

Winter 2015/2016 - Crab Market Bulletin

The Seafood Market Information Service is funded by a portion of the seafood marketing assessment paid by Alaska seafood producers. McDowell Group provides the service as a research contractor for the Alaska Seafood Marketing Institute (ASMI). Seafood Market Bulletins are typically published twice a year and are available to permit holders, processors, and other industry participants free of charge. Email info@alaskaseafood.org if you would like to receive new bulletins via email.



This bulletin summarizes recent crab market conditions. Red/golden/blue king crab, snow crab, tanner crab, and Dungeness crab are the state's key crab species; accounting for a combined 13 percent of Alaska's total ex-vessel value in 2014.

The vast majority of Alaska crab is consumed in Japan and the U.S., so tracking trade activity and market conditions in these countries provides valuable insight about demand for Alaska product. This bulletin contains foreign trade information on both markets, as well as information about competing supply and other relevant issues.

Note: Alaska crab seasons typically include two years (e.g. 2014/2015 season). However, in all but one fishery (BSAI tanner crab) the vast majority of crab is harvested in one calendar year or the other. Harvest/TAC figures listed below have been placed in the calendar year in which the majority of the harvest occurs. BSAI tanner crab are placed in the second calendar year of the season, to remain consistent with snow crab.

King Crab

King Crab Market Figures, 2010-2015

Alaska TACs & GHs (Millions lbs).	2010	2011	2012	2013	2014	2015
Bristol Bay Red	13.4	7.8	7.9	8.6	10.0	10.0
Aleutian Islands Golden	5.4	6.0	6.0	6.0	6.0	6.0
St. Matthew Blue	2.4	1.6	1.6	FC	0.7	0.4
Norton Sound Red (Summer)	0.4	0.4	0.5	0.5	0.4	0.4
Southeast Golden	0.7	0.6	0.5	0.2	0.2	0.3
Southeast Red	FC	0.2	FC	FC	FC	FC
Avg. Ex-Vessel Price in Alaska	2010	2011	2012	2013	2014	2015
Red King Crab	\$7.30	\$10.57	\$7.90	\$6.81	\$6.75	\$6.86
Golden King Crab	\$3.90	\$5.00	\$4.31	\$4.40	\$4.37	\$4.28
Blue King Crab	\$4.98	\$4.66	\$4.33	FC	\$3.38	\$4.28



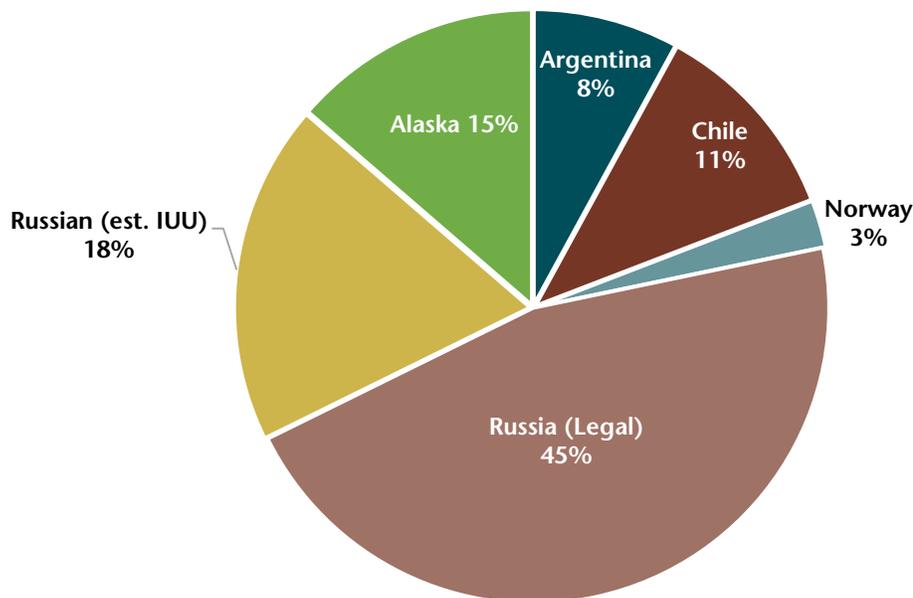
Foreign Trade (Frozen Section Imports)	2010	2011	2012	2013	2014	2015
United States (Millions lbs.)	22.2	18.7	20.7	23.6	27.2	25.8
United States (\$Millions)	\$243.5	\$178.1	\$164.3	\$193.4	\$243.8	\$237.5
United States (USD Value/lb.)	\$10.98	\$9.51	\$7.92	\$8.20	\$8.96	\$9.20
Japan (Millions lbs.)	17.8	17.1	26.8	22.0	15.2	11.1
Japan (\$Millions)	\$181.1	\$235.2	\$252.7	\$151.4	\$137.6	\$135.3
Japan (USD Value/lb.)	\$10.17	\$13.71	\$9.44	\$6.89	\$9.03	\$12.17

Note: FC = "Fishery Closed." Southeast figures prior to 2015 represent actual harvests. 2015 prices are preliminary. TACs from the 2015/2016 season are shown in calendar 2015, and so on.

Sources: ADF&G, Global Trade Atlas, NMFS Trade Data, and the Inter-Cooperative Exchange.

Alaska king crab supply was mostly unchanged during the 2015/2016 season. St. Matthew blue king crab TACs declined sharply, but represent only a minor component of Alaska’s total king crab supply. Red king crab TACs fell slightly (-0.1 percent) while golden king crab TACs were flat. King crab fishing typically begins in mid-October and concludes ahead of the holiday season (meaning TACs for the 2015/2016 season are caught in calendar year 2015).

Estimated Proportions of Global King Crab Supply, 2013



Source: FAO, NMFS, McDowell Group estimates (Russian IUU).

King crab is an iconic Alaskan species and generates a certain degree of fame for the industry, though Alaska produces a modest portion - about 15 percent in 2013 - of global king crab supply. Russia is the largest producer, accounting for 63 percent of global supply: 45 percent from legal harvests and a conservative estimate of 18 percent from illegal, unreported, or undocumented (IUU) harvest activity. Russia is Alaska’s primary competitor for king crab, but Argentina, Chile, and Norway have emerged as significant alternative sources, accounting for the remaining 22 percent of global king crab supply in 2013.

Russian king crab TACs were raised in 2016. Red king crab TACs went up 10 percent (3.5 million lbs.) and golden/brown king crab increased 31 percent (2.3 million lbs.). However, a substantial percentage of Russia’s



total king crab harvest has historically been produced by IUU activity and that component of Russian production has been declining. Although legal TACs are up in Russia, total supply will not increase by a commensurate volume, assuming IUU activity continues declining. TACs in Argentina and Norway also increased in the most recent season.

Imports of frozen king crab sections were down 27.0 percent in Japan and down 5.2 percent in the U.S. during 2015. This suggests these markets have less supply available than in previous years, and significantly so in the case of Japan. Russian producers placed more emphasis on selling live crab to South Korea last year. South Korean imports of live Russian crab were up 56 percent (6.7 million lbs.) through November 2015. Increasing demand for live crab in South Korea actually benefits Alaska producers. Alaska exports little product to Korea, but increasing import volumes from Russia draw down market supply that might otherwise go to Japan or the U.S. thus creating upward price pressure in those markets.

The king crab market in the U.S. has developed a dual pricing system in which Alaska product is selling at a significant premium to Russian product. According to Urner Barry, large Alaska red king crab sections are selling at a wholesale price premium of 12 percent, or \$2.05/lb., over Russian crab (of the same size/species). U.S. wholesale king crab prices for both Alaska and Russian product steadily declined, by 35 to 45 percent, respectively, between early 2012 and late 2014. However, wholesale prices turned around in 2015 and are now trending up. U.S. retail promotions of Alaska red king crab during the most recent holiday season were plentiful and widespread.

Average import prices have risen substantially in Japan, due to a weaker yen and increasing regulatory pressure regarding purchases of Russian crab. According to Japanese trade press (Minato-Tsujiki), the anti-poaching trade agreement that went into effect in December 2014 placed much stricter documentation requirements on Japanese importers and this appears to be playing a role in Japan's supply situation.

Japanese imports of Russian crab have plunged since the agreement went into effect, suggesting that Japan had been importing significant volumes of illegally harvested crab prior to the agreement. Prices for Russian red king crab have increased sharply but remain JPY 200/kg below Alaska red king crab (compared to JPY 1,000/kg in the year before the agreement was in effect). The anti-poaching trade agreement and availability of fertile alternative markets have prompted Russian producers to increase shipments of live king and snow crab to South Korea and China, leaving less supply for the Japanese market.

Snow and Tanner Crab

Snow and Tanner Crab Market Figures, 2010-2016

TACs & GHs (Millions lbs).	2010	2011	2012	2013	2014	2015	2016
Bering Sea Snow	54.3	48.9	88.9	66.4	54.0	68.0	40.6
Bering Sea Tanner	FC	FC	FC	FC	3.1	15.1	19.7
Kodiak Tanner	0.7	1.5	1.0	0.7	FC	FC	FC
Chignik Tanner	FC	0.6	0.7	FC	FC	FC	FC
Alaska Peninsula Tanner	0.5	2.3	1.6	0.2	FC	FC	FC
Southeast Tanner (harvest)	1.0	0.9	1.1	1.2	1.3	1.4	N/A
Avg. Ex-Vessel Price in Alaska	2010	2011	2012	2013	2014	2015	2016



Snow Crab	\$1.31	\$2.54	\$2.21	\$2.29	\$2.37	\$2.04	N/A
Tanner Crab	\$1.69	\$2.70	\$2.59	\$2.59	\$2.45	\$2.42	N/A
Tanner Crab (Southeast only)	\$1.63	\$2.85	\$2.51	\$2.47	\$2.53	\$2.25	N/A
Foreign Trade (Frozen Section Imports)	2010	2011	2012	2013	2014	2015	2016
United States (Millions lbs.)	96.1	90.5	91.9	114.8	100.3	106.0	N/A
United States (\$Millions)	373.6	502.2	433.7	550.8	504.4	516.1	N/A
United States (Value/lb.)	\$3.89	\$5.55	\$4.72	\$4.80	\$5.03	\$4.87	N/A
Japan (Millions lbs.)	42.3	57.3	59.6	45.2	53.6	53.9	N/A
Japan (\$Millions)	222.4	397.1	365.1	258.8	338.7	339.9	N/A
Japan (Value/lb.)	\$5.25	\$6.93	\$6.13	\$5.73	\$6.32	\$6.30	N/A

Note: FC = "Fishery Closed." Southeast figures prior to 2015 represent actual harvests. 2015 prices are preliminary. TACs from the 2015/2016 season are shown in calendar 2016, and so on.

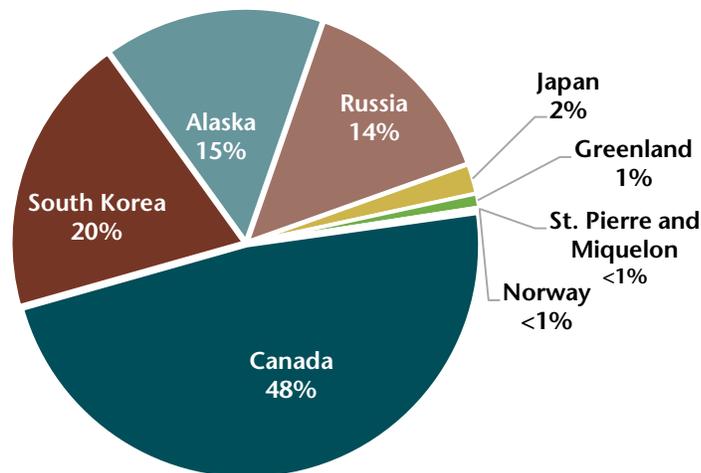
Sources: ADF&G, Global Trade Atlas, NMFS Trade Data, and the Inter-Cooperative Exchange.

Alaska will produce less snow (opilio) crab but more tanner (bairdi) crab this season. BSAI snow crab TACs declined 40 percent (27.3 million lbs.), offset only slightly by a 30 percent increase (4.6 million lbs.) in the smaller BSAI tanner crab fishery.

BSAI snow crab fishing typically begins in January when meat fill normally peaks, so 2015/2016 season crab are caught in calendar year 2016. BSAI tanner fishing typically begins in December and continues into the new year. Like king crab, Alaska’s supply role for snow/tanner crab is relatively modest, accounting for 15 percent of global snow/tanner crab production in 2013.

The bulk of Alaska tanner production is in the offshore BSAI fishery, but Alaska also has four minor, state-waters fisheries that can account for well over 2 million pounds in strong production years. The fisheries in Kodiak, Chignik, and the Alaska Peninsula are closed this year due to low numbers, but the Southeast fishery will be open beginning February 17, 2016. The Southeast tanner crab fishery has produced an average of 1.2 million pounds over the past five years. Participation and harvest volume are trending up in Southeast, with 84 permits fished in 2015 and 1.4 million pounds of crab landed.

Global Snow Crab Harvest by Country, 2013



Source: FAO.



Canada is easily the world's largest snow crab supplier, accounting for 48 percent of total snow/tanner crab production in 2013. South Korea, Alaska, and Russia are the next largest producers.

Global supply of snow/tanner crab will likely decline in 2016 thanks to a 27 million pound decrease in Alaska's BSAI snow crab TAC. Russian snow crab TACs are up 2 percent (840,000 lbs.) in 2016, and Russian tanner crab TACs are up 48 percent (3.2 million lbs.). Canadian fishermen begin fishing later in the spring and 2016 TACs for that fishery are not yet available; however, the country's snow crab production has been relatively steady in recent years and no major changes are expected.

Snow/tanner crab import volumes are up in the U.S. (5.7 percent) and in Japan (0.7 percent), and the average price of imported product declined 3.2 percent for the U.S. and 0.3 percent for Japan in 2015. However, according to U.S. wholesale price quotes from Urner Barry, prices of Alaska snow crab increased during the second half of 2015. A survey of trade press outlets suggests snow/tanner crab supplies were relatively tight approaching the 2016 Alaska opilio season, particularly for larger sizes. Japanese buyers purchased the bulk of Alaska's tanner crab, at slightly higher prices than the prior season.

Snow (opilio) and tanner (bairdi) crab are generally lumped together in foreign trade data; however, anecdotal reports suggest the majority of Alaska's tanner harvest is typically sold into Japanese markets. This explains much of the difference in average price between the two markets, as tanner crab usually sell at a premium to the smaller-sized snow crab.

Dungeness Crab

Dungeness Crab Market Figures, 2010-2015

Alaska TACs & GHs (Millions lbs).	2010	2011	2012	2013	2014	2015
Southeast (Summer)	2.7	2.0	1.8	1.6	4.1	2.7
Southeast (Fall/Winter)	0.6	0.6	0.5	1.0	1.0	0.6
Southeast (Total)	3.2	2.6	2.4	2.6	5.1	3.2
Avg. Ex-Vessel Price in Alaska	2010	2011	2012	2013	2014	2015
Southeast (Total)	\$1.70	\$2.22	\$2.50	\$2.49	\$2.99	\$2.99
Foreign Trade (Frozen Section Imports)	2010	2011	2012	2013	2014	2015
Washington	22.5	27.1	16.6	28.0	19.3	9.2
Oregon	15.8	17.2	8.7	26.0	11.9	2.3
California	22.0	20.6	25.8	31.1	18.4	3.1
WA/OR/CA Total	60.3	64.9	51.0	85.1	49.6	14.6
WA/OR/CA Total Ex-Vessel Value/lb.	\$2.17	\$2.77	\$3.42	\$2.90	\$3.93	\$5.06

Note: Southeast dungeness seasons extend over two calendar years, but the vast majority is harvested in the first calendar year. These harvest figures are presented by season; however, a small amount of harvest volume does occur in the second calendar year. For example, harvest volume from the 2010/2011 season is listed in the table under calendar year 2010. Southeast data for 2015 is preliminary.

Sources: ADF&G, NMFS (OST), and PACFIN.

Southeast Alaska has accounted for the vast majority of Alaska Dungeness crab production in recent years. Southeast harvest volume increased sharply in 2014, but declined back to a more normal range in 2015.



Ex-vessel prices for Southeast Dungeness crab increased \$0.50/lb. in 2014, coinciding with a 42 percent decline in WA/OR/CA production. Despite a smaller harvest in Alaska and the Lower 48, Southeast prices were steady in 2015 at an average \$3/lb. At first blush, the 2015 Southeast price seems inconsistent with pricing trends for WA/OR/CA crab. However, much of Alaska's crab is sold into the frozen cluster market. Unlike production in Southeast Alaska, crab caught in the lower 48 are landed directly to road-connected ports and can be easily transported live to urban markets up and down the Western seaboard, or exported abroad. Live crab, particularly in Asian export markets, has been a hot product in recent years. The demand for live crab, along with substantial declines in lower 48 production, explains much of the diverging trend in 2015 pricing.

Domestic Dungeness crab supply has tightened significantly due to fishery closures in Washington, Oregon, and California when routine pre-season testing revealed domoic toxin levels presented a public safety risk. These three states accounted for 90 percent of U.S. Dungeness crab harvest in 2014 (55.0 million lbs.), while Alaska produces the remaining 10 percent. Many fisheries in Washington and Oregon are now open. The opening grounds price in Oregon was \$2.90/lb., versus an opening price of \$3.10/lb. last season.

Wholesalers worry that despite ongoing testing to assure public safety, bad press surrounding toxic Dungeness crab will lead to lower consumer demand. A recent article in *Undercurrent News* featured quotes from several wholesalers who stated that bad press had already led to lower sales in recent months.

The production impact of toxin-related fishery closures in the Pacific Northwest remains to be seen. A decline in competing supply would likely make Alaska product more valuable, but if consumers shy away from the product over safety concerns, this could offset potential supply-driven price benefits for Alaska producers in the upcoming summer Dungeness season.

