Commodity Spotlight


USDA photo: Peggy Greb

Imports & Lackluster Demand Pressure Catfish Prices

Throughout the 1990s, U.S. catfish production was a domestically focused industry, with only small amounts of imports and exports. In the last 2 years, however, catfish imports have increased dramatically. This, combined with relatively flat per capita seafood consumption and increased inventories of catfish products, has put downward pressure on domestic catfish prices.

Seafood Imports Up, Per Capita Consumption Flat

Imports play a major role in satisfying overall U.S. seafood demand. Imported seafood is made up of a wide variety of fish and shellfish products, many of which are farm-raised. Shrimp, Atlantic salmon, and tilapia are the three most valuable farm-raised imports. But catfish from Vietnam, crawfish and mollusks from China, and mussels from Canada and New Zealand are also among the farm-raised products imported.

Both domestic seafood producers and exporters to the U.S. market have faced relatively sluggish U.S. consumption over the past decade. Per capita seafood consumption varied little from 1990 to 2000, staying between 14.6 and 15.6 pounds over the entire period (2000 is the last year for which data are available).

This virtual "no growth" situation came about in a decade when favorable income and food consumption patterns would suggest rising consumption. Increasing incomes tend to translate into greater consumption of seafood, and greater food consumption in the away-from-home market could be expected to boost seafood consumption. Despite strong increases in disposable income and continued growth in the percentage of meals eaten away from home during the decade, per capita seafood consumption remained virtually unchanged.

This lackluster picture of growth in per capita consumption does not mean that all was static in seafood consumption. In 1990, U.S. per capita seafood consumption was 15 pounds, with fresh and frozen products at 9.6 pounds, canned products at 5.1 pounds, and cured products at 0.3 pounds. By 2000, the pattern had shifted slightly, with fresh and frozen products totaling 10.5 pounds and canned products falling to 4.8 pounds. Shrimp consumption accounted for much of the growth in fresh and frozen products, and amounts to slightly over 20 percent of total seafood consumption. Catfish consumption in 2000—mostly fresh and frozen fillets—was about 1.1 pounds per capita, or 8 percent of the total.

Catfish Sales Up Slightly In 2002 Despite Low Prices

Catfish production is the dominant and most successful sector of the U.S. aquaculture industry, accounting for over 60 percent of U.S. aquaculture production. Production is concentrated in the Delta states of Mississippi, Alabama, Arkansas, and Louisiana, primarily because of warm climates, abundant water, ready access to feeds, and heavy clay soils for pond construction. In 2001, these four states accounted for 97 percent of total U.S. output, with Mississippi's 60-percent share leading the way.

A catfish farm is similar to other livestock feeding operations. Fingerling catfish are placed in ponds, provided with special feeds, carefully monitored for any signs of disease, and provided with an optimum environment (proper water quality and oxygen levels) until they reach market size.

The greatest difference between catfish farming and hog or poultry operations is that the production area is outside, so catfish farmers are faced with problems unlike those of other livestock industries. While almost all hogs and chickens are raised inside specially constructed, climate-controlled buildings, open ponds leave catfish operations vulnerable to less-than-ideal growing conditions and to predators. Water temperatures can become above or below optimal, for example, causing catfish growth rates to decline. Adverse weather conditions can also interfere with feeding or harvesting. Predators, mostly birds, threaten catfish production, and growers are evaluating a number of nonlethal ways to keep birds away from the ponds.

Catfish sales by growers to processors are expected to increase in 2002 and reach between 603 million and 615 million pounds, up 1-3 percent from 2001. Sales in 2001 were mixed. Grower sales were higher than the previous year in April and May and again in December, but about even or lower than the previous year during the other months.

Catfish processor sales were also weak, finishing the year at 296 million pounds, down less than 1 percent from 2000. The slowdown in processor sales caused inventories to accumulate throughout the year, and processors' holdings of finished products at the end of January 2002 were 1.8 million pounds above the previous year.

Lack of growth in grower and processor sales has been overshadowed by the continuing decline in grower and processor prices. Farm prices fell almost continually during 2001. Prices started 2001 at 69 cents a pound and then moved downward, finishing at 55 cents a pound in December. Average processor prices followed roughly the same path, moving from $2.32 a pound in January 2001 to $2.09 a pound in December.

Based on grower inventories reported as of January 1, 2002, grower sales are expected to show modest increases during the first half of 2002 compared with the previous year. Boosted by relatively strong grower prices going into 2001, growers had increased capacities and stocks of fish for breeding. Entering 2002, growers still have relatively large holdings of small food-size fish, up 20 percent from the previous year. These fish will be sold during the first half of 2002, normally the period of highest demand due to greater fish consumption during the Lenten period. Most of the increase in the small food-size fish inventory was in the three largest catfish producing states (Mississippi, Alabama, and Arkansas).

The large inventory of small food-size fish held by growers is expected to prevent any significant upward movement in farm prices during the first half of 2002. Grower sales in the second half of 2002 will be affected not only by supplies but also by the performance of the general economy and red meat and poultry supplies. Higher poultry supplies are expected to have a slight downward effect on catfish sales. However, catfish sales are expected to gain some strength in the second half of 2002, helped by lower beef and pork supplies. Farm prices for catfish are expected to remain depressed during the first half of 2002, improving in the second half of the year, but still remaining lower than the average prices seen over the last 5 years.

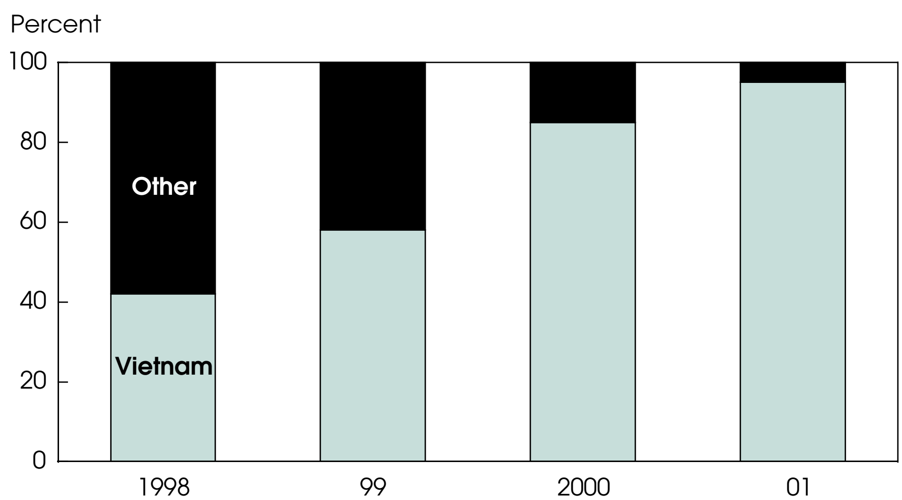
Over the last several years, most catfish farmers have benefited from low feed prices, and prices for both corn and soybeans are expected to remain relatively low again in 2002. The combination of low feed costs and relatively low interest costs is expected to help catfish producers weather the prolonged period of low grower prices that has affected the industry since the last quarter of 2000. The latest forecasts indicate that corn prices are expected to be slightly higher than in 2001, but prices for soybean products are expected to be lower than the previous year.

Labeling: When Is a Catfish Not a Catfish?

The appropriation bill for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, signed into law on November 28, 2001, contained a provision related to catfish imports. Section 747 states that "none of the funds appropriated or otherwise made available by this Act to the Food and Drug Administration shall be used to allow admission of fish or fish products labeled wholly or in part as 'catfish' unless the products are taxonomically from the family *Ictaluridae*." The food industry uses these types of definitions to identify specific products. For example, for an item to be labeled only "caviar," they must be sturgeon eggs. A similar product from salmon can be labeled "salmon caviar."

In 2001, the U.S. imported 17.1 million pounds of frozen catfish fillets from Vietnam, valued at $21.5 million, accounting for 95 percent of all frozen catfish fillet imports on a quantity and value basis. The law is expected to strongly impact imports from Vietnam, as the catfish species farmed in that country is from the family *Pangasiidae*.

Vietnam Accounts for Increasing Share of U.S. Frozen Catfish Fillet Imports



Economic Research Service, USDA

Catfish Production To Rise Slightly in 2002

At the start of 2002, catfish growers indicated that stocks of broodfish had declined, but that stocks of all classes of food-size fish were higher than the previous year. The catfish grower survey, which is conducted annually by USDA's National Agricultural Statistics Service in January, is the only one that includes data from states other than the four largest producing states (Mississippi, Alabama, Arkansas, and Louisiana). Inventory levels of food-size catfish have increased for

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From Hatchery to Market: A Glossary of Catfish Terms

Fingerlings/fry: Fish weighing 0.06 pounds or less (measured as 60 pounds per 1,000 fish or less).

Small stockers: Fish weighing over 0.06 pounds and up to 0.18 pounds (measured as over 60 pounds and up to 180 pounds per 1,000 fish).

Large stockers: Fish weighing over 0.18 pounds and up to 0.75 pounds (measured as over 180 pounds and up to 750 pounds per 1,000 fish).

Small food-size fish: Fish weighing over 0.75 pounds and up to 1.5 pounds.

Medium food-size fish: Fish weighing over 1.5 pounds and up to 3 pounds.

Large food-size fish: Fish weighing over 3 pounds.

Broodfish: Fish kept for egg production, including males. Broodfish produce the fertilized eggs which go to hatcheries. The most desirable individual size is 3-10 pounds or 4-6 years of age.

the fourth year in a row, with the level of grower-held inventories in 2002 up considerably from 2001.

At the beginning of 2002, the total number of food-size catfish held by growers was estimated at 404 million, up 21 percent from the previous year. There were large inventory increases in each of the three food-size fish categories. The inventory of large food-size fish was 56 percent above the beginning of 2001. Strong increases in inventory numbers for this size class came in Alabama, Arkansas, and Mississippi. The number of medium food-size fish held by growers totaled almost 106 million, up 20 percent from the previous year. In this size class, large increases in holdings by growers in Alabama, Arkansas, and Louisiana more than offset a small decline in Mississippi's holdings.

Small food-size fish normally account for the bulk of growers' food-size inventories, in terms of numbers. These fish average around 1 pound and will make up the core of fish processed during the first half of 2002. At the beginning of 2002, growers estimated there were 287 million small food-size fish on their farms. This is up by about 47 million, or 20 percent more small food-size fish than had been in inventory at the beginning of 2001. Over the last 2 years, inventory holdings of small food-size fish have risen by about 87 million. This increase in stocks, plus a number of other factors, has placed downward pressure on grower prices.

The number of market-size catfish in ponds at the beginning of the year represents the supplies available to processors. With a strong increase in the inventory of food-size fish, a slower economy than the previous year, and increased competition from imports, catfish prices are expected to remain depressed. Prices are not expected to move upward even though the first half of the year is normally the strongest demand period.

The numbers of stockers and fingerlings in inventory at the start of the year will become the majority of fish available to processors in the second half of the year. The January 1, 2002 inventory report indicated a 20-percent decrease in the number of stockers held by growers. There were 1.066 billion fingerlings in inventory at the start of 2002, 4 percent higher than the previous year. With a lower inventory of stockers and small growth in fingerling holdings, the total available supply of catfish for processing is expected to decline in the second and third quarters.

With current prices so low, many growers are likely to lower stocking rates through the middle of 2002. While a smaller supply of catfish would normally be forecast to put some upward pressure on prices, the strength of the economy, supplies of competing meat and poultry products, and imports will also have a strong influence.

Farm Prices Lower Over First Half 2002

In 2000, the farm price for catfish averaged 75.1 cents a pound. Prices were 76 cents a pound in July 2000, then declined in the second half of 2000, ending at 68 cents a pound in December. Large holdings by growers, high stocks of processed catfish, and an influx of imported catfish all combined to keep downward pressure on prices at the beginning of 2001. Over the first half of 2001, farm prices averaged 69 cents a pound, down 12 percent from the previous year. As the economy declined in the second half of 2001, farm prices fell even lower, ending the year at only 55 cents a pound. This was the lowest price for catfish since January 1992.

The expected scenario for 2002 is for continued low prices during the first half of 2002, as the large supplies of food-size fish are utilized. Prices after this period are expected to show some upward movement as the much-lower supplies in the stocker class become the major source of supply for processors.

During 2001, farm sales to processors totaled 597 million pounds, with an average price of 64.7 cents per pound. This implies gross sales of $385 million for catfish growers, down more than 13 percent from a year earlier. Including sales of broodfish, stockers, and fingerlings to other producers and outlets, catfish growers reported total sales of $443.4 million in 2001, 12 percent lower than in 2000. For 2002, with an expected small increase in sales and relatively flat farm prices, grower sales of catfish to processing plants are expected to generate between $390 million and $405 million.

Processor Revenues Down 6 Percent

During 2001, catfish processors sold 296.4 million pounds of product, down less than 1 percent from a year earlier. The average price for all processed catfish products in 2001 was $2.26 per pound, down 4 percent from 2000. Much of this decrease was due to weak sales in the frozen market, where the average price fell by 16 cents a pound. The average price for fresh catfish products also declined, but by only 8 cents a pound.

With a decrease in sales volume and a lower average price, gross processor revenues from catfish sales declined by $66 million in 2001, 6 percent lower than in 2000. With expectation of slightly higher sales levels and relatively stable prices, processor revenues are forecast to reach between $675 million and $690 million in 2002.

Overall sales of processed catfish fell slightly in 2001, but sales of fresh products rose by 3.5 percent. Most of the increase in fresh product sales was due to a 9.6-percent increase in fresh fillet sales. Sales of fresh whole fish declined 4.2 percent, and sales of fresh other products (nuggets, strips, etc,) were about even with the previous year. While volume rose, the average price for fresh catfish products fell 3.5 percent. The average prices of whole, fillet, and other products all were between 4.6 and 5.7 percent lower than the previous year. The average price for fresh products decreased less, because the increase in sales of fillet products pushed the average price higher.

Frozen catfish products averaged $2.30 per pound in 2001, down 6.5 percent from the previous year and the lowest since 1993. The largest price decline was for frozen fillets—the category most affected by the increase in catfish imports, which were primarily frozen fillets from Vietnam. Frozen catfish fillet imports in 2001, 95 percent of which were from Vietnam, totaled 18.1 million pounds, up 120 percent from 2000 and 424 percent higher than in 1999. Imported catfish accounted for 6 percent of U.S. catfish supply.

The average price for frozen fillets was down 7.8 percent compared with 2000, and sales volume fell by 3.8 percent. Sales of frozen fillets are the largest segment of catfish sales, accounting for 39 percent of total sales in 2001. Sales of frozen other products in 2001 actually rose to a record 48 million pounds, but the average price for these products fell by 2.4 percent, the sixth year in a row that the annual average price for frozen other catfish products has declined.

U.S. catfish growers and processors face some uncertainty in 2002. Economic growth in the U.S. is expected to be slow, but strengthening in the second half of the year. A slowly growing economy is expected to generate a somewhat higher demand for seafood products, especially in the food-service sector. A strong dollar relative to most other currencies will encourage further growth in seafood imports. Although the markets for catfish products may be somewhat depressed, producers whose feeds are primarily grain-based should be able to take advantage of expected relatively low grain prices. AO

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In upcoming issues of Agricultural Outlook

- Outlook for livestock and poultry
- Public lands and western communities
- Russia in the WTO?—a "what-if" scenario

April Releases—National Agricultural Statistics Service

The following reports are issued electronically at 3 p.m. (ET) unless otherwise indicated.
www.ers.usda.gov/nass/pubs/pubs.htm

April

1 *Crop Progress (4 p.m.)*
2 *Weather - Crop Summary (noon)*
3 *Broiler Hatchery*
Egg Products
5 *Dairy Products Prices (8:30 a.m.)*
Dairy Products
Poultry Slaughter
Poultry Slaughter - Annual
Vegetables
8 *Crop Progress (4 p.m.)*
9 *Weather - Crop Summary (noon)*
10 *Crop Production (8:30 p.m)*
Broiler Hatchery
12 *Dairy Products Prices (8:30 a.m.)*
Milkfat Prices (8:30 a.m.)
Turkey Hatchery
15 *Potato Stocks*
Crop Progress (4 p.m.)
16 *Weather - Crop Summary (noon)*
17 *Broiler Hatchery*
Milk Production
18 *Hatchery Production - Annual*
19 *Dairy Products Prices (8:30 a.m.)*
Cattle on Feed
Cold Storage
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22 *Catfish Processing*
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23 *Weather - Crop Summary (noon)*
Chickens and Eggs
Monthly Agnews
24 *Broiler Hatchery*
25 *Dairy Products - Annual*
Floriculture Crops
Milk - PDI
26 *Dairy Products Prices (8:30 a.m.)*
Milkfat Prices (8:30 a.m.)
Meat Animals - PDI
Monthly Hogs and Pigs
Peanut Stocks and Processing
29 *Poultry - Production and Value*
Crop Progress (4 p.m.)
30 *Weather - Crop Summary (noon)*
Agricultural Prices