

Market Update

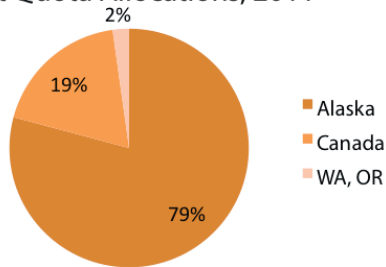
PACIFIC HALIBUT

www.tradexfoods.com/reports

Supply

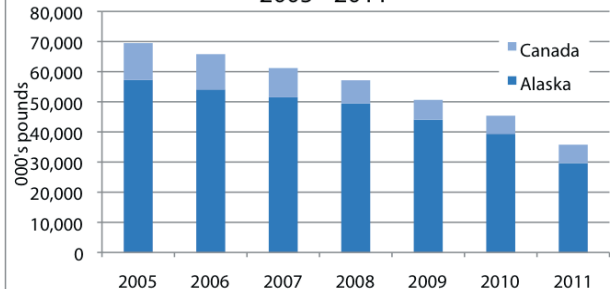
- In 2011, 79% of the North American Halibut quota was allocated to Alaska. Canada - 19%; Washington and Oregon - 3% (Figure 1).
- Commercial Pacific Halibut landings in North America dropped 48% between 2005 and 2011 (Figure 2). The International Pacific Halibut Commission has recommended that the 2012 quota be reduced a further 24% - to 33.135 million pounds. This will be finalized at the end of January.
- Russia also has a major Halibut fishery in the Barents Sea. As at Nov-2011, Russian vessels harvested 15 million pounds - much of this goes to China for processing before export to EU & US markets. The 2012 quota is expected to be on par with 2011.

Figure 1: North American Pacific Halibut Quota Allocations, 2011



Source: International Pacific Halibut Commission, 2011

Figure 2: Commercial Pacific Halibut Catch, 2005 - 2011



Source: NOAA Fisheries Service - Alaska, 2011; DFO Canada, 2011

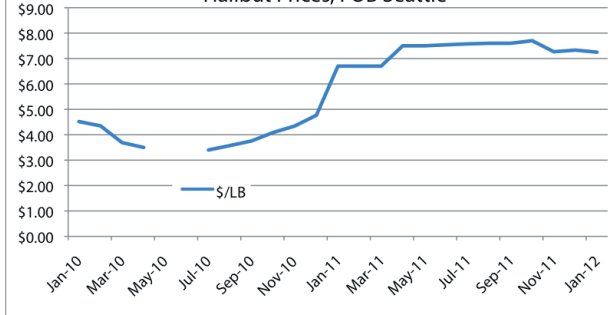
Prices

- Halibut prices have been increasing steadily since Oct-2010 and reached a record high in 2011 at \$7.80/LB (Figure 3).
- In Nov-2011, prices softened slightly - a result of large inventories and price resistance from buyers.

Projections

- Downward price pressure will continue until Alaska's 2012 season opens in March.
- For the first few months, the bulk of new catch will go into the fresh market. Only once fresh demand is met will freezing resume - translating into more downward pressure on prices.
- Because many buyers dropped Halibut from their product line in 2011, sellers face an uphill battle. Adding Halibut back into product lines is challenging for buyers because: 1) historical price trends indicate an unstable product; 2) there are costs associated with changing menus; and 3) constant change does not bode well with consumers who want consistency.
- The above factors mean that prices will need to drop substantially before buyers show interest in Halibut.

Figure 3: Whole Frozen, Dressed, Boxed, 10-20 LB Halibut Prices, FOB Seattle



Source: UB Comtell, 2012

