

Lobstermen Fall Victim to Supply and Demand

by Dan Brecher on September 13, 2013

Businesses of all sizes and in all industries must contend with the age-old economic principle of supply and demand. Whether your business provides products or services, the competition in the market and the receptiveness of consumers will greatly influence the prices you can charge as well as your profitability.

The powerful interplay between supply and demand was abundantly clear in this summer's lobster season. Prices for the popular seafood remain near historic lows due to a "glut" of supply in the market.

According to the Maine Department of Marine Resources, the volume of the State's lobster harvests has risen sharply from about 28 million pounds in 1990 to 126 million pounds in 2012. Lobster sold for a record high of \$4.63 per pound in 2005, compared to a record low of \$2.69 last year.

Prices were expected to rebound this summer until stored lobster inventory from last year began to hit the market. "Overall profitability of the industry is suffering," Patrice McCarron, executive director of the Maine Lobstermen's Association told CNBC. The state's lobster supply has increased 80 percent since 2008. "So we're in a situation where we're trying to move an ever-increasing supply chain into a weak market."

To deal with the oversupply, Maine, the widely heralded lobster capital of the world, is taking steps to diversify. State officials have opened river damns to increase stocks of sea-run fish, such as Atlantic salmon, cod, and haddock. The Penobscot East Resource Center has also started a permit bank for fisherman without federal access rights.

Of course, supply and demand problems are not limited to the lobster industry. Wheat, corn and other commodities are also subject to the realities of daily living, including weather, disease, population growth, and consumer preferences. And, gold fluctuates with the stability of governments, economies and the status of international relations.

If you have any questions about this post or would like to discuss the legal issues involved, please contact me, Dan Brecher, or the Scarinci Hollenbeck attorney with whom you work.