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Lobster Institute

Spring 2008

The Lobster Bulletin, Spring 2008

Lobster Institute, University of Maine

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Published by the Lobster Institute

“Protecting and conserving the lobster resource, and enhancing lobstering as an industry...and a way of life.”

Lobster Institute Hosts Its 5th Canadian/U.S. Lobstermen’s Town Meeting

Lobstermen from both Canada and the United States gathered in Portland, Maine on April 4 for the Lobster Institute’s fifth annual Canadian/U.S. Lobstermen’s Town Meeting. The Town Meeting is designed as an industry-wide gathering of lobstermen, lobster dealers and distributors, and other interested parties coming together to discuss topics of direct concern to the fishery and the lobster industry. Over 100 people were in attendance, and the focus of this year’s meeting was on price structures and marketing in the lobster industry.

The event began with a panel discussion featuring four lobstermen (Laurence Cook from New Brunswick, Bernie Feeney from Massachusetts, Eugene O’Leary from Nova Scotia, and Elliott Thomas from Maine) and two distributors of lobster (Michael Tourkistas from East Coast Seafood and Peter Anastasia from Orion Seafood International). Pricing flow charts from boat to plate were shared, and comparative costs of doing business were discussed.

The majority of the discussion then took place in a true town meeting format. All in attendance were asked to share their experiences, thoughts, concerns, and questions. Some of the many topics discussed included:

- rising costs associated with lobster fishing such as bait, fuel, etc.
- influences on the pricing structure through all channels of the industry from fisherman to the final consumer.
- marketing challenges and “branding” of the product.
- positioning lobstering as sustainable fishery
- a unified industry-wide marketing effort.

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Elliott Thomas, a lobsterman from Yarmouth and a panel member, shares his thoughts at the Canadian/U.S. Lobstermen’s Town Meeting.

The Business of Lobstering

The picture of a solitary lobsterman pulling up the last of his traps for the day as twilight begins to fall over a quaint coastal fishing harbor is the vision of an idyllic way of life that many bring to mind when they think of lobstering. This charming image, however, belies the fact that the lobster is at the hub of a complex, multi-national industry. Lobstering is big business. This was made crystal clear to anyone who attended the 2008 Canadian/U.S. Lobstermen’s Town Meeting, where dialogue centered on pricing structures and marketing. (See article this page.)

“When I got into fishing, I didn’t get into it to make money, I got into it because my father was a fisherman and I liked what he did,” said Ken Drake, a seasoned lobsterman from Prince Edward Island. “What’s going on today is that younger people are looking at the fishing industry as a business. Anyways, we just took it for granted. It was a way of life, it wasn’t a business.”

That way of life has evolved. Today, over 200 million pounds of lobster need to be moved annually, in an international market. The U.S. is still the largest market for lobster, with the casual dining restaurant sector being one of the largest purchasers. Michael

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Lobstermen's Town Meeting

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- rethinking lobster seasons and consolidation/rationalization
- concerns over the lack of young people choosing fishing as a trade

“This year's Town Meeting was a particularly enlightening one,” said Dr. Bob Bayer, Executive Director of the Lobster Institute. “We had an excellent mix of participants from the various sectors of the industry, and they were all able to educate one another about their distinct methods of operations and the challenges each face. They were also able to find common ground in that all are dealing with the economic reality of the rising costs of doing business”

The intent of the Lobster Institute's Town Meetings is to provide a venue for the constructive sharing of information between regions of the fishery and sectors of the industry – thus providing the industry, management, and researchers with valuable dialogue to guide them in decision-making and future research. According to Dana Rice, a member of the Lobster Institute's Board of Advisors and co-chair of the Town Meeting Planning Committee, “As you can see from these Town Meetings, one of the roles of the Lobster Institute is to serve as a facilitator of communication. The Institute also serves as a resource to help the industry gain the knowledge it needs to make good decisions – whether it is scientific knowledge or in the case of this weekend's discussion, business knowledge.”

Both Darden Restaurants and Fishery Products International were presented with certificates at the meeting, honoring their sponsorship of the Lobster Institute's Canadian/U.S. Lobstermen's Town Meeting every year since its introduction in 2004. Orion Seafoods International was also recognized at the newest sponsor of the event.

As always, the Town Meeting session was recorded, and the Lobster Institute will make a CD, a full written transcript, and/or a summary report available to interested parties. In addition, the summary report and the full transcript will be made available on the Lobster Institute's Web site at www.lobsterinstitute.org. as soon as they are compiled. Contact Jean Day at 207-581-1443 or jean.day@umit.maine.edu for information. ❧



Heidi and Michael Tourkistas (foreground), of East Coast Seafood, were two of the more than 100 participants in the Lobster Institute's 2008 Canadian/U.S. Lobstermen's Town Meeting. East Coast Seafood is a leading distributor of live lobsters nationally and internationally.

The Business of Lobstering

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Tourkistas, CEO of East Coast Seafood, a leading distributor of live lobster, told those gathered at the Town Meeting that the two largest casual dining restaurant groups, Darden Restaurants (Red Lobster, Olive Garden, etc.) and OSI Restaurant Partners, (Outback Steakhouse, Carrabba's etc.), account for one third of lobster sales. There is also a brisk business for lobster sales in Europe. American lobster is ranked third on the seafood export list for U.S. fisheries in tonnage and second in dollar value.

Below is an economic snapshot of the industry:

- **Annual Canadian Landing Value = \$550 - 650 million. Canadian fishery employs approx. 25,000 skippers & crew.**
- **Annual U.S. Landings Value = \$400 - \$500 million. U.S. fishery employs approx. 15,000 lobstermen & sternmen.**
- **Canada exports 81% of its lobster to the U.S.*Live lobster = 40% of total exports. U.S. exports 50-70% of its live catch to Canada for processing.**
- **North American lobster = 48% by volume of total global supply (2004).**
- **Spiny lobster = 44% by volume.**

Like any business today, the lobster industry is facing economic challenges. Several lobstermen talked of the rising cost of doing business. Elliott Thomas who fishes out of Yarmouth, Maine noted that his fuel costs have gone up 116% since 2000, and his bait costs have increased 67%. Laurence Cook from Grand Manan, stated that when he started fishing in 1991 “the fuel price was 22 cents a liter or 90 cents a gallon. Bait was \$60 a hogshhead (A hogshhead is 1248 pounds.) Last year fuel was 99.49 cents a liter, about \$4.50 a gallon, and bait in the spring last year reached \$500 a hogshhead.”

Beyond the issue of how the cost of doing business might influence prices, discussion shifted to the fact that consideration must be given to what price the market will bear. “The market is a cruel master, and that's what sets the pricing,” said Dane Somers, executive director of the Maine Lobster Promotion Council. “They don't

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❖ **Assessing Affects of the Lobster Culture on Coastal Tourism** -- Working from the hypothesis that the culture of rural communities is a valuable component of experiential tourism in those communities – adding economic value to ecotourism – researchers at the University of Maine plan to use Maine’s “lobster culture” as a model with the intent of quantifying its value as an important part of the coastal tourist experience. A research team has been put together by Harold Daniel, Director of the Center for Tourism Research and Outreach & Associate Professor of Marketing at UMaine, and the Lobster Institute with the goal of using scientific data to provide a sense of the economic importance to Maine’s tourism industry of maintaining a healthy lobster fishery and successful working waterfronts, as well as safeguarding the way of life that surrounds fishing communities.

Their methodology entails conceptualizing the Maine coastal vacation as an experiential “product” and decompose this “product” into major features or components. They would then investigate the unique value contributed by each element of the tourist experience and measure preference for these features among tourists, using a web-based conjoint measurement method developed by M.I.T.’s Center

for Innovation in Product Development as part of their Virtual Customer Initiative.

This relative value is expressed as a part-worth or utility and can be interpreted as a price elasticity. The conjoint analysis will estimate the part-worths of each respondent, enabling cluster analysis for segmenting the market based on respondent preferences, and thus investigation of the naturally occurring subgroups or segments in the overall market. This will assist in identifying potential target markets for enhanced tourism communications and new tourism products.

Funding is currently being sought to initiate this project. “Our research will provide policy-makers and citizens with information to better equip them to deal with economic development issues: things like land-use and water-use planning, and balancing resource conservation and management practices with sustaining a viable lobster fishery,” said Daniel. “It will also provide valuable data to the fishing and tourism industries to help direct their decision making; bring a clearer focus to the multi-use characteristics of our coastal resources.”

Those interested in seeing this project move forward are encouraged to contact Cathy Billings at the Lobster Institute by calling 207-581-2751 or by emailing cathy.billings@umit.maine.edu. ☘

The Business of Lobstering

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care what the price of fuel is. They don’t care if we all make money or not. What we need to do is take a sharp look at thinking outside the box and trying to figure out what doesn’t work in this supply chain. We need to find out internally how we structure this industry so there’s enough margin for all the players in it.”

Lobstermen also talked about the possibility of the industry being over-capitalized. Bernie Feeney, a lobsterman Massachusetts, stated that, “We have to make some very hard decisions in this business. We’ve done the things that the Atlantic States Marine Fisheries Commission has asked us to do on conservation methods. We have a healthy resource. Unfortunately the numbers, the volume of product that we catch, does not support the capital investment in the business.”

Even with all of the challenges, there was a positive



Pricing from boat to plate was a major topic of discussion at the 2008 Canadian/U.S. Lobstermen’s Town Meeting.

message. Dana Rice, of D.B. Rice Fisheries in Bunker’s Harbor, Maine, said the lobster industry is a success story and “We need to point out how important the money is that comes from this fishery to the economy of everybody in the Gulf of Maine.” Michael Tourkistas agreed. “I think there are great opportunities,” he stated. “We’re in a good business: we are. We are fortunate that it’s a product that is well regarded and we can sell it. [It’s] an industry that God has been pretty good to. Two hundred million pounds of lobsters in the market – that’s not a bad thing.” ☘

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Even Lobsters Need Friends

Whether it is someone to show concern when they are sick, or just someone to help others understand them better – lobsters do need friends. That is why we ask you to become a Friend of the Lobster Institute. The Institute needs your support to continue lobster health research and monitoring; and to provide education and outreach services to the industry and the community.

The lobster resource is the basis for an extensive industry that includes not only harvesters but also pound owners, dealers, processors, distributors, restaurateurs, boat builders, marine equipment suppliers, and others. In fact, lobsters generate an overall economic impact estimated at more than 4.5 billion dollars.

The Lobster Institute is committed to maintaining the balance between a healthy, vital lobster resource and a robust and profitable fishery. It is the only industry-wide organization of its kind – one that brings together fishermen and other members of the industry, scientists, resource managers and community members to share information, discuss issues, and define research needs.

Though based at the University of Maine, the Institute must raise nearly all of its own operating and program revenue as well as research dollars. It relies on grants and contributions from the industry and the community. Please use the form below to send your contribution and become a Friend of the Lobster Institute today or you can give online at **www.lobsterinsitute.org** by clicking on “donate” in the lower menu bar.



LOBSTER INSTITUTE

- ☐ Enclosed is a gift of \$ _____
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