MARYLAND COOPERATIVE EXTENSION
UNIVERSITY OF MARYLAND
COLLEGE PARK•EASTERN SHORE

Fact Sheet

Fact Sheet 300

Why Seafood Prices Rise and Fall

Like all prices, seafood prices result from shifts in supply and demand. As with other products, too, there are certain factors that affect these shifts and final product price. This fact sheet looks at supply and demand and at some of the things that cause fluctuations in seafood prices.

Supply, Demand and Seafood Prices

It's pretty obvious that price can affect demand for a commodity. People want to buy more oysters at $9 a bushel than at $27 a bushel. We call the relationship between price and the quantity demanded a *demand schedule* or *demand curve*.

Price affects quantity supplied too. Watermen are more likely to harvest oysters when the price is $20 a bushel than when it's $8 a bushel.

When you put these two things together-demand and supply-you can see how prices are determined. Where the demand curve and the supply curve come together, you can figure out what prices people will be willing to pay, as well as what supply a waterman will be willing to produce for that price. When the price people are willing topay equals the amount watermen are willing to accept, the price reaches equilibrium-*equilibrium price*.

Of course many things can shift this equilibrium: changes in consumers' tastes, population, income, changes in the prices of other goods and the general economic outlook. Changes in supply, caused by fish diseases, regulations, foreign competition, closed-off fishing areas and so forth, also shift equilibrium price. (See Figure 1.)

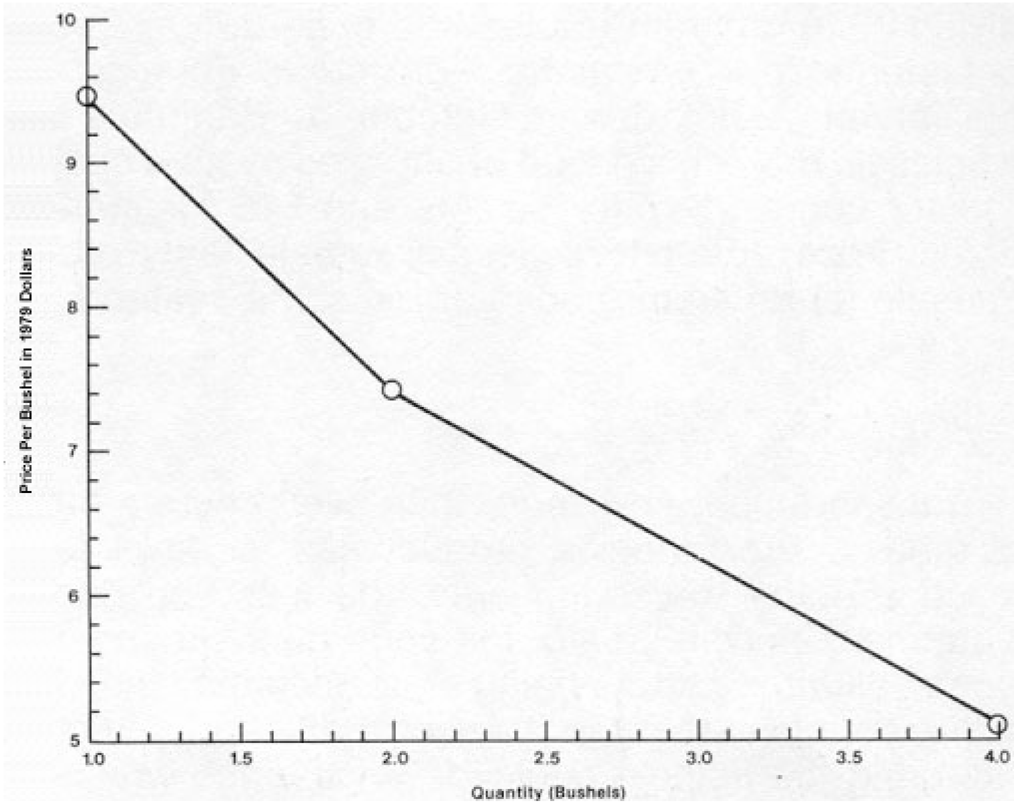

Figure 1. Demand Curve for Maryland Ex-Vessel Oysters

Price Differences

Four other factors help explain differences in seafood prices: marketing, seafood quality, location and the passage of time.

Marketing
Different seafoods require different marketing, different processing. Additional processing means additional cost and adds to the eventual price of the product. The difference between the amount of money paid to a waterman for his catch and the amount a consumer pays for the product is called the *marketing margin*. (See Figure 2.)

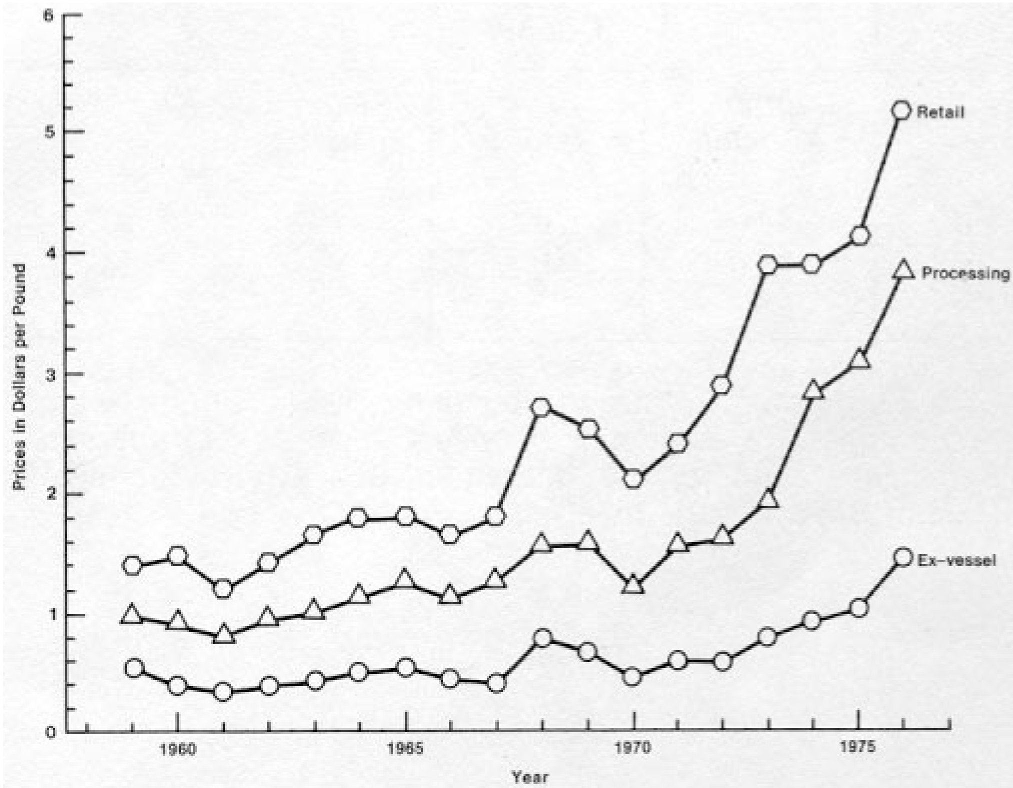

Figure 2. Fresh Blue Crab Meat: Prices at Three Market Levels

Quality

Prices vary according to the quality of the product: size, color, odor and so on. Seafood is often divided into different grades and price differences are referred to as *premiums* or *discounts*. For example, at one point during October at Baltimore's wholesale market, a gallon of shucked oysters cost $18 for counts, $17 for selects and $16 for standards. Price differences usually remain fairly predictable for different grades of the same seafood.

Location

Transportation, now more than ever, costs a lot of money. The farther a product has to travel to reach a major marketing area, the less you, the waterman, may be paid for your haul. In other words, all other factors being equal, oysters landed in the county closest to a major marketing center will bring the highest dockside price since wholesale shipping costs will be lowest. This expectation is confirmed if one observes price variation among regions. Anne Arundel county oyster landings have consistently commanded the highest prices, presumably because of the short distance to Baltimore and Washington, D.C.

The following table shows an example of price range:

Dockside Oyster Landings
Average Prices ($/lb)*

Year	County		
	Anne Arundel	**Talbot**	**Queen Anne's**
1975	$0.83	$0.79	$0.76
1974	$0.73	$0.70	$0.65
1973	$0.72	$0.64	$0.65

*T.B. Lewis and I.E. Strand. Residency Laws for Oystering: The Legal and Economic Consequences of *Douglas v. Seacoast Products, Inc.* Maryland Sea Grant Technical Reprint UM-SG-79-01, 1978.

Time
The time of year at which a product is sold has a lot to do with how much money it will bring. Some things don't sell well in the summer and others don't sell well in the winter. Annual price changes may be due to some of the changes that time brings: shifts in demand, changes in water quality, changes in the weather (like the severity of the winter).

Trends, over longer periods of time, have to do with the general economy- inflation or deflation and with changes in consumer tastes, technological developments in seafood processing, population shifts. One trend that has been noticed: fewer and fewer young people like oysters. Overtime, this trend may have a depressing effect on the market. It's clear, too, that inflation has been driving up the cost of boats and equipment, and this upward trend affects the market as well.

Summary

When seafood prices rise and fall, we know the laws of supply and demand are at work. A number of influences affect the equilibrium price, where supply and demand meet.

On the side of demand, consumer tastes change, budgets vary and diets shift with the seasons. On the side of supply, harvests vary, costs (like fuel) go up and equipment changes.

These factors can drive prices up or pull them down. Take seasonal demand, for example. If seasonal demand is high, this may keep prices up even if there is a plentiful supply. If seasonal demand is low, even a good economic picture will not raise the prices very far.

Other factors also affect price, like the quality of the product, the distance the product must travel to a distribution center and the timing of the catch to coincide with the demand for it. The amount of processing required also affects price-it can increase the difference (the marketing margin) between ex-vessel, wholesale and retail prices. Taken together, these factors explain the ups and downs of the seafood market.

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by

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