

From Down East to the Far East, lobster exports expand

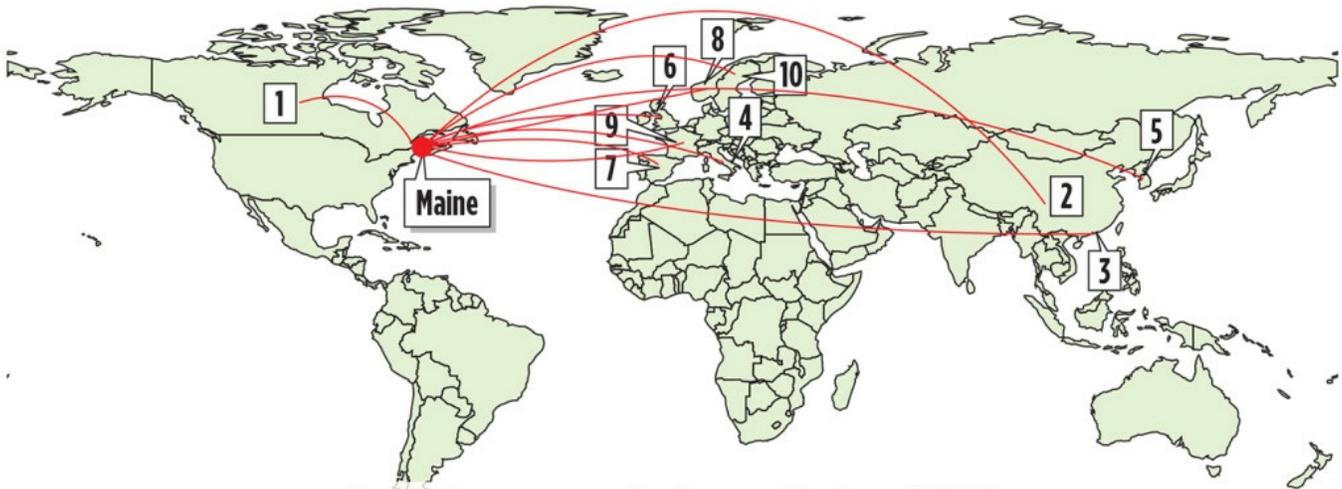
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Stephanie Nadeau pulls two lobsters out of a pile and holds the pair up. One droops while the other swings out its claws and arcs its body as if ready for a fight.

“He’s got plenty of energy to make it to China,” says Nadeau, a lobster dealer in Arundel.

Additional Photos



Lobster exports from Maine 2013

Rank	Country	Revenue in millions	Rank	Country	Revenue in millions	Rank	Country	Revenue in millions
1.	Canada	\$203.7	5.	South Korea	\$5.6	8.	Norway	\$1.5
2.	China	\$15.2	6.	United Kingdom	\$4.9	9.	France	\$1.4
3.	Hong Kong	\$6.0	7.	Spain	\$2.5	10.	Sweden	\$1.0
4.	Italy	\$5.7						

Source: WISERtrade

STAFF GRAPHIC | MICHAEL FISHER

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The droopy lobster gets a truck ride to a processing facility. The feisty one wins a 10,600-mile, 35-hour journey to Shanghai in an insulated air cargo container.

December is the busiest time of year for lobsters heading overseas for the Christmas and New Year's market. For decades, Maine dealers have exported lobsters to Europe, where lobster for Christmas dinner is traditional fare. But as exports to the Old World level off because of Europe's economic and currency woes, exports to Asia have accelerated.

"The export demand for lobster has definitely shifted from the traditional market in Europe to Asia," says Hugh Reynolds, owner of Greenhead Lobster in Stonington, which began selling lobsters to China six years ago.

The demand is fueled by the growing middle class in China and a new free trade agreement between the United States and South Korea.



Sales to China jumped from zero in 2007 to \$15.2 million in 2013. China is now the top destination outside North America for Maine lobster. Sales in 2014 were on pace to double 2013's sales.

Hong Kong, a former British colony that is now a special administrative region within China, was the second-leading overseas export destination for Maine lobster in 2013. Exports to Hong Kong increased from near-zero in 2007 to \$6 million in 2013.

Sales to South Korea jumped from just under \$2 million in 2012 to nearly \$6 million in 2013 after the U.S.-Korea Free Trade Agreement took effect in 2012. The agreement lowers steep tariffs on lobsters, and by 2016, the tariff drops to zero.

The Chinese and South Koreans are primarily importing live lobsters because people in both countries are accustomed to buying live seafood, says Jeffrey Bennett, a trade specialist at the Maine International Trade Center.

"They see something live, and it looks exotic, and they want to have it," he says.

Chinese restaurants often sell lobsters at low prices to lure customers, says Nadeau, who traveled to China four times in 2014. She saw one restaurant selling a 1-pound lobster for \$9.

For Chinese consumers, the lobsters from the United States and Canada are a cheaper alternative to what they consider to be the premium product – the Australian rock lobster, a large warm-water species that has no claws. The American lobster – the species caught in the waters off New England and Atlantic Canada – sells for a third of the rock lobster price. Customers used to the Australian crustaceans need to be instructed to keep the Maine lobster claws and dig out the meat.

Despite the price difference, both species are symbols of prestige in Asia, said Emily Lane, vice president of sales for Calendar Islands Maine Lobster Co., a Portland marketing company partially owned by lobstermen from Chebeague Island.

"The larger the lobster, the better they like it," she says.

In the summer of 2014, the Chinese seafood giant Zhangzidao began offering home delivery of lobsters to customers throughout China at a promotional price of \$10.60 per pound. The company in October announced it will establish its own processing facility in Nova Scotia for exporting live and frozen lobsters to China.

On Alibaba.com, the Chinese version of eBay, “affordable soft huge Boston lobsters” were listed on Dec. 16 for \$30 to \$100 each, including shipping.

The supply of lobster in the U.S. and Canada is 10 times greater than in Australia, Reynolds says, so the Chinese must import more lobsters from North America to meet consumer demand.

“Their economy is growing and their appetite for imported seafood is growing,” he says. “It’s a matter of math.”

FLYING THEM OUT ASAP

The allure of the Maine lobster brand – a powerful marketing tool in the U.S. – doesn’t apply in China. Instead, lobsters shipped from the United States are typically called “Boston lobsters” because Boston is often stamped on the shipping documents.

While most of the lobsters from Maine are flown out of Boston’s Logan International Airport, lobsters are also flown from New York. The competition for space on planes in December is fierce, and dealers in a pinch truck lobsters to airports as far away as Chicago and Atlanta, says Annie Tselikis, executive director of the Maine Lobster Dealers Association.

She says a snowstorm that grounds planes can be disastrous because any delay increases mortality. She says that in December dealers and their staffs work straight out.

“They’ll take Christmas Day off and start the final push for the New Year’s,” she says.

At Nadeau’s business, The Lobster Co., 10 workers prepare lobsters for shipment. They sort them for size and health and pack them two dozen to a box. They are stacked vertically – claws up – in individual cells made of cardboard. Wet, blank newsprint is packed inside to maintain humidity levels, and two frozen gel packs are placed on top to keep temperatures below 40 degrees for the length of the trip.

The lobsters do better on the long flight if they are hungry and are no longer processing bodily waste.

Because the Canadians catch lobsters in winter, their shells are hard. Hard-shell lobsters are more valuable than soft-shell lobsters in Asia because they have more meat and are more durable. A greater percentage of them survive than the soft-shell lobsters that are more commonly landed in Maine.

Nadeau says her buyers accept an 8 percent mortality rate among the soft-shell lobsters and 5 percent among hard-shells.

In 2009 she didn’t sell a single lobster to China. Her sales jumped from 100,000 pounds in 2010 to more than 2 million pounds in 2014. She is now sending three trucks daily to Logan.

She pays anywhere from \$1.25 to \$2 per pound to ship lobsters to China and uses both cargo planes and available space on passenger planes. Some of her lobsters are carried in the holds of Emirates Airlines passenger planes that fly first to Dubai before continuing on to Asia.

Nadeau ships lobsters to Beijing, Guangzhou, Shanghai and Hong Kong. She also ships them to Hanoi, Vietnam. From there some of her Chinese buyers truck the lobsters into China to avoid paying a 20 percent tariff.

When she first traveled to China five years ago, a prospective buyer assembled 60 employees in a banquet room so everyone in the company could meet her. Now her visits are more informal. She’s learned a few customs, like using two hands to present her business card and drinking lots of tea during negotiations. The most important thing, she says, is to demonstrate a strong work ethic.

“The Chinese work really hard. They appreciate people who work like Chinese people,” she says. “The lobster business is filled with hard-working people.”

JUMP IN EXPORTS OVERALL

Maine lobster exports overall are increasing. Between 2007 and 2013, exports jumped 67 percent, from \$145 million to \$242 million.

The United Kingdom, Italy, Spain and Norway are the top European importers of Maine lobster. Although the exports to Europe have increased modestly since 2007, exports to the Far East have grown so rapidly that Asia has overtaken Europe.

One exception to the trend is Japan, which like Europe has been a well-established market for Maine lobster and has struggled with a stagnant economy. Between 2004 and 2010, exports to Japan plummeted from more than \$3 million in Maine lobsters to below \$50,000, although recently the market in Japan has rebounded somewhat.

When exports to Europe and Japan fell during the Great Recession, Maine lobster dealers began to seek out new markets so they could diversify their portfolio and provide more stability, says Lane of Calendar Islands Maine Lobster Co.

Canada remains by far the top buyer of Maine lobster, importing more than \$200 million worth of the crustaceans in 2013. However, most of the lobster trucked to Canada is processed and reimported into the United States or sold overseas to the same markets. Canada is also experiencing a surge of sales to China and is working to implement its own trade agreement with South Korea.

Because lobster fisheries in Maine and Canada’s Atlantic provinces operate in different seasons, the industries in both the U.S. and Canada work closely together. Processors and dealers buy lobsters from both countries so they can have a steady supply no matter the time of year.

Many of the lobsters exported by Maine dealers were caught by fishermen in Nova Scotia. The season in Nova Scotia begins at the end of November, just as the Maine season winds down as the lobsters move to deeper offshore waters.

To take advantage of the Asian market, Maine lobstermen should focus on catching higher quality lobsters that can endure the long flight to Asia, said David Cousens, a South Thomaston lobsterman and president of the Maine Lobstermen’s Association. That means handling lobsters better so they are healthier, he says, and harvesting a greater proportion of the catch later in the season when the shells are harder.

Maine fishermen can catch lobsters all winter if they have a license to fish in deeper federal waters. Other lobstermen, like Chris Welch of Kennebunk, continue to fish in near-shore waters, hunting for lobsters that for some reason don’t migrate offshore.

Welch says the increase in sales to Asia is great news for fishermen because new markets help sustain their incomes.

“It helps the price,” he says. “If it wasn’t for China, we might be closed.”

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