

## POTENTIAL FOR PRICE CORRECTION AS 2008 HALIBUT SEASON OPENS

On March 8 the 2008 Pacific halibut season opened along the entire Pacific coast. Ahead of the opening the International Pacific Halibut Commission (IPHC) that governs the halibut fishery cut the overall quota by 7% to approximately 59 million headed and gutted (H&G) pounds. After a recent high of 77 million pounds in 2004, halibut quotas have fallen slightly but steadily year by year, suggesting a normal cyclical downturn in stocks.

PACIFIC HALIBUT QUOTAS, 2007-2008				
<i>all figures in H&amp;G pounds, unless otherwise noted</i>				
Area		2007 quota	2008 quota	% change
2A	WA / OR / CA	1,340,000	1,220,000	(9.0%)
2B	BC	11,470,000	9,000,000	(21.5%)
2C	Southeast Alaska	8,510,000	6,210,000	(27.0%)
3A	Gulf of Alaska	26,200,000	24,220,000	(7.6%)
3B	North Alaska Peninsula	9,220,000	10,900,000	18.2%
4A	South Alaska Peninsula	2,890,000	3,100,000	7.3%
4B	Aleutian Islands	1,152,000	1,860,000	61.5%
4C	Bogoslof Area	933,250	1,769,000	89.6%
4D	Bering Sea	1,306,550	352,000	(73.1%)
4E	Northwest Alaska	367,000	352,000	(4.1%)
Total		63,388,800	58,983,000	(7.0%)

Southern areas bear the brunt of the cuts. Although quotas in Southeast Alaska suffered most – with cuts of 27% - Alaska's overall quota fell by only 4% or so due to net quota increases in the western sectors.

By themselves these quota cuts would suggest continued upward pressure on halibut prices. In the last 10 years average ex-vessel halibut prices in Alaska have more than tripled from \$1.29/lb in 1998 to \$4.00/lb in 2007, as estimated by the National Marine Fisheries Service (NMFS). Apart from a single dip during the 2000-2001 recession in the USA, these gains have been continuous over the period:

ESTIMATED HALIBUT EX-VESSEL PRICES, ALASKA, 1998-2007		
<i>all figures in USD/lb unless otherwise noted</i>		
Year	Avg. Price	% increase
1998	\$1.29	
1999	\$2.00	55.0%
2000	\$2.52	26.0%
2001	\$1.99	(21.0%)
2002	\$2.19	10.1%
2003	\$2.84	29.7%
2004	\$2.97	4.6%
2005	\$3.00	1.0%
2006	\$3.75	25.0%
2007	\$4.00	6.7%

In general the fresh market consumes all of the halibut caught during the first few weeks of the fishery, with prices reaching eye-popping levels. For example prices at the beginning of the 2007 season topped \$5.00/lb in the first few weeks before subsiding for the balance of the season.

After a steep increase in 2006, average halibut prices rose at a more measured pace in 2007. This was due in part to a sharp correction after the first few weeks of the season. End users balked at finished product prices and some buyers who bought at record \$5.00/lb prices sustained losses on their inventories. The reaction largely held prices in check for the remainder of the season.

### **Potential for price relief in 2008**

Three factors suggest that despite quota cuts, 2008 halibut prices may remain flat with or even fall from 2007 levels:

- Buyers with burnt fingers from 2007 are unlikely to recklessly bid up fresh prices early in the season.
- Halibut is a relatively expensive protein sold mainly to the domestic market. As with other luxury items, US consumers are likely to omit it from their diets during tight economic periods. If the 2000-2001 recession in the USA is any indication, the current economic slowdown in that country may force suppliers to lower their prices to unload inventories.
- Many halibut suppliers report frozen inventories remaining from last year. Especially after demand from the fresh market slows after the first few weeks of the fishery and suppliers freeze more of their production, this overhang of supply will drag prices downward.

Sources: NMFS, The Seward Phoenix

#### *Implications for frozen seafood buyers:*

- A drop in supply for this popular, valuable whitefish will limit availability.
- Historical trends in halibut quotas suggest that the current downward trend is within normal cycles.
- Buyers and end users will both appreciate relief from the rapid appreciation of halibut prices in recent years.
- For all stakeholders, an economic slowdown in the USA is likely not the preferred path to relief from high halibut prices.

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