

The Ellsworth American.

Public and Private Sectors Rally To Aid Lobster Industry



Thursday, October 23, 2008



Ralph Preble of Ellsworth is sternman on a lobster boat owned by his brother, Orton Preble of Hancock. They hauled 300 of their 700 traps for the season this week because of the shorter days and the low price of lobsters. The brothers fish out of Inner Harbor in the town of Winter Harbor.— STAFF PHOTO BY JACQUELINE WEAVER

AUGUSTA — What happens if you give a party and nobody comes?

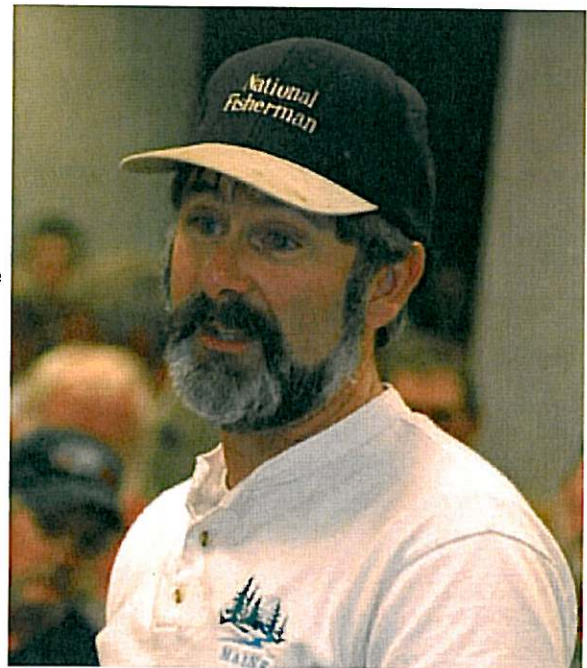
That's the question Maine lobstermen are asking as the price they get for their lobsters sinks to levels not seen for two decades and lobster dealers, like an unhappy hostess, find their pounds and tank rooms stuffed with lobsters nobody wants to eat.

Last week, more than 100 lobstermen from around the state traveled to Augusta to sit down with lobster dealers, members of the Legislature, bankers and representatives of the state Department of Economic and Community Development (DECD) and the Finance Authority of Maine (FAME) to discuss the burgeoning crisis facing the lobster industry. Department of Marine Resources (DMR) Commissioner George Lapointe organized the meeting, and kept the attendance light in the hope that a smaller crowd would make for a more productive session.

Last year, the average boat price for lobsters was \$4.44 per pound statewide. The estimated 2007 catch of 63,147,767 pounds put more than \$280 million in the pockets of Maine's lobstermen.

By last week, the boat price at virtually every wharf in Maine had fallen below \$3 and was dropping fast. This week, lobstermen in some Downeast harbors were getting just \$2 and many dealers were telling them to cut back on fishing.

The crash in lobster prices couldn't come at a worse time. In recent years, Maine lobstermen have relied on fall fishing for some 60 to 70 percent of their annual income, and Lapointe has estimated landings could total "26 million pounds of lobster over the next two months," about 41 percent of the total catch in 2007. With a boat price of less than half what it was a year ago, that means hard times ahead for fishermen.



Lobsterman Stanley Sargent of Milbridge said that the industry should concentrate its marketing efforts closer to home. "Our market is right here in the United States," he said. "you don't have to go global."—STAFF PHOTO BY STEPHEN RAPPAPORT

"We cannot afford to run our businesses at this price. We're killing ourselves," Bob Baines, a lobsterman from Spruce Head and

chairman of DMR's Lobster Advisory Council, told the Civic Center crowd last week.

The lobster industry is confronting two issues. They are distinctly different but closely related.

The long-term question is how to get lobster prices back up to a reasonable level. In the short term, the question is how lobstermen faced with shrinking incomes and constant expenses will survive until prices recover. The root of both those problems lies in the glut of lobsters that dealers are unable to sell. The root of that problem is the global financial crisis that, at least in towns where lobster fishing underpins the economy, is having a huge impact on Main Street.

Historically, Maine sells some 60 to 70 percent of its lobster catch to Canadian processors. Some of those lobsters are later sold live in the United States. Most of the rest are turned into canned or frozen products.

This fall, the Canadians are not buying many Maine lobsters. One reason for that, said John Norton, president of Cozy Harbor Seafood Inc., one of Maine's two large lobster processors, is the collapse of Iceland's banking business.

"People can't get credit to buy lobster," Norton said. "Even if they can, they have no confidence to buy and put up a lot of inventory."

Another reason for slack Canadian demand is that the spring lobster fishery was strong in Atlantic Canada, and the fall season is just getting under way. With limited resources available to them, Norton said, Canadian processors "are more committed to their own fishermen" than they are to the Maine industry.

With the stock market falling like a stone, the federal bailout of Wall Street, and the vision of huge banks being swallowed up by one-time competitors in a government-backed effort to keep them from failing, the demand for luxury items has shrivled, Norton said.

Premium items such as caviar and lobster "are not selling right now," Norton said. With that unlikely to change in the near future, the industry has to turn its efforts "to creating new markets, trying to sell to people who haven't bought before."

That is exactly what the Maine Lobster Promotion Council (MLPC) is trying to do. Over the past week, the council has mounted an effort to get major supermarkets to reduce the price of lobster. It has also begun a \$50,000 campaign of advertising in local newspapers and on local radio stations to encourage people in Maine to eat more lobster.

"The price in stores, supermarkets and restaurants needs to come down," lobsterman Sonny Beal said.

According to MLPC Executive Director Dane Somers, the council has funded the campaign with money from a contingency fund it maintains for emergency situations.

"This qualifies as a bona fide emergency," Somers said.

The two-pronged effort is bearing fruit. Supermarkets such as Hannaford and Shaw's have been selling lobster at prices as low as \$4.99 per pound in their Maine, New Hampshire and Massachusetts stores and are advertising lobster aggressively. Wal-Mart, the nation's largest food retailer, is also exploring ways to help, and members of the Maine Restaurant Association are also pushing lobster on their menus, Somers said.

Hannaford "wants to move 50,000 pounds of lobster through their stores," Somers said. "Our goal is to move 1 million pounds through the live market. We've never done that before at this time of year."

While the MLPC's efforts are having an impact on local lobster consumption, many major dealers are still eying the wider market warily. Norton told the Civic Center crowd that he thought prices in the wholesale market had fallen "below where they need to be to move volume," but that inventory was still not moving.

While the global market was clearly the underlying problem, lobstermen at the Civic Center wanted to know what they could do right now to have an impact on prices. Several asked whether they should stop fishing for a short time or cut back on the number of traps they fish.

"I don't want to keep going harder just to drive another nail in my coffin," one lobsterman said.

On Monday, Prospect Harbor fisherman Jeff Alley outlined the lobsterman's plight. Costs are up and the price and landings are down.

According to Alley, diesel fuel is now selling for \$3.68 a gallon, a dollar more than this time last year, and bait costs \$36 a tote,

about \$7.50 more than a year ago.

Alley uses about eight totes of bait and 35-40 gallons of fuel every day he goes to haul traps. Those figures are about average, he said. With the boat price of \$2, he has to catch about 210 pounds of lobsters just to pay the day's operating costs.



Bar Harbor lobsterman Jon Carter (right) explains the economics of lobster fishing while a group including (from left) Rep. Leila Percy, Sen. Dennis Damon (partly hidden) Isle au Haut lobsterman Dan MacDonald and, to his right, Ted Hoskins of Stonington listens attentively.—STAFF PHOTO BY STEPHEN RAPPAPORT

Fuel and bait aren't the only things that have gone up. Buoys that used to cost \$6 now cost \$10.99. The price of lobster traps has increased 50 percent in recent years. A pair of traps that used to cost \$120 completely rigged now costs around \$200. Compounding that expense, Alley said, is the fact that most lobstermen who fish a full string of 800 traps lose an average of 50 a year to boat traffic, weather or hang downs. That's likely to get worse when the traps are rigged with expensive sinking rope groundlines in the spring.

"It's terrible," Alley said of the \$2 price. "It means I've got to catch twice as many lobsters as last year."

The problem is, that isn't likely to happen no matter what. According to Alley, although January and February were "pretty good," the lobster catch so far this year has been down.

"Spring was really bad," Alley said. "The price was OK, but there were no lobsters around and it was not very productive, moneywise."

The summer fishery was "very sporadic" with little volume, Alley said. "As soon as the volume picked up even a little, the price dropped to \$3. Then fall got here and it dropped from \$2.60 to \$2 in five or six days."

The dealers on the panel assembled by Lapointe offered conflicting advice to the fishermen.

Bunkers Harbor lobster dealer Dana Rice said that it was important to ensure a consistent supply in the marketplace and that lobstermen should not reduce their effort, but that they shouldn't fish harder to make up for the lower price they were getting..

"The market will take care of itself," Rice said. "The price will start creeping up. You need to all go out of here and fish and keep lobsters in the market."

Norton seemed more cautious.



Peter McAleney (left) sells lobsters in the United States and overseas. He explained the nuances of the marketplace while Dana Rice (right) listens.—STAFF PHOTO BY STEPHEN RAPPAPORT

"Once credit frees up and people have confidence in the future, people will start taking inventory positions," he said. "That will free up the storage or inventory component of the industry."

Peter McAleney, owner of New Meadows Lobster in Portland, suggested that the picture would remain grim at least through November but said, "you guys have got to keep fishing so we don't lose the customers we have now."

With the message definitely mixed, a few lobstermen asked Lapointe to impose emergency regulations to restrict fishing this fall. Voluntary cutbacks were likely to fail, he said, because there would always be one fisherman in a harbor who cheated.

"The only way guys won't go to haul is if the dealers say you have no market, so don't go," Baines said.

Maine Lobsterman's Association President Dave Cousens argued for cutting back on fishing while the price was low.

"Leave them on the bottom," he urged.

Otherwise, in the spring, "they'll expect \$2.50 lobsters," he said, referring to consumers.

Cousens said that lobstermen "need a new business plan. The whole industry is flawed."

He suggested concentrating on hardshell lobsters in the spring, and working more closely with Maine processors in the fall.

"We need to fish a lot smarter than we're doing now," Cousens said. "Just cause your grandpa did it and your father did it doesn't mean we should."

Whatever long-term solutions there may be to problems in the lobster market, including an increase in the Maine processing industry which everyone favors but faces serious economic difficulties, many fishermen voiced their concerns about the immediate future.

Jon Carter, a longtime Bar Harbor lobsterman, said that in recent years many younger fishermen had come into the lobster industry when both prices and landings were high. Many of them built new boats or new houses, and started families.

"We've got houses and boats and babies to pay for. That's why we can't slow down," Carter said. "I don't give a damn about my boat, but I don't want to lose my bedroom."

According to Alley, the fishermen he knows have found local banks cooperative in trying to help fishermen keep up with their boat and other loans, but he thinks they have little choice.

"What are they going to do if they repossess 500 boats on the coast of Maine?" he asked.

Banks are anxious to help, Mike Jones of the Camden National Bank said in Augusta, but they face regulatory constraints against restructuring loans. He suggested that guarantees from a government agency such as Maine's DECD might give the banks more flexibility in dealing with problem loans, but there is no guaranty program currently in place.

Although Governor John Baldacci has instructed DECD and FAME to do what they can to help the lobster industry, neither agency has any immediate answers for dealing with the crisis.

One Midcoast dealer said that the state and federal government were going to have to come up with funds in the near term to help lobstermen and ensure the survival of the industry.

"This is just going to be a domino effect," he said. "The boats are going to go. The dealers are going to go. The processors are going to go," he warned.

"It isn't just lobstermen and their boats," a Downeast fisherman added. "Pretty soon they won't be able to pay their taxes, and then what's going to happen to the towns?"

As of last week, nobody seemed to have an answer to that question.

2007 Lobster Landings

	Pounds	Value at \$4.44*	Value at \$2
Maine	63,147,767	\$280,373,467	\$126,295,534
Hancock	17,161,363	\$76,400,749	\$34,322,726
Washington	9,227,526	\$41,953,721	\$18,455,052

***Average boat price**

The value of lobster landings in 2007 would have been approximately 59 percent lower if the average boat price for the year had been the same as it is now.

No one has commented on this article.

Only registered users can post comments, please log in. If you have not registered and would like to please [click here](#).

Close Window