
Fishery Leaflet 336

Washington 25, D. C.

June 1949

QUARTERLY OUTLOOK FOR MARKETING FISHERY PRODUCTS, JULY-SEPTEMBER 1949 1/

By Ralph Russell, Fishery Marketing Specialist,
Branch of Commercial Fisheries.

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Introduction

As this second issue of the outlook report of the Branch of Commercial Fisheries, Fish and Wildlife Service, is published, the fisheries industries as a whole are uncertain of the future and for the most part rather pessimistic. Many prominent members of these industries expect lessening general business activity to be reflected in markets for fishery products, although a minority is more optimistic.

Among the unfavorable factors currently apparent are the likelihood of further declines in general business activity, continued pressure of imported fishery products upon the markets and price levels of a wide variety of domestic fishery commodities, prospects of a continuing low level of foreign demand for American fishery products, curtailed or interrupted production caused by resistance to decreases in prices of fish as landed, and declining consumer demand with increasing unemployment.

1/ Forecasts represent judgments based on experiences of the past and on current indications of what may happen in the future. Many statements representing opinion or probability rather than certainty have been expressed in positive form for the sake of brevity.

Among the favorable factors are the low stocks of some canned and frozen fishery commodities prior to the opening of a new season, relatively high opening prices of some items, indications of a change in viewpoint toward American fishery products on the part of some countries purchasing under the Economic Cooperation program, some maintenance of domestic buying power by unemployment compensation payments, government support of prices of farm products which may help to maintain prices of fishery products, and a consequent maintenance of farmers' purchasing power which might help to support general business activity and maintain consumer demand.

I. General Business Conditions.

Economic activity generally is expected to decline through most of the quarter, following the trend evident during the first half of the year. Industrial production has declined steadily until estimates for May were well below the average rates for the previous two years, though somewhat above the average for 1946. Production of durable and non-durable goods and minerals has been declining, and is expected to decrease still further during the quarter. Such indicators as freight car loadings and starts in housing construction are below their position of a year ago. It should be noted, however, that estimated production of iron and steel through the first four months of 1949 was high, and production of automobiles and trucks during April and May was at a much higher level than during the same period in 1948.

Civilian employment in non-agricultural industries has been running below that of corresponding months of 1948, and this situation is expected to continue and perhaps become more serious. Estimates of national income for the first quarter of 1949 show a decline from the last quarter of 1948, and indications are that national income has decreased further since March and will continue on a downward trend through the current quarter. Total wage payments will decline as employment decreases. Total personal income, while exhibiting a downward trend through April, was estimated at well above the figure for the previous April, and at the same level as the average rate for 1948. The estimated total of salaries, wages, and other labor income for April was at a rate somewhat above the average for the year 1948. However, current trends point toward decreases in these payments.

Price trends are also expected to be downward during the coming quarter. While wholesale prices made a slight recovery during May, their trend so far in 1949 has been generally downward. Prices paid by consumers at retail are expected to decline during the quarter, although the urban retail price index rose somewhat in March and April, the latest months for which data are available.

However, it should be borne in mind that economic activity is still at a markedly high level as compared with pre-war. Even at much lower levels than prevailed in 1948, the pulse of the American economy is still strong and the country's capacity to recover from slumps should not be discounted.

II. Conditions in the Food Industry

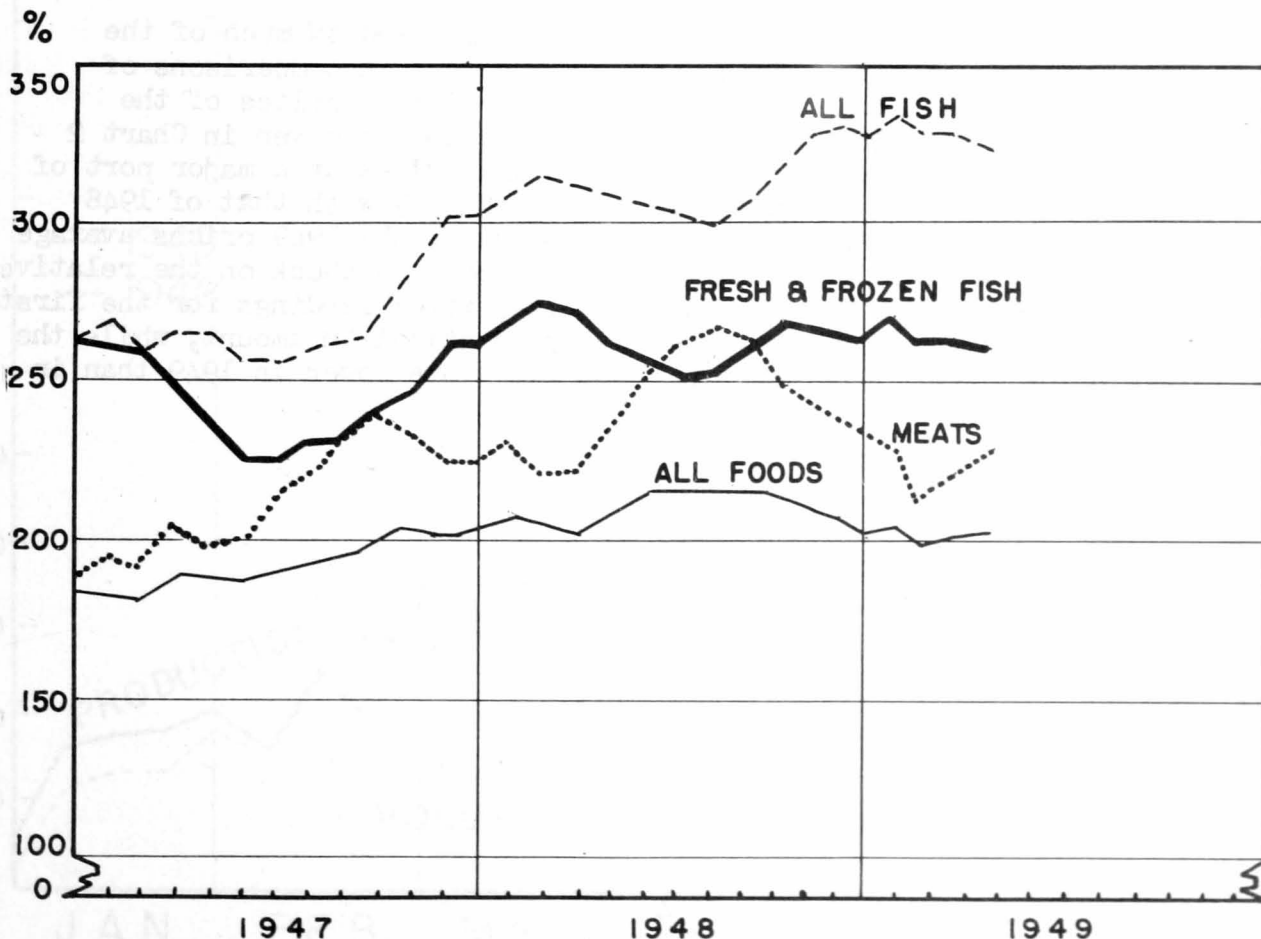
Production and supplies of food generally are at a high level and are expected to continue in that position throughout the quarter. Food consumption will be at nearly the 1948 level and considerably above the pre-war rate. A downward trend in food prices is expected to continue through the quarter. Consumption of food, and particularly higher priced items, will lessen somewhat with decreasing employment and the resulting decrease in the income of wage-earners. While food exports will continue in large volume, domestic supplies will be so large as to be burdensome on our markets.

Meat prices will decline during the early summer but their course thereafter is open to considerable question. Normally, meat prices rise somewhat in mid-summer and decline somewhat in the fall. It seems likely that the usual mid-summer rise, if it occurs at all, will be very slight.

The chart of retail price indexes shows that at mid-April retail fish prices were still relatively high in comparison with the relationship they bore to prices of "all foods" and of meats in the pre-war period. Indexes of fish prices declined continuously since January. Meats and "all foods," on the other hand, dropped in February and rose in the succeeding two months.

Chart 1.

RETAIL PRICE INDEXES OF SELECTED FOODS, BY MONTHS, 1947 TO APRIL 1949 INCLUSIVE ^{1/}



Data from Bureau of Labor Statistics, U. S. Dept. of Labor
^{1/} Base Period 1935 - 1939

III. Some Phases of the Market Situation for Fishery Products

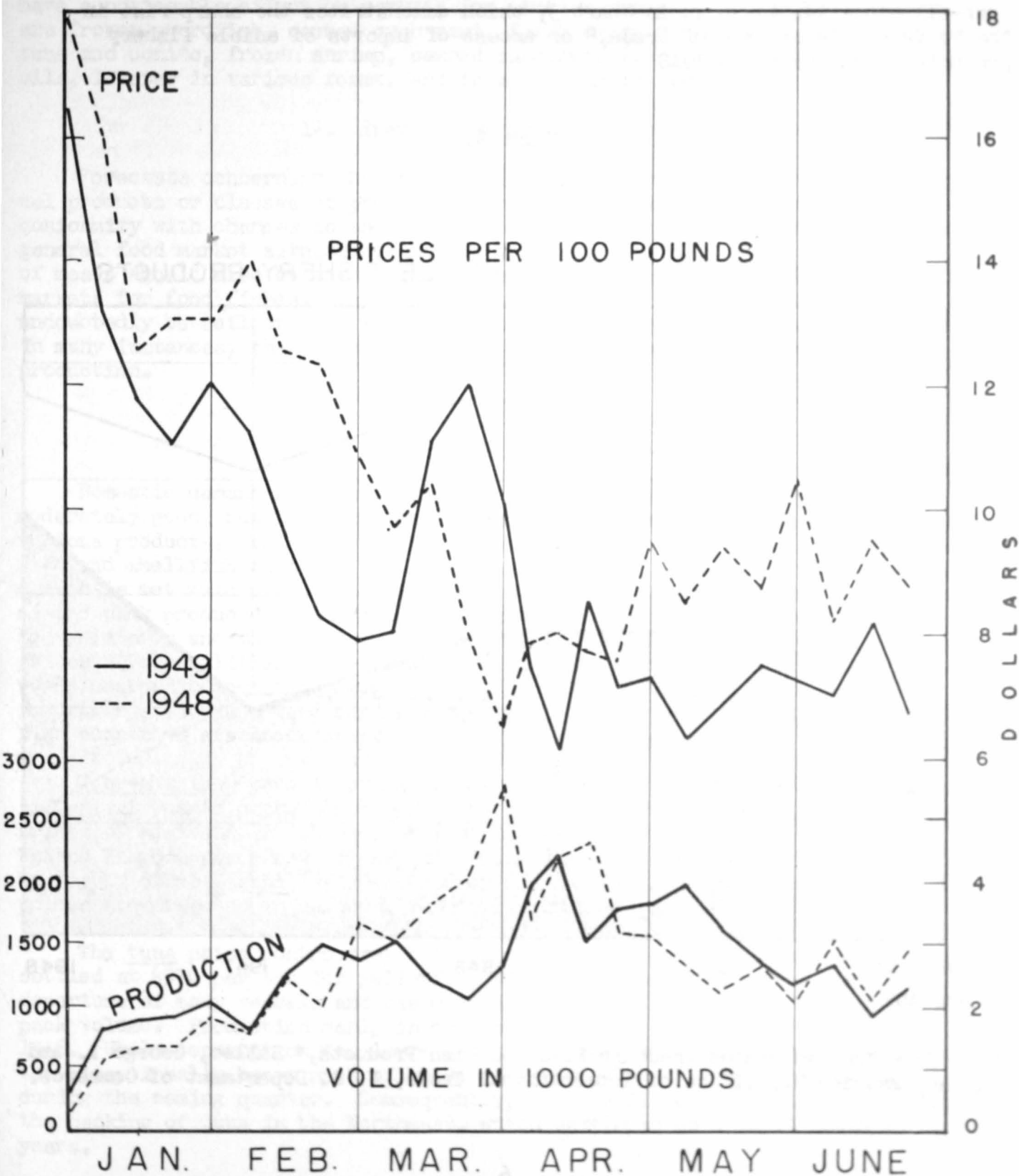
During this quarter, the supply factor will put heavy pressure on prices at the initial stages of marketing, such as prices to fishermen, canners, and fillet producers. This quarter is a period of very heavy fish production, when about 40 percent of all the fish produced annually in the United States and Alaska is caught. About one-third of the catch that is marketed in fresh and frozen form is captured in this period, but two other major divisions of the fisheries are at a still higher level, relatively. Under normal conditions, more than half the fish that are marketed as fish meal and oil as well as nearly half the fish that are canned, are caught in this three-month period. While operations at many fishing centers are thus at the peak, receipts in major secondary wholesale markets such as Chicago and New York, are also at a high level.

The summer quarter, particularly the early part, is a period of relatively low demand for fresh and frozen fishery products in many parts of the country. Thus, sales of many items drop off in a period when production as a whole is heavy. The resultant effect is a period of slow sales, and relatively low prices at retail may prevail during at least a part of the quarter. Meanwhile, cold storage stocks will be built up against the periods of greater consumption later this year and during the first part of 1950.

A lower level of ex-vessel prices has prevailed in much of the fishery industry of late. This has been apparent in comparisons of average prices in various fisheries as compared with prices of the previous year. An illustration of this situation is given in Chart 2 (opposite page), showing haddock receipts and prices at a major port of landing. A comparison of the price curve for 1949 with that of 1948 shows that while the general course is the same, the 1949 prices average much lower. The graph of landings may be used as a check on the relative quantities in relation to prices. Actually, total landings for the first five months of each year were practically identical in amount, while the average price for that period was about 1.1 cents lower in 1949 than in 1948.

COMPARISON OF LANDINGS AND PRICES OF HADDOCK (scrod excluded)

AT BOSTON FISH PIER, JANUARY TO JUNE, 1948 AND 1949

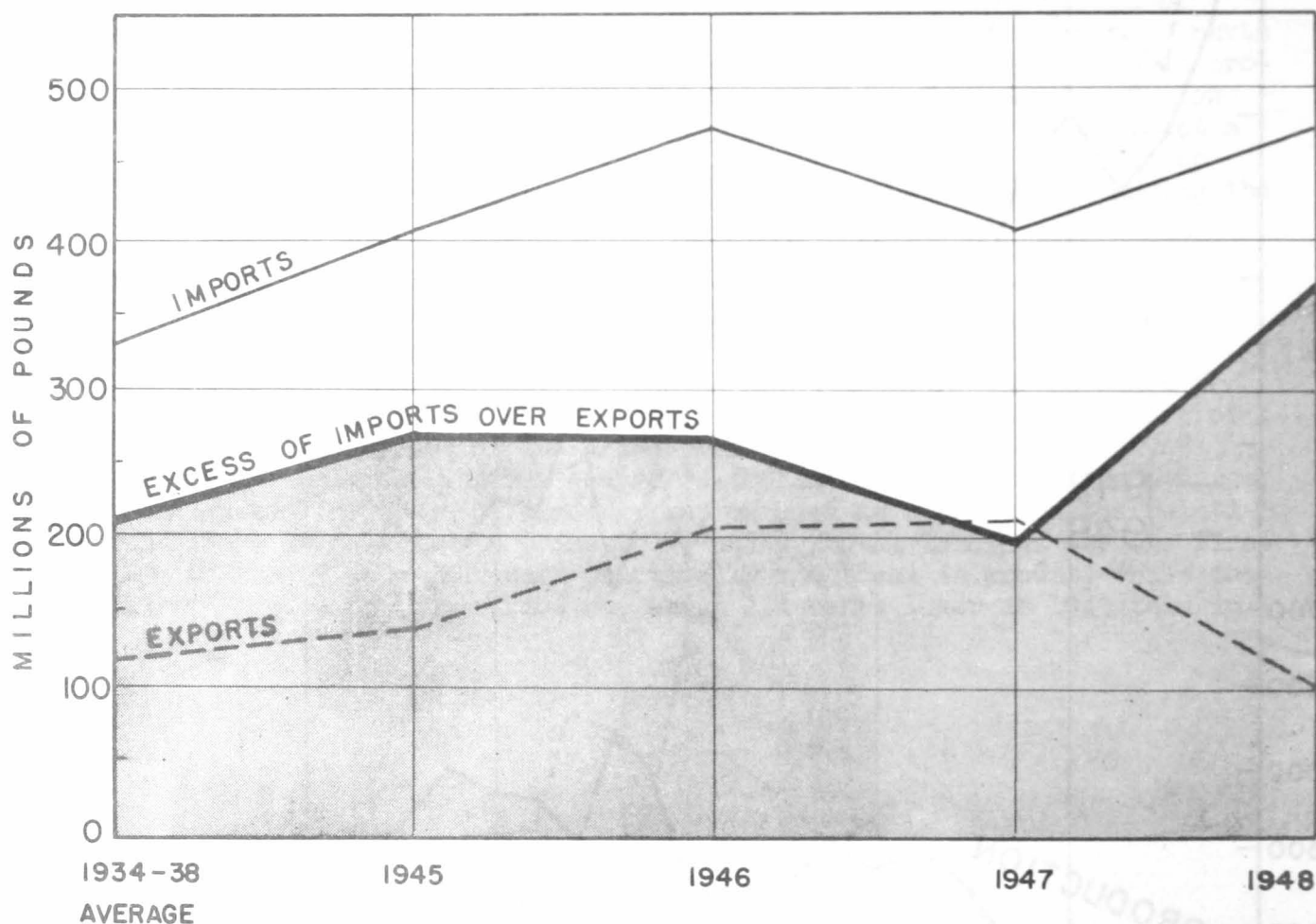


Data from Boston Market News Office, Fish and Wildlife Service

Another aspect of the fishery trade that has received widespread notice is the international trade in fishery products. Exports dropped sharply last year, and in spite of possible purchases by ECA participants, exports are expected to continue at a low level. The trend of imports is upward. The over-all situation is shown in Chart 3, which demonstrates the sharp rise in the "unfavorable balance of trade," or excess of imports of edible fishery products over exports in 1948

Chart 3.

U.S. FOREIGN TRADE IN EDIBLE FISHERY PRODUCTS



Data from "United States Trade in Fish and Fish Products," Sallee, George A. and Wallar, Maurice W., Office of International Trade, U. S. Department of Commerce.

Perhaps greatest public attention has been given to the effect of importations of frozen fillets from countries north of the United States. There are, however, many other products which are imported in quantities large enough to have a noticeable effect on markets for similar domestic products. Among these are frozen swordfish, canned crab meat, fresh water fishes from Canada, canned tuna and bonito, frozen shrimp, canned sardines, fish livers and fish liver oils, lobster in various forms, and frozen spiny lobster tails.

IV. Specific Marketing Situations

Forecasts concerning the various fisheries or predictions covering individual products or classes of products should be modified as time passes, in conformity with changes in the general business situation. Changes in the general food market situation, and particularly with respect to relative prices of meats should also be taken into account in reorienting forecasts dealing with markets for food fishes. Major changes in these more general fields will undoubtedly be reflected in wholesale and retail markets for fishery products. In many instances, the effect on prices will be accentuated at the point of production.

Canned Products

Domestic demand for canned fishery products is expected to remain moderately good, but the marketing situation will vary considerably among the various products. This quarter is a season of heavy demand for certain canned fish and shellfish that are used for "light" meals in the summer months. This demand is met with products of the previous season, for the most part, and most of the pack produced during this quarter will reach consumer hands in later months. Heavy imports and the decline of export markets will exert a depressing effect on prices. Possibilities of devaluation of foreign currencies exist, and such action would sharpen competition from imports. On the other hand, signs of a more favorable attitude toward buying canned fish from the United States by Marshall Plan countries are encouraging.

Canned salmon production is expected to be relatively light and somewhere near last year's pack. Demand will be good, but will be influenced by relative prices of meat and any changes in the rate of consumer income. Anticipated United Kingdom purchases of competing Canadian packs and the possibility of buying by other Marshall Plan countries may have some supporting effect, but prices are expected to be lower than those of last year.

The tuna price controversy between canners and vessel operators, apparently settled at \$310 per ton for yellowfin, \$30 below the former price, delayed the departure of many vessels and has made it difficult to estimate the probable pack volume. Production early in the year exceeded that of the same period in 1948. While consumption was large and prices were well maintained in the face of the exceptionally heavy pack of 1948, it is expected that prices will rule lower during the coming quarter. Consequently, there will be less incentive to expand the packing of tuna in the Northeast, which developed on a small scale in recent years.

Maine sardine production prospects cannot be forecast as yet. However, some price decline is probable. A favorable factor in the marketing situation is that packers have depended largely on the domestic market, and have not been so much affected by decreased export demand as have packers of some other fishery products. The market for canned sea herring is expected to be dull.

California sardine (pilchard) production cannot be forecast because of the unpredictable supply. The probability is that the pack will not be large as compared with earlier years. Nevertheless, prices are expected to rule somewhat lower. Curtailment of foreign markets will exert a depressing effect on prices, but recent British purchases may be an indication that buying with ECA funds may increase. Despite the reduction in export shipments, it might be noted that sales are being made to a number of countries, though the Philippines are taking the bulk of the exports. In March of this year, for example, about 2 $\frac{1}{4}$ million pounds of canned pilchards were shipped abroad. Though more than half went to the Philippine Republic, shipments were made to nine Latin-American countries and to Belgium, Greece, Egypt, Gold Coast, and Liberia as well. Later on in the spring, a large quantity was sold to the British, which appears to have reduced stocks in packers' hands to a negligible quantity.

There will be little incentive to can anchovies to take the place of canned pilchards, since last season's pilchard pack found markets very dull.

The period of heaviest shrimp canning begins about the middle of the quarter. Demand and prices are expected to be fair.

Canned mackerel, both that produced on the West Coast and the eastern pack, is not expected to see a vigorous demand during the quarter. Producers will doubtless have difficulty in obtaining a margin adequate to cover costs and profits. Nevertheless, canning may be encouraged by low prices for raw stock in New England.

The pack of canned alewives or river herring, is expected to meet with marketing difficulties similar to those for canned sea herring, mackerel, and fish flakes. Demand will probably be sluggish, and maintenance of price levels will be difficult.

The final figures on the canned oyster pack of the Gulf States will probably show a volume greater than the pack of 1948, but less than that of 1947. Market demand will be moderate.

The summer demand for canned crab meat is expected to be fairly active. Although imports from Japan will probably not reach large figures, they will have some depressing effect on the market generally.

Fresh and Frozen Fishery Products

The New England groundfish fisheries will have marketing difficulties, particularly with the less popular species, during their period of heavy production. Cold storage supplies of some products have been heavy for some time and carry-over was large. Cod, pollock, whiting, and mackerel markets show more than average weakness and doubtless will exhibit this tendency through most of the quarter. Continuing heavy imports of groundfish fillets tend to depress the fillet market generally. Nevertheless, freezing is proceeding at a high rate and probably will continue at a brisk pace.

On the basis of last year's experience, rosefish (ocean perch), while in large volume, will enjoy a favorable market later in the year. However, prices at the point of production, already low, will probably be depressed through October, which is usually the end of the period of heaviest production. Prices in secondary wholesale markets and at retail will doubtless continue to follow the ex-vessel prices in some degree, but may be expected to recover whenever production slacks off.

Heavy landings of mackerel in the Northeast have already reduced prices to the point where fishing out of Gloucester was curtailed. Since cold storage holdings were relatively low, freezings may increase with low prices. Canning also may be stepped up. However, low prices are expected to prevail so long as production is heavy.

Markets for eastern crab meat and soft crabs are expected to be dull. However, variations in supplies during the quarter usually bring occasional abrupt changes in prices, and temporary scarcities may cause high prices for short periods.

Supplies of croakers are expected to be short, with a consequent maintenance of relatively high prices.

Flounder markets are not expected to be very active this quarter. Rather heavy cold storage stocks are a depressing factor in the price situation.

The scallop market should be brisk if present price levels continue. With the recent declines in prices, a more active interest in scallops has been apparent.

Swordfish is expected to meet with a steady and favorable market, though imports early in the year were much larger than those for the same period in 1948. In addition to imports from South America and Japan, Canadian production will enter the United States market in competition with the local catch.

Prices of halibut at the dock have averaged above those of 1948 so far this season. If retail prices are comparatively as high, movement into consumers' hands will be retarded.

Products of the Pacific Northwest trawl fisheries, such as the various species of sole, will encounter a sluggish demand. Rockfish markets, in particular, will show little signs of revival.

Sablefish demand is expected to be weak, partly as a result of the apparent decline in the demand for smoked fish.

Production of barracuda ordinarily is low during this quarter and demand is not active.

Markets for fresh water fish are not expected to be brisk, overshadowed as they are by considerable holdings of several species in cold storage. Demand for catfish should be better than that for most other species, although frozen stocks are much heavier than those of a year ago. Less popular species such as carp and sheepshead will sell at very low prices in areas near points of production.

Cold Storage Holdings:

Frozen fishery stocks have been running high so far this year, but the movement of many items has been active. As the summer opens, freezings of halibut, rosefish (ocean perch) fillets, shrimp, haddock fillets, and whiting, among other products, have been heavy. Among salt water products in heavy supply, marketing of cod fillets, whiting, and pollock fillets will probably be most difficult. Sablefish (black cod), with heavy freezings and declining smoked fish demands, may also meet buyer resistance in the markets.

Freezer stocks of fresh water species are at a high level. This seems to be an effect of sluggish demand, and this low activity bids fair to continue through the quarter and to have a depressing effect on market prices this summer. Such species as yellow perch, sturgeon and spoonbill catfish, chubs, and yellow, blue, and sauger pike, are held in much heavier supply than a year ago. Whitefish and tullibees while in storage in smaller quantities than a year ago, are not expected to encounter an active market during most of the quarter.

Cured Fish

Cured fishery products, as a class, are expected to find markets rather slow on account of ample supplies and a relatively weak demand. Salt herring stocks in cold storage on June 1, were reported as some 10 percent above those of the same date a year earlier. Markets for mild-cured salmon are expected to continue dull, with a small pack, although the carry-over was comparatively small. Diminishing export trade and high prices of raw material seem to be major factors in the decline in mild-cure operations. The market for salted and pickled river herring or alewives is expected to be dull as a result of rather heavy supplies, the availability of competitive imported products, and a lagging demand. Smoked fish markets are expected to be quiet except in areas where tourist and vacation trade creates a seasonal demand.

By-Products

The market for fish oils is very weak and is expected to continue in this situation. While the major influence on markets is the availability of heavy supplies of competing oils and fats, some slackening of consumption of these products is also anticipated.

Prices of fish meals, and concentrated fish solubles are not expected to remain at current high levels. Nevertheless, prices should not fall as much as might be anticipated from the prospective increase in supply. In addition to the large production during the quarter, factors making for lower prices are the price levels of competing products such as tankage, the passing of the peak in certain feeding operations, and the increasing development of substitute supplements. Interest in substitutes has been spurred by the scarcity and high price of fish meal. The major factor tending to support fish meal prices is the heavy feeding schedule under way and the large grain supplies encouraging feeding operations. These operations will call for appreciable amounts of fishery by-products as practically indispensable components of certain rations.

The prices of vitamin-bearing oils have declined somewhat recently. They are not expected to recover appreciably during the quarter, particularly since increasing importations are probable whenever price levels rise.

Materials and Shipping Charges

Marketing equipment and supplies are expected to be in better supply, with lower prices for many items. In particular, the supply situation in containers and packaging materials will be easier, especially in the field of wooden containers. Some decline of prices in this field generally is probable.

Transportation rates will probably not change appreciably during the quarter, though actions for changes may be initiated by carriers. The icing charges on express shipments of fishery products may be raised somewhat, but no decision in this matter has been announced as yet.