIBUTION**
  - Direct to domestic and international retail and foodservice customers

- **CUSTOMERS**
  - RESTAURANTS
    - Today, most, if not all, added value happens here
  - RETAIL
    - Live & frozen product

- **CONSUMERS**
Why Processing is important

• Consumers want convenient, easy to prepare foods

• Adds value to raw product

• Provides mechanism to move oversupply of non-shippable shedder lobster to market
  – Expands shelf life and shippability

• Produces products for food service and retail

Key Lobster Customers

- DARDEN
- CSI
- RESTAURANT PARTNERS, LLC

TAA Trade Adjustment Assistance for Farmers Technical Assistance
**COLD WATER**

**WHOLE LOBSTER**

Product Overview

Whole [mv]: 8 oz to 6 lb

Whole Lobster Size: 8 oz to 6 lb

Any whole lobster with a carapace length smaller than 3.5” is considered undersized in the U.S. North Atlantic Coastal States.

Image: Harbor Seafood

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**Product Overview**

Cull [cooked]: Claw, Claw & Arm Missing

Pistol [cooked]: Claw, Arm Missing

Whole Split [cooked]: Ocean run and size range available upon request

TAA Trade Adjustment Assistance for Farmers
Technical Assistance
Product Overview

LOBSTER TAILS
Whole [raw]
Sizing: 12/20 oz—30 oz and up

Split [raw]
Sizing: 12/3 3/4 oz—20 oz and up

PARTS & PIECES
Claw & Arm

Double Scored
Sizing: 13/5, 6/5, 7/5 (count per lb)
Available: Unscored, Single-Scored

 Bodies

Image: Harbor Seafood

Product Overview

LOBSTER MEAT

Combination Available

Tail (1)
Claw (1)
Knuckle (1)
Leg (1)
Body (1)

Mined, Salad, and Broken

Mined

Salad
Broken

Image: Harbor Seafood
Product Overview

**WARM WATER**
**LOBSTER TAILS**

- Whole Tail [raw]
- Split Tail [raw]
- Tail Splitting 15 or 20 oz and up

*Note: Available in three sizes, purchased from all sources.
*Whole production of raw or in the frozen processed version.

**WHOLE LOBSTER**

- Whole [raw]
- Whole [cooked]
- Whole Split [raw or cooked]

*Whole Lobster Sizing: 12 oz or 2 lbs and up
*Image: Harbor Seafood

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Processor Case Study: East Coast Seafood

- 6 plants
- Purchases ~16 million lbs raw material annually
- Average: 25,000 lbs frozen processed per day
Processed Tails – Pricing

- Processed market prices driven by international tail market and live market price
- Cold water frozen tails are used primarily in foodservice and are preferred by chefs
- Warm water tails (Brazil, Central America, Caribbean) are preferred by some regionally where they are local (Florida, California)
  - takes major price swings to create adjustments from one product to another

Processed Tails – US Market

- North American lobster has most variation in product form and pricing.
- Cold water whole lobster command higher price
- Warm water spiny lobster, sold as tails, are often priced higher than cold water lobster tails
### Processed Tails Pricing – US Market

<table>
<thead>
<tr>
<th>Year</th>
<th>N. American Tails 5-6 oz</th>
<th>Brazil Tails 6 oz</th>
<th>Australia Tails 6-8 oz</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$17.85</td>
<td>$16.98</td>
<td>$22.48</td>
</tr>
<tr>
<td>2006</td>
<td>$18.37</td>
<td>$20.06</td>
<td>$27.56</td>
</tr>
<tr>
<td>2007</td>
<td>$20.28</td>
<td>$22.07</td>
<td>$30.70</td>
</tr>
<tr>
<td>2008</td>
<td>$19.83</td>
<td>$18.43</td>
<td>$25.30</td>
</tr>
<tr>
<td>2009</td>
<td>$14.85</td>
<td>$13.53</td>
<td>$23.20</td>
</tr>
</tbody>
</table>

### Value-added Products

“Our unique lobster pizza brings gourmet Maine lobster into the 21st century. Our chefs have combined Old World thin and crispy crust with a white Newberg sauce loaded with lobster and delicious mozzarella cheese.”

Calendar Islands Maine Lobster
NEW Products – Convenience

Processing Sector Summary

- Processing is necessary
- Processors are a means to get product to market
- Primary processors; value-added processors
  - Primary: whole (cooked/live), tails, meat
  - Value-added: ready to eat meals
Pricing Case Study – Crash of 2008

The New York Times

Demand and Price Are Falling for Lobster

By KATHERINE Q. SEELYE

BOSTON — For many, summer in New England would not be complete without gorging on a bib and cracking open a freshly boiled lobster.

This year, however, fewer people are ordering the region’s signature dish, driving down lobster prices and making times harder for lobster fishermen already reeling from the high cost of fuel and bait.

“Lobster is a luxury item, and when things are tight, people don’t buy lobster,” said Peter Bane, a lobsterman from Kennebunkport, Me., who is getting about $3.25 per lobster off the boat, a quarter less than three months ago and about a dollar less than last summer.

While price and demand have hit their lowest point in years, lobster fishermen are hauling in larger catches than ever. Restaurants in New England have been running lobster specials all summer, trying to pass on the lower prices and move lobsters from the tank to the table.

“We can be creative with lobsters, given the fact that demand across the country is off on them a bit,” said Roger Berkowitz, the president and chief executive of Legal Sea Foods, a restaurant chain based in Boston. Its restaurants have been running lobster specials this summer, and a lobster is about $4 cheaper this summer than last.

“It’s not necessarily a bad thing,” Mr. Berkowitz said. “It’s becoming a little more affordable, like one of those more affordable luxuries. If you’re going to indulge, you might as well indulge at a discount.”
The lobster story began in Spring 2007

Fall 2007 lobster market

- Maine harvest was down 9% below the seasonal average
- Market adjusted to the reduced supply, but prices remained high
  - $14 in April and $8 from May-Sept for 2.5 lbs
- Tail prices were up 8% over spring season
  - $21.48 for 4oz tails
- Live market demand was flat compared to four previous years
Worldwide Economic Crisis

- 2008 global recession
  - US financial crisis (Lehman Brothers, stock market decline)
  - Crash in housing and commodity prices after major price expansion in 2000’s
  - Uncertainty in the banking system (sub-prime loans)
Fall 2008 – lobster price crash

- Lobster prices and inventories were high
- Consumer confidence fell sharply
- Banking and credit crisis
  - Icelandic Banks credit crisis impacted credit and cash flow for Canadian processors
  - Buying of lobster came to a halt resulting in vast amounts unsold product and a glut of frozen inventory.

2008 Financial Crisis impact on Supply & Demand
2009 Market

• The lobster market had time to adjust to the fall out from 2008

• Lobster buying for 2009 only happened with firm deals.
  – Low consumer confidence translated into poor demand for lobster
  – Low price began to drive new demand based on price

Global Market Summary

• 2008 Price Crash due to a variety of issues beyond our control

• The low 2008 prices allowed additional lobster markets to open up
Chapter 8: FUTURE OPPORTUNITIES

Future Opportunity – US Market

- 3rd largest consumer of seafood in the world
- Affluent and educated population
- Population is growing; expected to increase by 50% from 1990 to 2050
- Seafood trade deficit, can be closed by marketing US products
- Large and diverse food service sectors
- Of all of the lobsters consumed in the US, Canada supplies 57%
Risk associated with new market

• Capitalizing on any new market opportunity requires a commitment from an established business
• Business must secure credit and assume risk of selling to a new customer
• Business will weigh the risk of investing in opportunity with anticipated return
• Selling large quantities of lobster requires large amounts of capital tied up in shipments of perishable product

Future Opportunity – Asian Market

• Japan supplies China with massive amounts of seafood protein
  – With their fisheries production at a standstill following the earthquake and tsunami, is this the time for North American Lobster to enter the Chinese marketplace?
Future Opportunity – Asian Markets

• Which lobster products are supplying the market now?
  – Australia, New Zealand

• Why isn’t New England lobster filling Asian market with greater volume?

• Efforts to get product to China

Future Opportunity - Middle East

• While China has population, the United Arab Emirates is a wealthy nation with a growing upper class.
  – The UAE's per capita GDP is on par with those of leading West European nations
Lobster Market Overview
Summary

• Seafood competes with other proteins
• Lobster supply chain is complex
• The US / Canada relationship is critical to lobster market
• Harvesters and dealers could collaborate to better access market
• Processors are a means to get product to market
• Opportunity for new markets at home and abroad

Thank you

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