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Disease Kills Shrimp Output, Pushes U.S. Prices Higher

By **NOPPARAT CHAICHALEARMONGKOL** in Bangkok and **JULIE JARGON** in Chicago

Asia is fighting a new disease that has reduced shrimp output in Thailand as much as 40%, driving prices higher for Western restaurants and retailers.



Bloomberg

U.S. shrimp imports from Thailand fell 27% last year and dropped another 23% in January through April. Above, workers handle trays of frozen shrimp at a factory-processing line in Mahachai, Samutsakorn province, Thailand.

The disease appeared in Thailand, the world's largest shrimp exporter, late last year after ravaging shrimp stocks in China in 2009 and then in Vietnam. With production plunging, shrimp prices in the U.S. have jumped 20% in recent months, according to Thailand's leading exporter.

Grocery stores and restaurant chains in the U.S. say they hope the shrimp shortage will be short-lived and manageable, though they may have to raise prices to avoid a hit to earnings.

Landry's Inc., owner of seafood chains including Bubba Gump Shrimp Co. and McCormick & Schmick's, is getting shrimp from other countries and considering

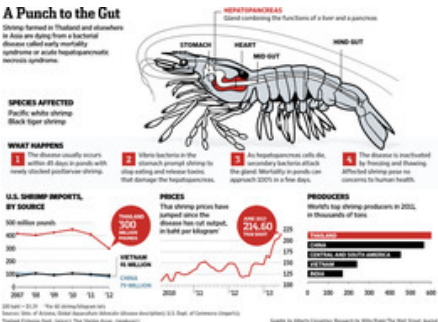
making menu changes. "We may selectively raise prices," says Chief Financial Officer Rick Liem.

The United Nations says the bacterial infection, called early mortality syndrome or EMS, poses no significant threat to human health.

But the disease is deadly to shrimp; in many outbreaks, it can kill all affected crustaceans before they reach maturity and can reproduce, providing a powerful reminder about how animal diseases can threaten food security and prices.

A Punch to the Gut

See how early mortality syndrome is affecting shrimp in Asia.



As EMS affected East Asian shrimp producers, competitors such as India and Ecuador have been attempting to pick up the slack, though their output still trails that of Thailand.

But researchers at Mahidol University in Thailand says EMS could appear anywhere in the world, since the bacterium lives in natural waters.

The U.S. relies on imports for most of its shrimp supply and Thailand is the biggest source, accounting for about a quarter of the imports in 2012.

But U.S. shrimp imports from Thailand fell 27% last year and dropped another 23% in January through April, according to Urner Barry, a publisher specializing in agricultural markets.

"They're down from a down year, so the impact is pretty big," says Paul Brown Jr., president of Urner Barry.

A spokesman for supermarket chain [Kroger](#) Co. says the shortage is "affecting all retailers, including us" and that "it will have an economic impact," but didn't elaborate on how that will affect customers.

[Darden Restaurants](#) Inc., which operates the Red Lobster and Olive Garden restaurant chains, says 60% of its shrimp costs are covered by contract through the company's fiscal first half, which runs through November, and that it expects shrimp costs to level out in the second half. "We have no plans to raise shrimp prices," spokesman Rich Jeffers says.

In Thailand, Panisuan Jamnarnwej, president emeritus of the Thai Frozen Foods Association, reckons that EMS could cut the country's usual annual output in half this year to 300,000 tons. The shortage has had a big impact on some of the country's largest companies.

[Charoen Pokphand Foods](#) PCL reported that its first-quarter operating profit dropped 70% from a year earlier to 3.44 billion baht (\$109.9 million).

Thiraphong Chansiri, the president of [Thai Union Frozen Products](#) PCL, the country's biggest exporter, says sales and earnings in the company's shrimp division will decline 30% this year, after first-quarter profit fell 54% to 674 million baht. "We see a difficult time for the local shrimp sector through 2013," he says.

The disease could cost Asia's shrimp industry some \$1 billion a year, according to the Global Aquaculture Alliance, a trade group based in St. Louis.

Identifying and containing the disease has proved difficult. On a recent sweltering day, CP Foods executives joined officials from Thailand's Fisheries Department to inspect the shrimp farms sprawling along the coast east of Bangkok on the Gulf of Thailand.

They agreed to help small, local farmers come to grips with the problem by improving hygiene and focusing on cultivating heartier shrimp that are better able to defend against EMS.

Researchers sample juvenile shrimp once they have passed the larval stage. Only after the animals are screened for the disease are they moved from the nursery to the vast ponds, covered with netting to prevent birds from snacking and lined with tough plastic sheeting to stop crabs from entering and spreading other diseases.

It remains unclear how the deadly syndrome emerged. Scientists at the University of Arizona have identified a unique strain of a relatively common bacterium, *vibrio parahaemolyticus*, which can be found in brackish coastal waters where shrimp farms typically thrive.

CP Foods researchers suggest that requiring a 30-day quarantine for shrimp larvae would contain the disease and ensure shrimp survival.

Experts are watching the current batch of shrimp under development, which hatched less than two months ago, to see if they can survive until three months. At that point, they will be able to reproduce.

Many shrimp-industry insiders are hopeful that now that the problem has been identified, production could ratchet up again soon.

At a meeting with analysts in May, CP Foods executives said they hoped the company would be able to resume normal output by the third quarter.

—Owen Fletcher in Chicago contributed to this article.

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