

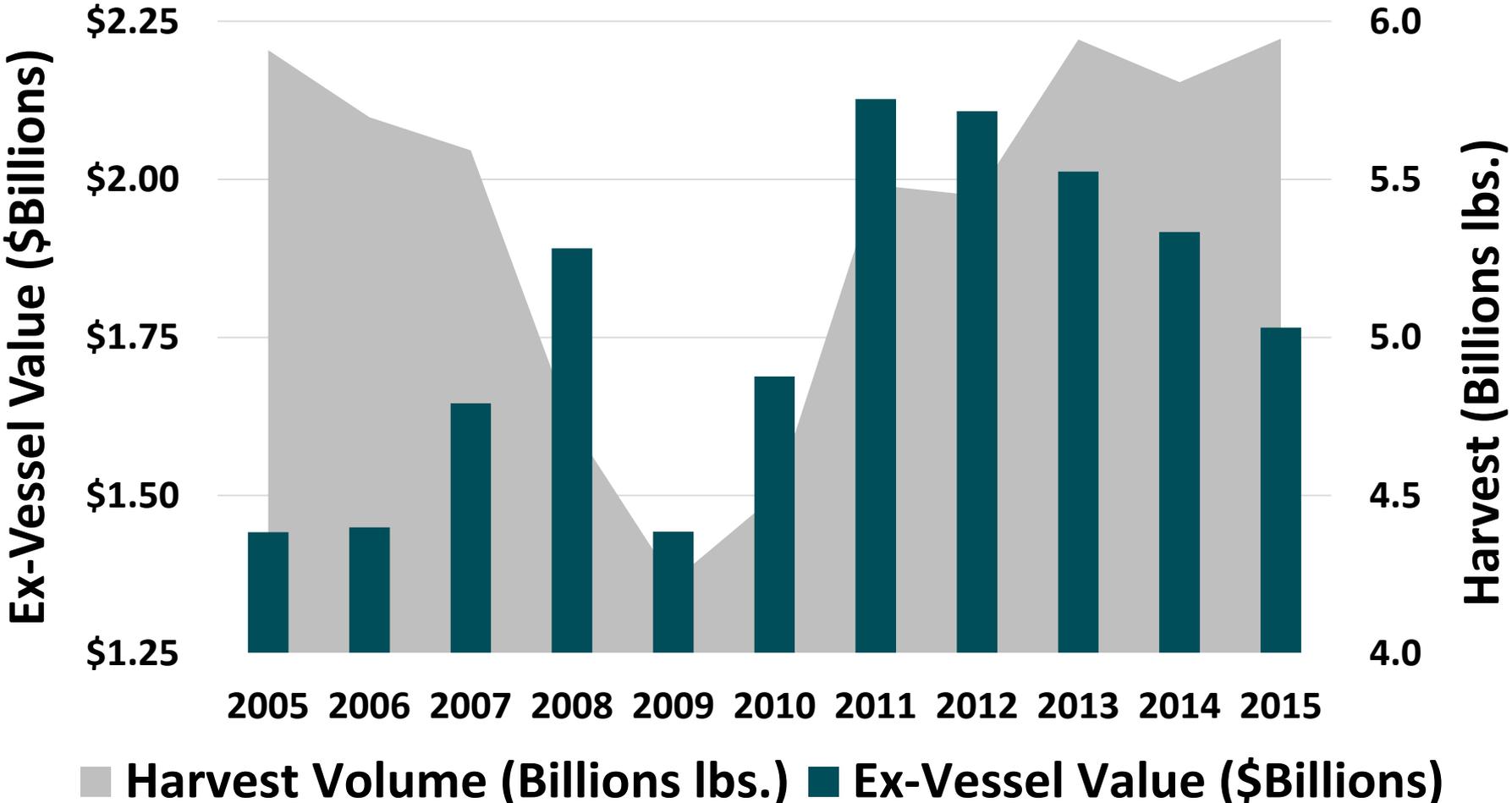
ALASKA SEAFOOD INDUSTRY UPDATE



Prepared by:
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Presenter: Andy Wink
All Hands Meeting
10.25.16



Historical Ex-Vessel Value & Harvest Volume 2005 - 2015



Note: 2015 is a preliminary estimate.

Source: NMFS, ADF&G, and McDowell Group estimates.



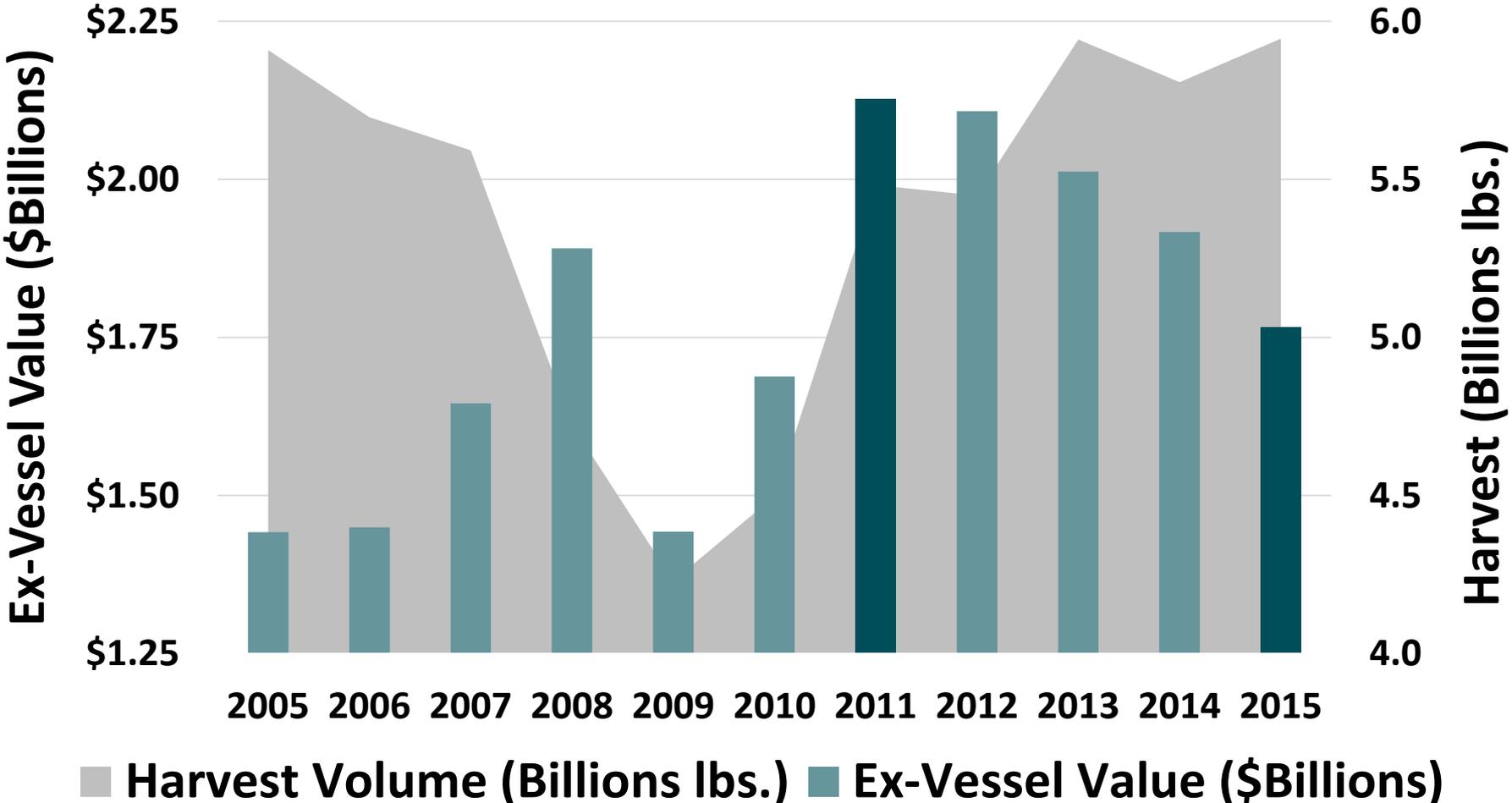
Change in Alaska Natural Resource Value

In \$Billions

	<u>2011 (\$M)</u>	<u>2015 (\$B)</u>	<u>Pct. Change</u>
Oil (Pipeline)	\$16.3	\$6.6	-59%
Seafood	\$4.6	\$4.3	-7%
Minerals	\$3.8	\$3.1	-18%

*Note: Figures equal production value. Seafood data reflects first wholesale value.
Source: ADF&G/NMFS, AKDOR, USGS, and McDowell Group estimates.*

Historical Ex-Vessel Value & Harvest Volume 2005 - 2015



Note: 2015 is a preliminary estimate.

Source: NMFS, ADF&G, and McDowell Group estimates.



Changes: 2011 vs. 2015

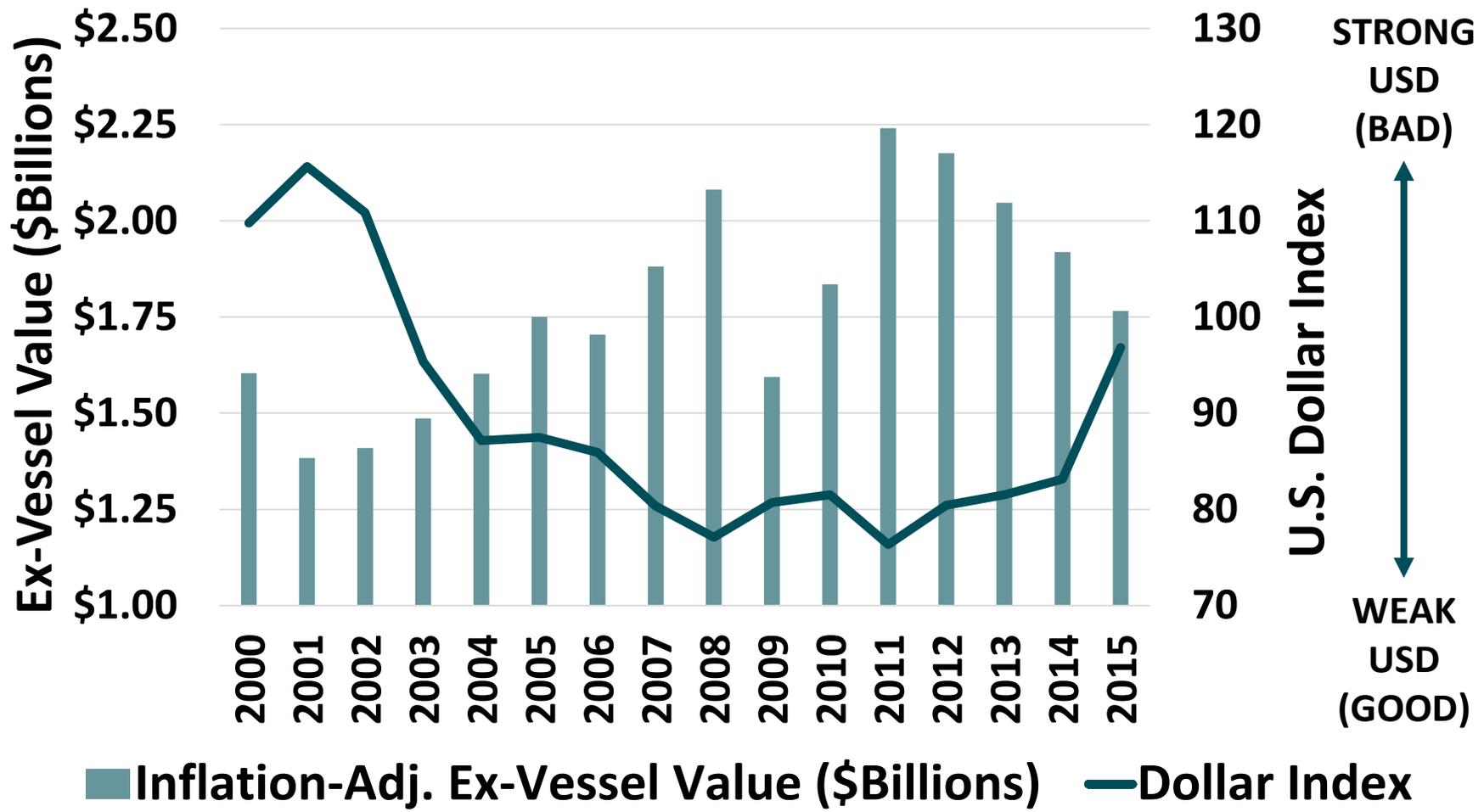
	<u>Value (\$M)</u>	<u>Value (%)</u>	<u>Harvest (%)</u>
Salmon	- \$149	- 24%	+ 40%
Pollock	+ \$20	+ 4%	+ 16%
Halibut & Bcod	- \$151	- 44%	- 29%
Cod	- \$13	- 6%	+ 5%
Flatfish	- \$42	- 37%	- 25%
Crab	- \$8	- 3%	+ 21%
Herring	- \$4	- 39%	- 29%
Total	- \$362	- 17%	+ 8%
Dollar (Index)	-	+ 27%	-

Note: Federally managed fisheries are based on preliminary data.

Source: Investing.com, NMFS, and ADF&G.

Historical Ex-Vessel Value & Dollar Index

2000 - 2015



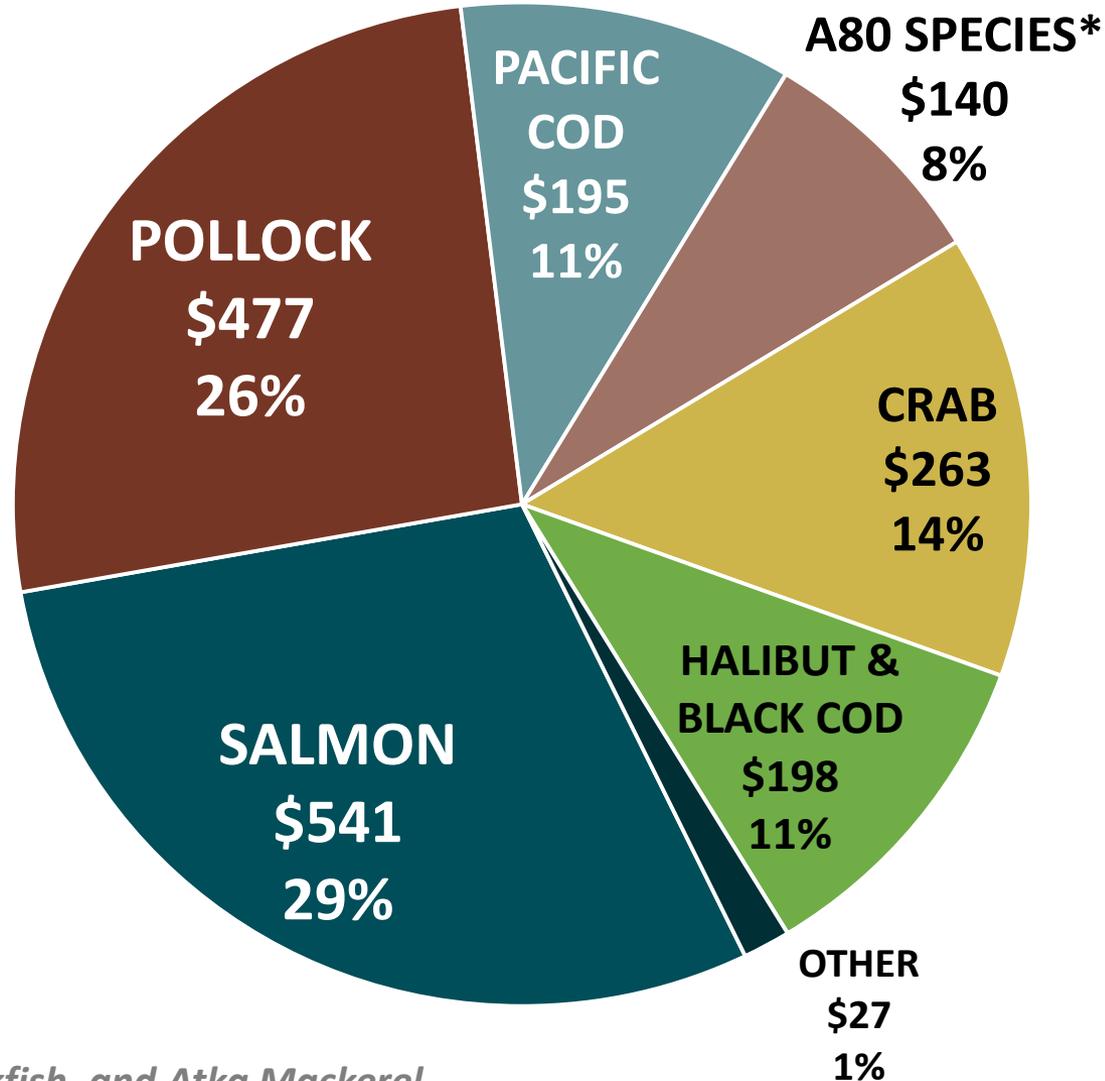
Note: 2015 is a preliminary estimate.

Source: Investing.com, NMFS, ADF&G, and McDowell Group estimates.



AVERAGE EX-VESSEL VALUE

(2014/2015, IN \$MILLIONS)

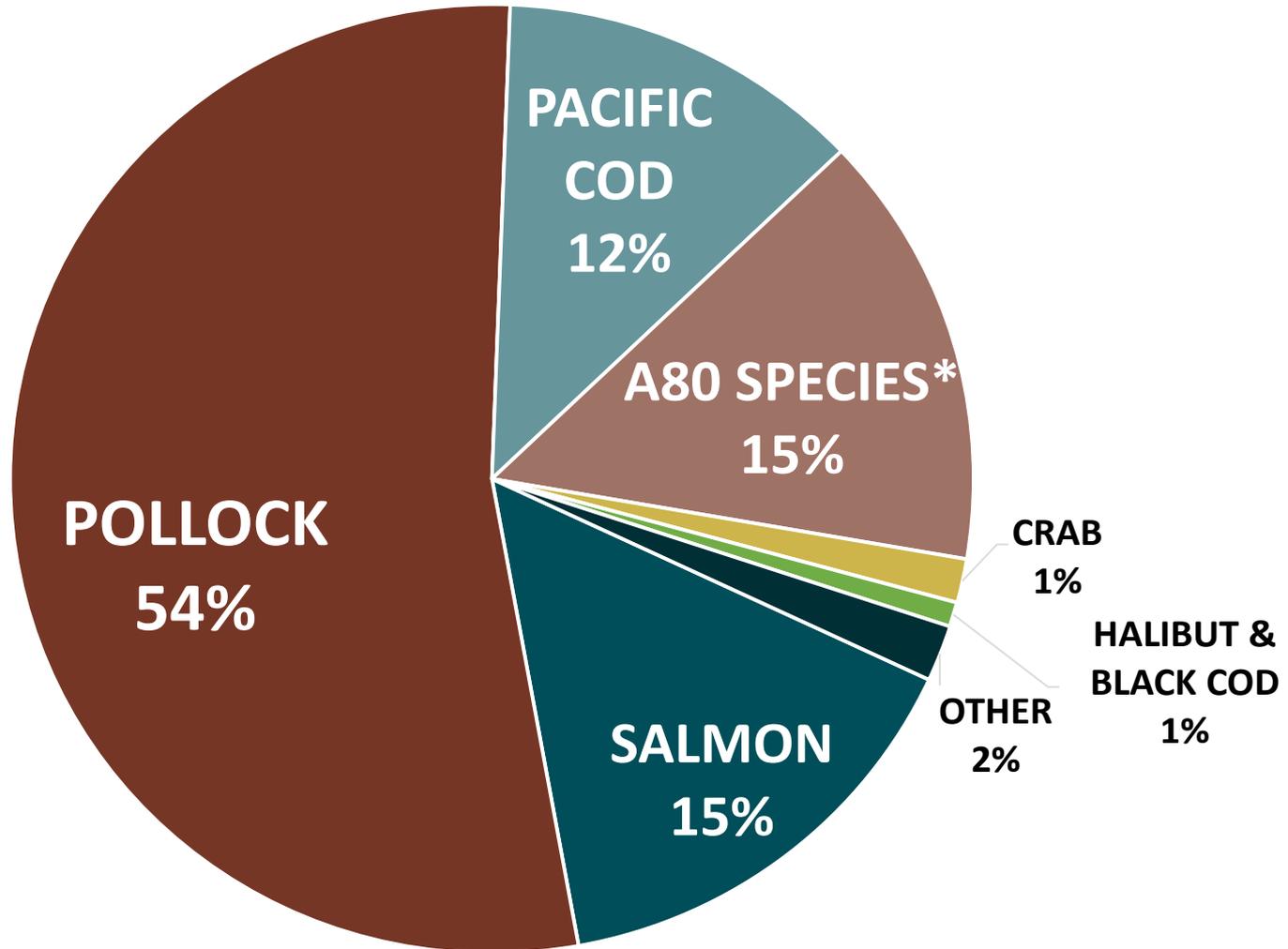


**Includes flatfish, rockfish, and Atka Mackerel.*

Source: NMFS, ADF&G, compiled by McDowell Group.

AVERAGE HARVEST VOLUME

(2014/2015, IN MILLIONS LBS.)



**Includes flatfish, rockfish, and Atka Mackerel.*

Source: NMFS, ADF&G, compiled by McDowell Group.

Alaska Seafood Industry Outlook

Fall 2016



Whitefish Market Summary

- U.S. cod exports steady, but low prices
- Low Alaska pollock fillet block prices
- Large pollock fillet inventory in supply chain
- Smaller sizes for pollock and cod
- Russian pollock harvests up, fillet volume up
- AK surimi exports up slightly, lower prices
- AK pollock roe exports down significantly
- AK sole prices increasing slightly, less supply



45%
of value

Whitefish Competition Matrix

Alaska Fillets or H&G

Pollock

Cod

Sole

POP

Atka Mackerel

Primary Competition

Russia Pollock

Atlantic Cod & Haddock

Tilapia, Pangasius & EU flats

Redfish

Russia & Japan A.M.

Alaska Whitefish Supply Picture

<u>Species</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Pollock	1,387.1	1,461.1	1,528.3	1,607.5
Pacific Cod	320.6	318.6	324.6	323.4
BSAI Sole/Plaice	338.5	318.0	261.0	236.6
POP	52.4	51.5	53.0	56.3
Atka Mackerel	34.3	27.9	56.5	57.0

TACs in Thousands of Metric Tons

Competing Supply Forecast:

Atlantic Cod: Barents Sea steady in 2017

Russian Pollock: Harvest up 7% thru Q3, stable to up in 2017

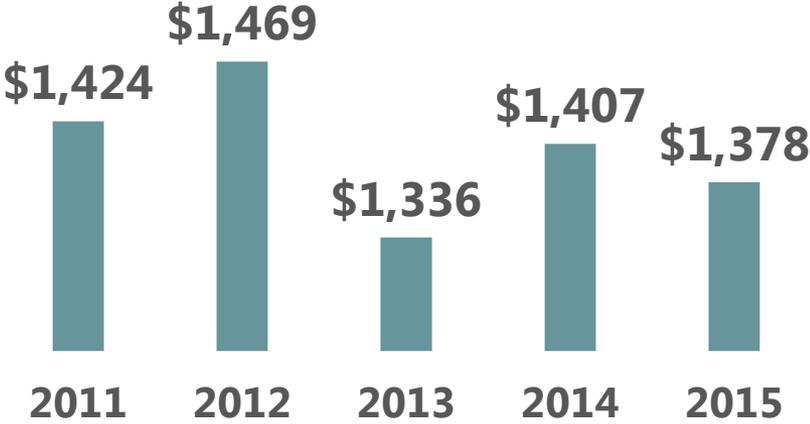
Tilapia: Global supply growing, weaker 2016 demand in U.S. & EU

Note: Figures represent Total Allowable Catch in metric tons.

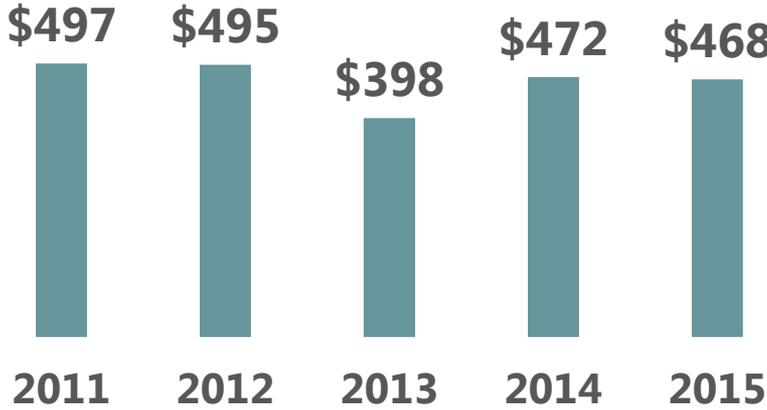
Source: NMFS, compiled by McDowell Group.

First Wholesale Value, \$Millions

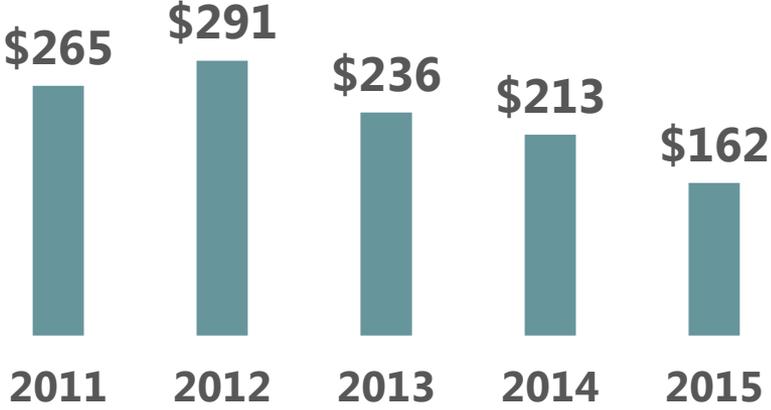
Alaska Pollock



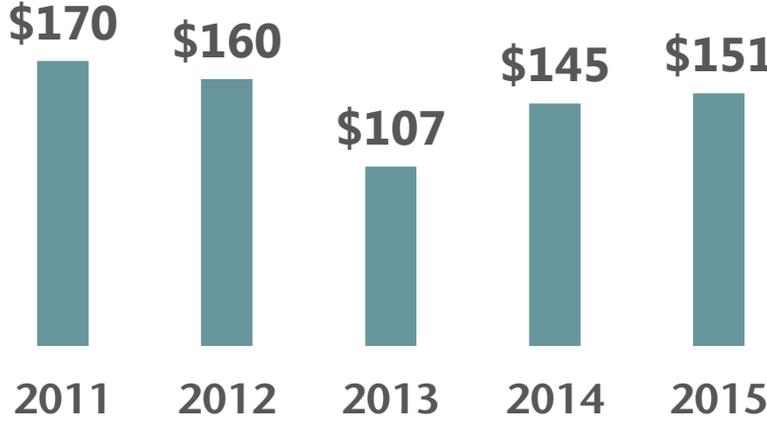
Pacific Cod



Flatfish

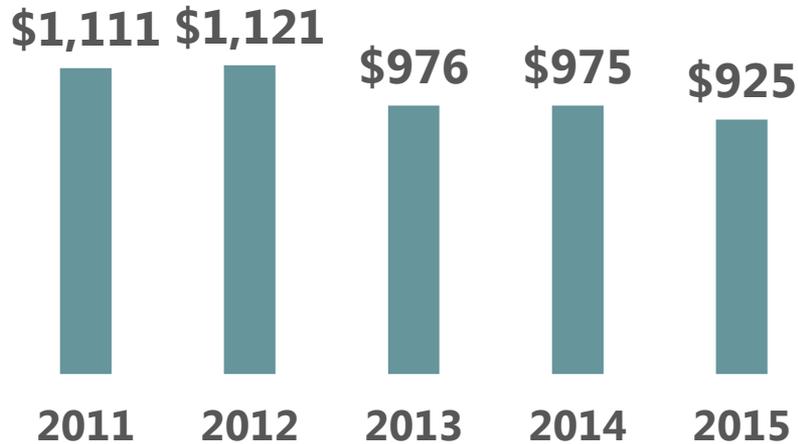


Rockfish & Atka Mackerel

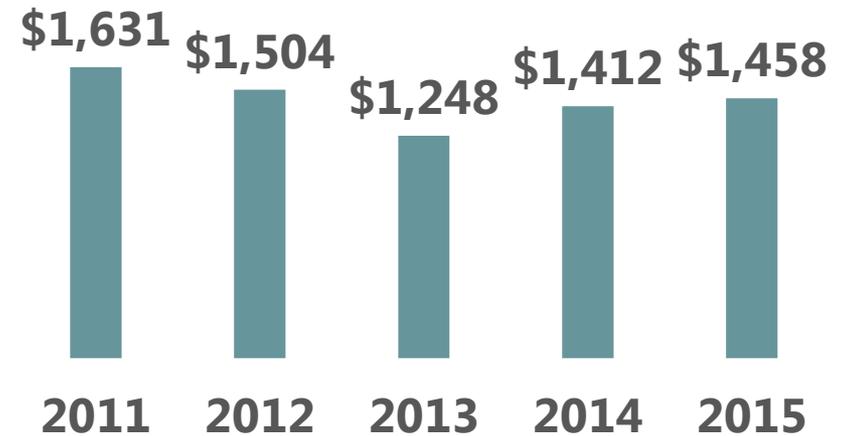


First Wholesale Value per Round MT

Alaska Pollock



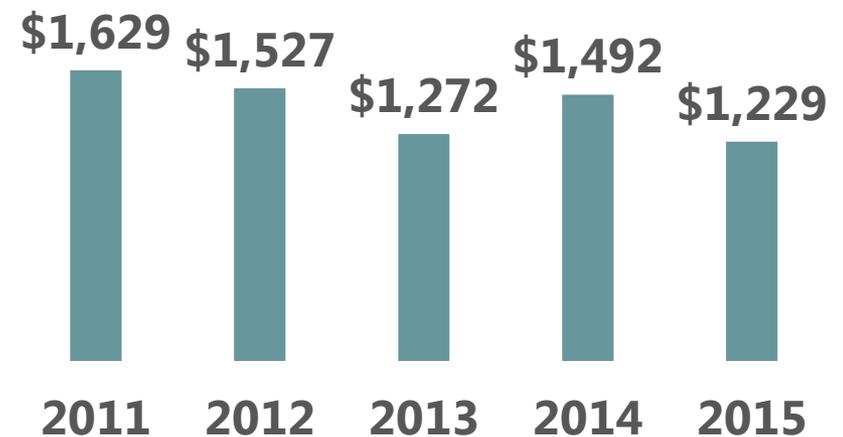
Pacific Cod



Flatfish

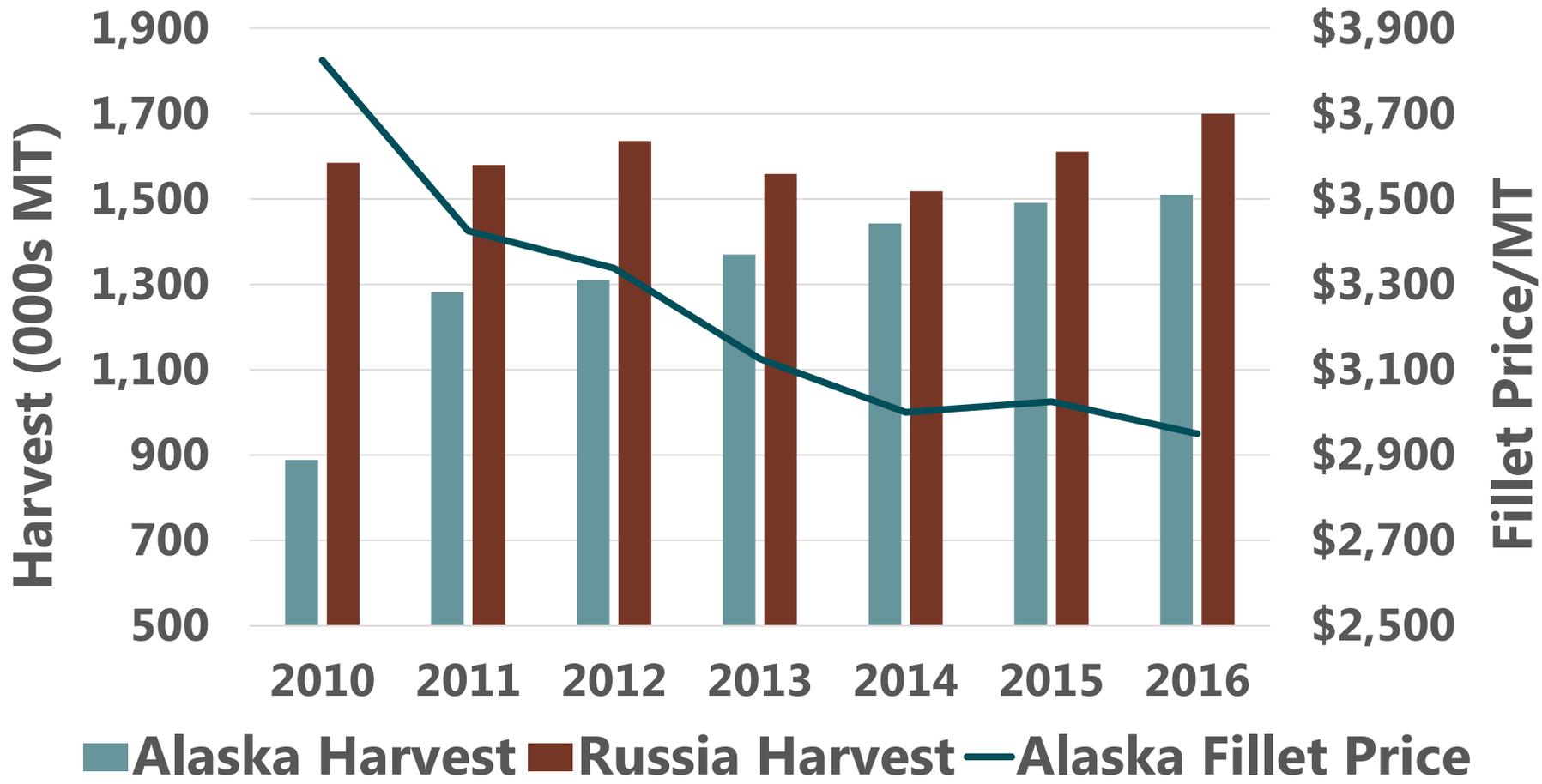


Rockfish & Atka Mackerel



Pollock Fillet Prices and Harvest Volumes

2010 – 2016E



*Note: Fillet data equal to average PBO, 1x frozen block price by season.
Sources: FAO, NMFS, Undercurrent News, and Groundfish Forum.*

Increasing supply...
Need to get more pollock
in more mouths,
more often.



Salmon Market Summary

- Lower than expected harvest, outside of Bay
- Disastrous pink harvest
- Wholesale prices moving higher
- Long term challenges in roe and canned
- Fresh market stronger
- Fishermen & processors ... fixed cost issues
- High prices for farmed salmon, despite \$US



29%
of value

Alaska Salmon Supply Picture

<u>Species</u>	<u>2014</u>	<u>2015</u>	<u>2016*</u>	<u>Pct. Chg.</u>
Sockeye	44.1	55.0	52.9	-4%
Pinks	95.8	190.6	39.6	-79%
Keta	11.3	18.2	15.9	-13%
Coho	6.3	3.9	3.9	-
Chinook	0.49	0.52	0.42	-19%
Total	157.9	268.2	112.7	-58%

Figures in Millions of Fish

Competing Supply:

Atlantic Salmon: 6% decline expected in 2016

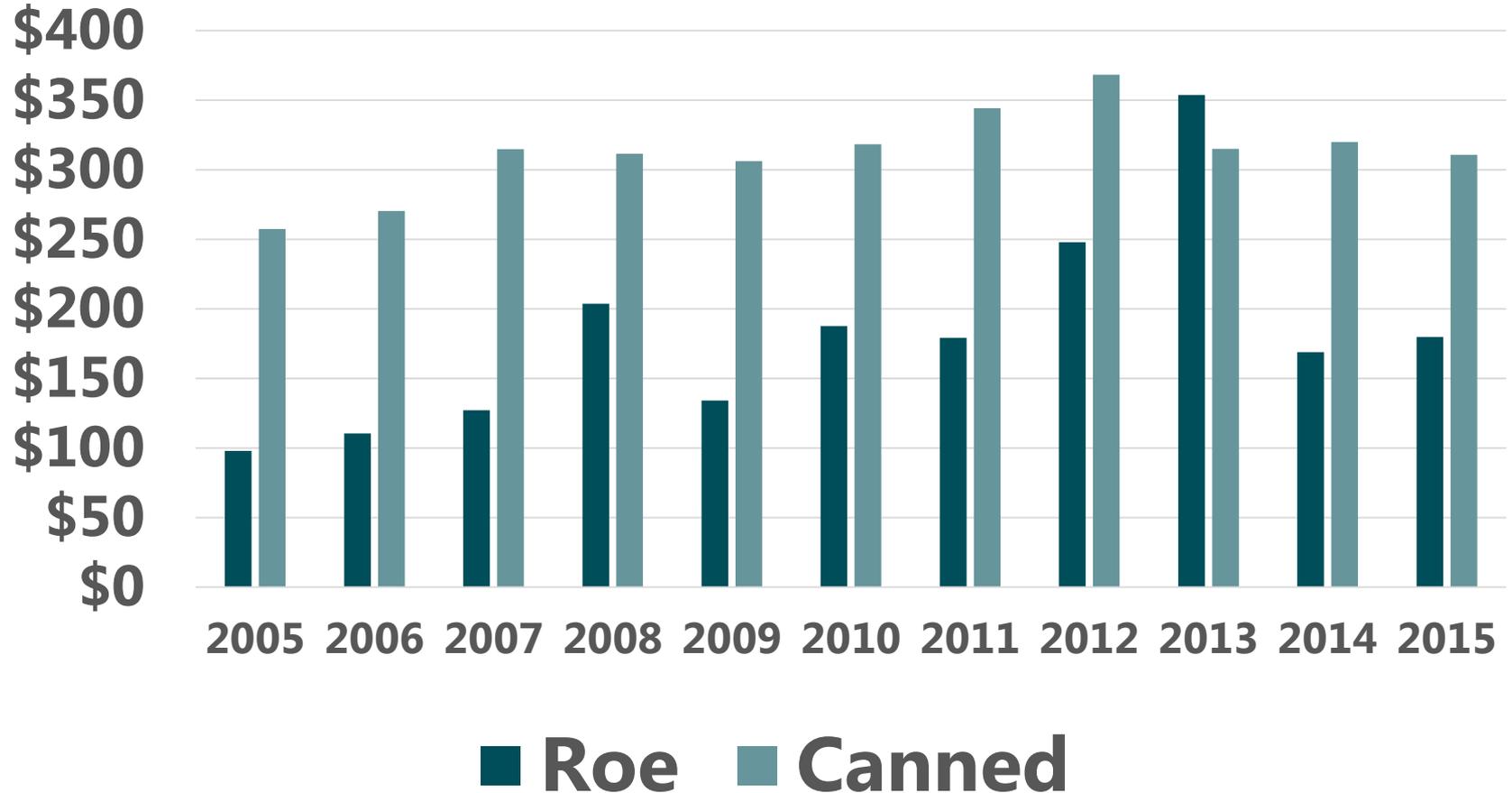
Russian Salmon: Harvests up 34 percent vs. 2014

Frasier River Sockeye: Very little harvest

Note: 2016 data is estimated based on preliminary harvest data as of 10/24/16.

Source: ADF&G, industry/trade press reports.

Salmon Roe and Canned Sales, By Harvest Year in \$Millions



Note: Data is based on first wholesale sales value in harvest year cycle (May of Harvest through the following April). Source: Alaska Salmon Price Report (ADOR).

Lower Volume to Cover Fixed Costs

Many tenders, labor, and other assets were under-utilized in 2016 outside of Bristol Bay and the Alaska Peninsula regions.

<u>Outside the Bay/AK Pen.</u>	<u>Forecast</u>	<u>Actual</u>
Sockeye	14.6	9.4
Pinks	75.9	35.5
Keta	17.0	14.5
Coho	4.0	3.4
Chinook	0.419	0.383
Total	112.0	63.3

Figures in Millions of Salmon

Positive Salmon Headlines

- Bank Nordea: Farmed production won't surpass 2015 until 2019
- Study: Farmed salmon have half the omega-3s as they did 5 years ago
- Hokkaido chum ikura prices may reach record levels
- Japan: Chilean Coho H&G price up 20% Y/Y at USD \$6.60/kg.
- Fresh sockeye production up sharply in Bristol Bay

Alaska Halibut, Black Cod, and Crab Supply Picture (TACs)

25%
of value

<u>Species</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Pacific Halibut	23.1	16.8	17.9	18.2
Black Cod	28.0	23.7	23.6	20.4
Red King Crab (BBay)	8.6	10.0	10.0	8.5
Golden King Crab (AI)	6.3	6.3	6.3	5.5
Snow Crab (yr.+1)	54.0	68.0	40.6	21.6
BSAI Bairdi (yr.+1)	3.1	15.1	19.7	??
Dungeness (harvest)	2.6	5.2	3.5	N/A

TACs in Millions of lbs.

Note: IFQ and CDQ TACs. All figures are in millions of pounds

Source: NMFS and ADF&G, compiled by McDowell Group.

Market Summary

- Halibut harvest likely to flat to maybe down a bit
- Fresh halibut prices higher for most of the season
- Higher black cod prices, Japan continues to lose market share but still accounts for 70% of exports
- AK king crab prices increasing, at/approach highs
- Snow crab prices increasing, surpassing highs
- Smaller summer AK dungy harvest, WA/OR up
- Strong prices overall, but may test price resistance levels

Good News, Bad News

- Russian IUU harvests declining, but TACs rising
 - King crab +27%, snow crab +16% in 2017
- More competition from Russia in U.S. market
 - Jan-Aug import volume +58% king, +35% snow
 - Russia sending more live crab to China
- Black cod prices up but supply trending down
 - Pot fishing holds promise to avoid whales
 - Price actually down a bit in yen terms

Other Species & Products

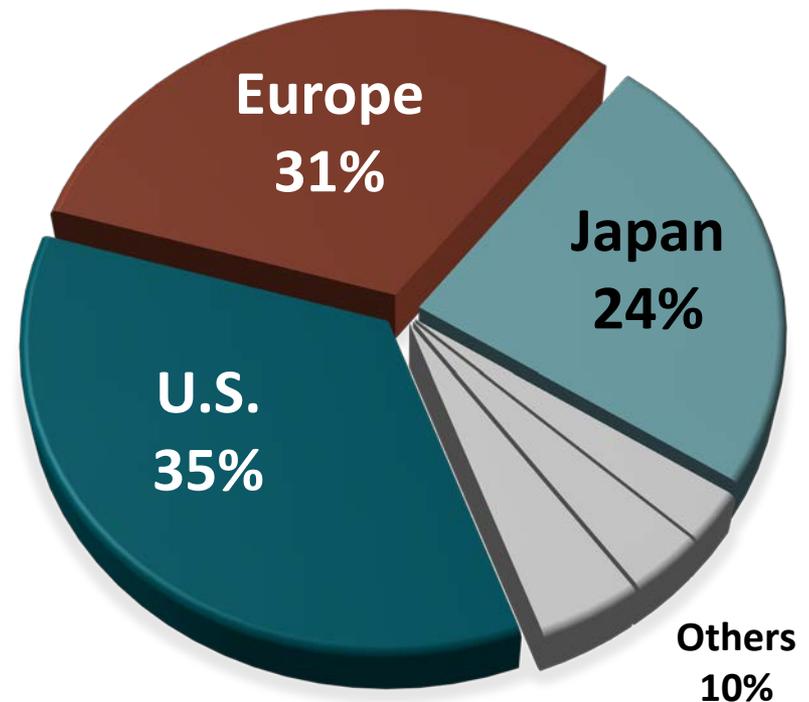
- Many other species which add value to AK seafood
 - Herring, dive species, scallops, shrimp, skates
 - ~100 million pounds of other species
 - Challenges and opportunities
- Importance of specialty products
 - EPA regs = need for NPD and new markets
 - ASMI/MG trailblazing project

Exports & Currencies



Alaska Seafood Export Markets

- ◆ Export to ~120 countries
- ◆ 1.1 million MT & \$3.3 Billion
- ◆ Groundfish = 55%
Salmon = 25-33%
- ◆ China is largest partner
- ◆ EU & Japan largest markets
- ◆ Exports = 60-70% of value



Note: Estimated 2013 value by final market.

YTD Export Update – by Species

<u>Species</u>	<u>Volume</u>	<u>Value</u>	<u>(\$M)Change</u>
Alaska Pollock	-4.4%	-8.6%	-\$67
Salmon	-7.2%	+1.0%	+\$5
Sockeye	+26.4%	+21.9%	+\$43
Pink	-36.5%	-30.9%	-\$47
Pacific Cod	-1.0%	-1.6%	-\$4
Flatfish	+7.3%	+8.3%	+\$11
Crab	-25.4%	-4.1%	-\$4
All Other	-1.6%	+3.5%	+\$16
Total	-2.9%	-3.3%	-\$72

*Note: Figures represent “Alaska-origin” exports, January-August YoY changes.
Source: NMFS, compiled by McDowell Group.*

YTD Export Update – by Market

<u>Market</u>	<u>Volume</u>	<u>Value</u>	<u>(\$M)Change</u>
China	-5.3%	-3.7%	-\$21
Japan	-20.9%	-19.9%	-\$105
Europe	+1.3%	2.6%	+\$11
Central EU	-7.5%	-5.8%	-\$11
Other EU	+8.7%	+9.2%	+\$22
Brazil	+30.6%	+21.7	+\$0.4
South Korea	+9.0%	+6.4%	+\$23
Canada	+15.4%	+9.9%	+\$19
Total	-2.9%	-3.3%	-\$72

*Note: Figures represent “Alaska-origin” direct exports, January-August YoY changes.
Source: NMFS, compiled by McDowell Group.*

Major Buyers' Currency – YoY vs. USD

Euro

-0.3%

Japan

+17.7%

Canada

+1.3%

Competitors' Currency – YoY vs. USD

Russia

+3.4%

Norway

+0.6%

Chile

+2.5%

*Currency markets remain challenging,
but have improved versus last year.*

*Note: **Positive** figures are good for Alaska producers, and **negative** figures are bad.
Source: OANDA.com, Sep2015 vs. Sep2016.*

Key Issues Facing Alaska Seafood

- The U.S. Dollar
- Low prices for key products... value opportunities?
- Seafood consumption in major markets
- Growth despite volatile, high, or competing prices
- Promoting secondary processed products
- Countering commoditization... loss of Alaska brand
- Alaska budget pressures (e.g. Togiak herring)
- Economic impact awareness in “urban” Alaska

Industry Summary & Impact

THE Economic Value OF Alaska's Seafood Industry



Prepared for:



DECEMBER 2015

Prepared by:



Economic impact analysis at regional, statewide, national, and species level.

Industry summary & total figures

Discussion of industry's value & tax revenue

Link: http://ebooks.alaskaseafood.org/ASMI_Seafood_Impacts_Dec2015/#/0/

(or just google: Economic Value of Alaska Seafood 2015)