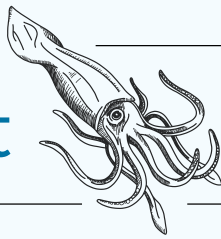
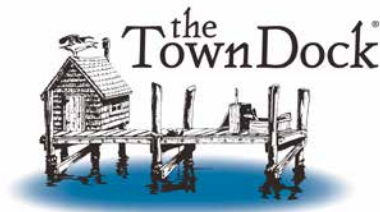


Market Report



MAY/JUNE 2019



SUMMARY

The major development since our last report has been the implementation of 25% tariffs on \$200 billion of Chinese goods being imported to the United States. China has reciprocated with its own tariffs on \$60B worth of American goods being imported into China. The threat remains of the 25% tariffs being extended to an additional \$300B of Chinese goods — which would be all trade from China to the U.S. At this point, it is unknown when or if this will occur. Numerous items imported from China (including frozen squid) have been impacted by these tariffs, and the industry remains uncertain as to how or when a trade agreement will be reached. In the interim, numerous industries are bracing for a protracted trade war and the potential need to raise prices to consumers in the near future.

EAST ASIA

China: Loligo spp.

The annual fishing moratorium has gone into effect and suppliers are reporting that enforcement measures by the Chinese government are in full effect. This fishery opens up again August 15. In the meantime, suppliers are still able to fulfill orders based on last season's stocks. Additionally, trends have resulted in more and more of this species to be diverted to the Chinese domestic market.

China: Todarodes

The new season is about to open and pricing is forthcoming. The industry is expecting higher pricing based on what is predicted to be a diminishing catch by historical standards. Also, the weak Argentinean *Illex* season may drive an increased pricing for this species.

China: Bartramii Steaks

There has been no change to the supply situation for this species. Few suppliers are still able to offer it, but at higher pricing than normal.

SOUTH ASIA

India: Loligo spp.

Needle squid landings are being reported and the season has officially opened as of mid-June. Expect downward pricing pressure as a result of lowered demand for raw material from China as a result of the trade war, especially if it continues.

Pakistan: Loligo spp.

This season has come to an end. It will reopen in September.

SOUTH AMERICA

Peru: Gigas Steaks & Strips

Landings continue to be scarce and unpredictable for this species; however, suppliers are still offering small quantities.

Peru: Loligo gahi

More and more suppliers are now offering this species. The past few months have seen somewhat of a resurgence of this unpredictable species in Peruvian waters; however, the quantities have been too small for export and so have been funneled into the domestic market.

Argentina: Illex

This year's season has been poor. Although it got off to a robust start, it became weaker as the season progressed. It was worse than last year's season, which in turn was worse than the year prior. In response to what is clearly a trend, Argentina is considering opening access to northern waters to address local concerns.

ANALYSIS

The trends identified in our previous report continue to develop. Now that the threat of tariffs on products from China have become an inescapable reality, firms are looking to source raw material elsewhere, which has been noticed by Chinese suppliers, who have offered somewhat lower pricing to offset the tariffs. Despite those concessions, firms are still actively looking to reconfigure their supply chains to avoid unnecessary tariffs. This was undoubtedly a strategic goal of the administration and it is coming true. As a result, expect seafood products to increasingly be sourced from different countries of origin and for domestic customers to be more flexible on this point, especially as it concerns them having to pay an extra twenty five percent or not.

On a positive note, the diminished demand for product out of China will ease pressure on raw material supply globally. This has yet to materialize in import numbers, but will. Expect this excess raw material in countries like India, Pakistan, and Peru to result in lower or more stable pricing out of those countries, as China will simply not be buying at the same levels they were pre-tariff.