

POLLOCK SHORTAGE CAUSES SURGE IN SURIMI PRICES AND IN DEMAND FOR PACIFIC HAKE

We continue to discover the downstream effects of this year's 28% cut to Bering Sea pollock quotas in Alaska. In late March Japanese pollock surimi buyers completed their A-season negotiations with Alaskan producers, agreeing to an average price increase of approximately 40%.

For the last few years the Japanese buyers resisted increased surimi prices despite significant global price inflation on other whitefish products, including pollock fillets. In response Alaskan pollock producers have each year devoted more of their raw material to fillets and less to surimi, with fillet production surpassing that of surimi for the first time in 2007.

This price hike may shuffle that production trend as surimi becomes profitable again and fillet buyers are forced to compete for scarce pollock raw material. It may also keep upward pressure on pollock fillet prices at a time when economic worries in the USA have raised the possibility of some relief from the current three to four-year period of seafood price inflation.

As pollock, in fillet or surimi form, becomes either scarce or too expensive for some buyers, they will turn to less expensive substitutes. Pacific hake (or Pacific whiting) provides the most obvious substitute on the west coast. Next to pollock it is the most abundant whitefish harvest on the west coast and is of a less desirable eating quality, so it sells at a considerable discount to cod or pollock. A market exists for low-cost H&G and fillet products, but producers mince much of the annual harvest into surimi.

Even when pollock was relatively abundant in recent years, Pacific hake producers sold their entire annual output. But with the 28% pollock quota cut and subsequent surimi price hike in 2008, there is renewed interest in this year's Pacific hake fishery, which generally runs from mid-May to mid-June. The Canadian and US governments set quotas jointly through the Pacific Hake Agreement and they agreed on a 2008 quota of 365,000 metric tons (MT), an increase of 11% from last year's quota.

As the season approaches Pacific hake producers report a surge in surimi orders from all markets, including Japan, Korea, Europe, the USA and even Thailand, itself a major surimi exporting nation. The Japanese orders highlight the tight supply in the market. Japanese buyers had avoided Pacific hake surimi for several years because of the use in its production of egg albumen as a binding agent.

Pacific hake flesh contains an enzyme that, unless inhibited, disintegrates the flesh within 30 hours of catch. Harvesters and processors therefore began using bovine blood plasma to keep the flesh intact. Japanese buyers had no problem with bovine blood plasma until Japan banned it after the global scare over bovine spongiform encephalopathy (BSE, or "mad cow disease") a few years ago. Producers substituted egg albumen, but Japanese surimi buyers rejected the use of egg in their surimi products and effectively withdrew from the Pacific hake market until now.

Renewed Japanese orders for Pacific hake surimi suggest that for Japanese buyers, the current shortage of surimi trumps their aversion to the presence of egg in Pacific hake surimi.

Sources: Wikipedia, BANR Japan

Implications for frozen seafood buyers:

- Pollock buyers may experience similar choices as those faced by the Japanese buyers in this article: pay a premium on already expensive pollock products or find less expensive substitutes.
- It is difficult to imagine pollock fillet prices rising beyond their current record levels, especially as recession looms in the USA, but the shortage of supply is undeniable.

Visit www.tradexfoods.com or contact your Tradex Foods account manager.

val@tradexfoods.com	greg@tradexfoods.com	jeffrey@tradexfoods.com
felix@tradexfoods.com	alejandra@tradexfoods.com	linling@tradexfoods.com