Recent Adjustments in Northeast US Fresh Groundfish and Scallop Processing & Marketing

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2014-2015 Interview Project on Fish and Scallop Processing Chains

• Background: Interviewed 44 groundfish processors between 1990 and 1993

• Interviewed 21 groundfish & scallop processors & wholesalers between 2014 & 2015

• Used annual data on landings, revenues, prices, imports, exports from NOAA to verify interview results

• Collected daily data from the Whaling City Seafood Display Auction.
New England Groundfish Processing

- New England landings
- Other US landings
- Imports

Procure inputs

Processing & Wholesaling

Products

- Restaurants
- Supermarkets & food services
- Other wholesalers

Customer orders

Marketing
Northeast US Groundfish Processors Adjust to Declining Landings

Adjustments:  
Conclusions from 1990-1993 interviews

• Substituted Canadian fresh groundfish & whole Pacific cod for NE groundfish fillets  
  – Prediction: less reliance on Canadian Imported fresh groundfish
• Diversified product line
• Switched from processing to wholesaling  
  – Prediction: not sustainable due to inefficiency of wholesaling
• Negotiated directly with retailers, including supermarkets & restaurants
• Went out of business

Georgianna & Dirlam, 1994
Recent Groundfish Adjustment: 2013/2014 interviews

- Increased Diversification of products (e.g. swordfish & tuna)
  - Scour the world for product
- Skipped wholesale market to sell direct to retailers
  - Decline of Fulton & other city wholesale markets
  - Sell hundreds of products to 1000+ customers
  - Hire more specialized buyers
Northeast US Groundfish Production

US Northeast groundfish landings continued to decline but at lower rate

Canadian exports to US Increased from 1998 to 2003 then declined to 2014

Imports from Canada roughly constant compared to Canadian groundfish landings
Northeast US Groundfish Landings & Prices, Adjusted for inflation

Total annual landings declined after 2002, while average weighted price per lb, adjusted for inflation, remained relatively constant.

Most groundfish exvessel prices increased, but haddock prices decreased due to reduced minimum size.

Implies that wholesale revenue has declined unless mark-up increased. Wholesale prices are not available.
Competition for Northeast US Groundfish Processors: Fresh Fillets

Atlantic groundfish imports have remained relatively constant.

But New England groundfish processors face increasing competition from other fresh fillet imports.

Fresh Atlantic groundfish and other fresh fillets imported into the U.S. from all countries in thou mt fillet weight.

Source: NOAA databases.
Northeast US Scallop Processing

- Northeast US landings
- Imports
- Own vessels
- Other processors

Procure inputs

Processing & Wholesaling

Customer orders

Marketing

Products

- Restaurants
- Supermarkets & food services
- Other wholesalers
- Export
Scallop processors adjusted to increase in scallop landings

US scallop landings increased, then maintained high landings for 10 years until decreasing in 2012.

Imports of fresh scallops from Canada declined from 3 thou mt in 1994 to less than 1 thou mt from 2005 through 2012 until increasing in 2013 & 2014.

US Northeast scallop landings and fresh scallop meats imported into the Northeast from Canada in thou mt, landed (meat) weight. Sources: NOAA databases.
Scallop Adjustment: Conclusions from 2013/2014 interviews & data

• Increased marketing to all parts of US and and other countries
• Increased emphasis on frozen product
• NB remains center of scallop distribution
• Increase in vertical integration of scallop fishery (processing plants bought vessels)
Northeast US Scallop Landings & Prices, Adjusted for inflation

Total annual landings increased after 1998, while average weighted price per lb, adjusted for inflation, increased after 2001.


Increasing landings and rising prices imply that scallop demand increased.

Northeast US annual scallop landings in thou mt and prices, adjusted for inflation, using the GDP deflator with 2014 as base year. Sources: NOAA data
Scallop Landings by Size Categories

Increased landings in Northeast of larger scallops: U-10s & 10-20s (scallop meats per pound)

Deceased US landings of smaller and unclassified scallops

Increased sales of U-10s and U-20s at Whaling City Display Auction (sold 36% of total US scallop landings in 1994)
Scallop Prices by Size Category

Prices for U10s & U12s have risen sharply since 2012, even though quantities of large scallops have declined only slightly (until 2015).

Price difference between large and smaller scallops have increased. For the first 4 months of 2015, price differential averaged more than $5 per pound (up from $2-$3 per lb in 2014).

Landings of large scallops in 2015 (scaling from first 4 months) have declined sharply.
Evidence for Increased Marketing for Exports & Frozen Product

Scallop Processors reported increased exports and increased frozen product (IQF).

Export data shows increasing exports of both fresh and frozen product. Most scallops from the US go to Western Europe (France, Denmark, UK).

Frozen imports complicate analysis. China and Japan are major exporters of scallops to the US. Japan sends higher quality scallops, on average.

Data does not show if US landings are exported.
Hurricane Sandy as test of adjustment to short term shocks

• Hurricane Sandy struck New Jersey and New York on October 29, 2012.

• As the second-costliest hurricane in United States history, it caused significant damage to shoreside fishing businesses.

• It shut down the New Fulton Fish Market for 3 days & stopped fishing off Southern New England, NY & NJ for a week or more
Effects of Hurricane Sandy

• NE, NY & NJ processors shut down for 1 day
• Little effect on sales: Repackaged and shipped to other customers
• Little Effect on supply to Northeast processors: Few inputs from NY & NJ
• Some evidence of markets lost in NJ tourist trade for 1 year but sales returned in next year
Effects of Hurricane Sandy on scallop fishery

- Sandy direct hit on NJ scallop ports
- Closed for short time; most ports had stopped fishing for a few days before Sandy hit
- Cooperation within scallop industry to preserve products and distribution channels
  - Shipped products before storm to buyers & other processors
  - Recalled some product & resold it
Conclusions of Study

• Some evidence that processing adjusts quickly to short time variations in landings.

• Processors adjust more quickly to long term increasing landings (scallops) than they do to long term decreasing landings (groundfish).

• Some evidence from scallops that stable (increasing) landings improves marketing,
  – Note hedonic price model for scallops
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Questions?

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