

ALASKA SEAFOOD

SPRING UPDATE



Prepared for:



Prepared by:
McDowell Group, Inc.
May 8, 2013

McDowell Group

- ◆ Long-time ASMI Contractor
- ◆ Experienced Alaska Research/Consulting Firm
- ◆ What we do for ASMI:
 - ◆ Research Support
 - ◆ Presentations
 - ◆ Facilitation
 - ◆ Market Bulletins and More

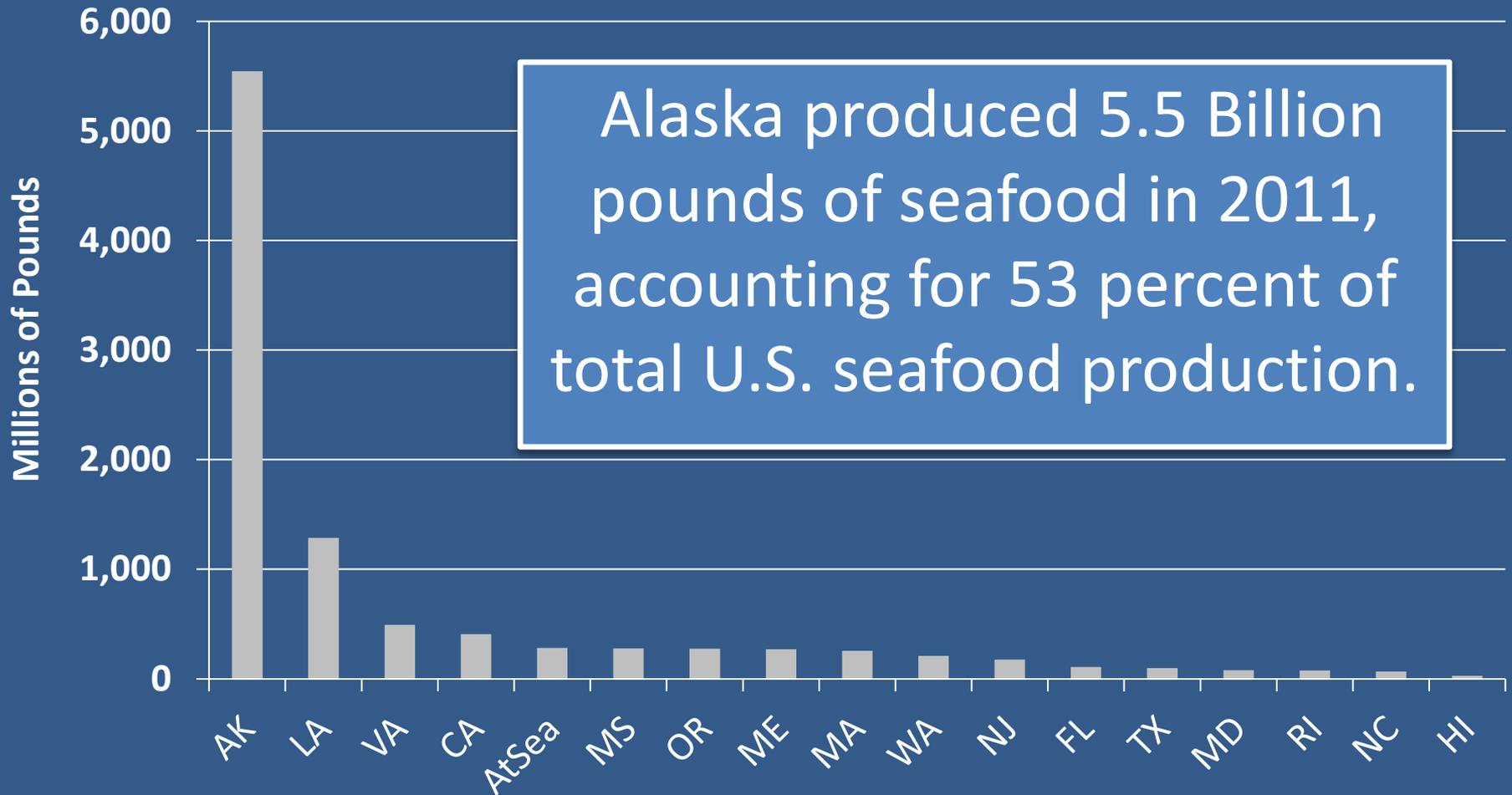


Contents

- ◆ Alaska Seafood Overview
- ◆ Supply and Market Outlook for Key Species
- ◆ Why Marketing Matters



Alaska is Top U.S. Seafood Producer, By a Wide Margin



Source: NMFS

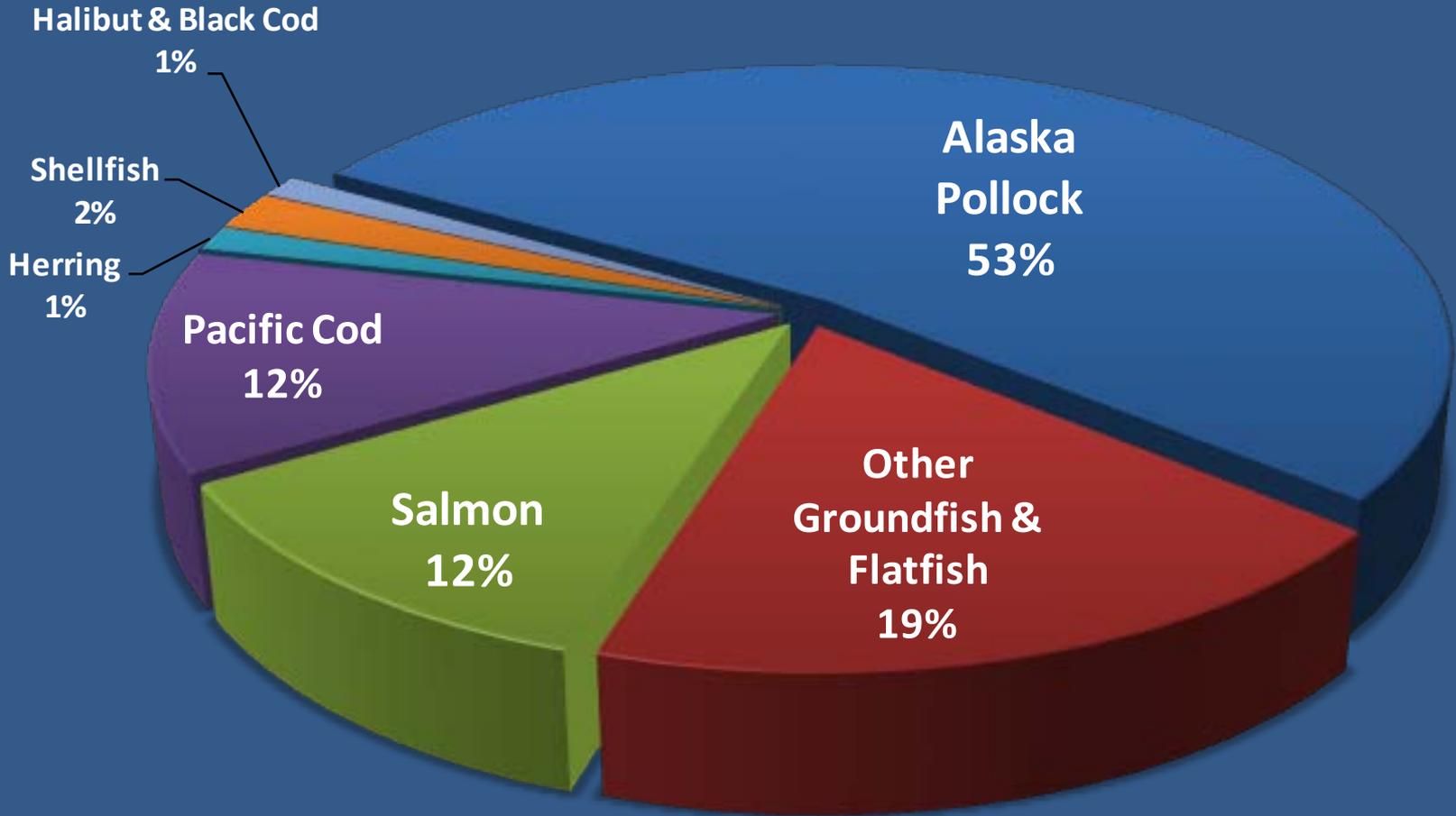
Alaska is the 7th Largest Seafood Exporter

Rank	Country	Seafood Exports in Billions (2011)
1	China	\$9.7
2	Norway	9.5
3	Russia	4.8
4	Vietnam	4.2
5	Chile	3.8
6	Thailand	3.3
7	A L A S K A	3.2
8	Canada	3.2
9	Netherlands	2.7

Source: NMFS and Global Trade Atlas.

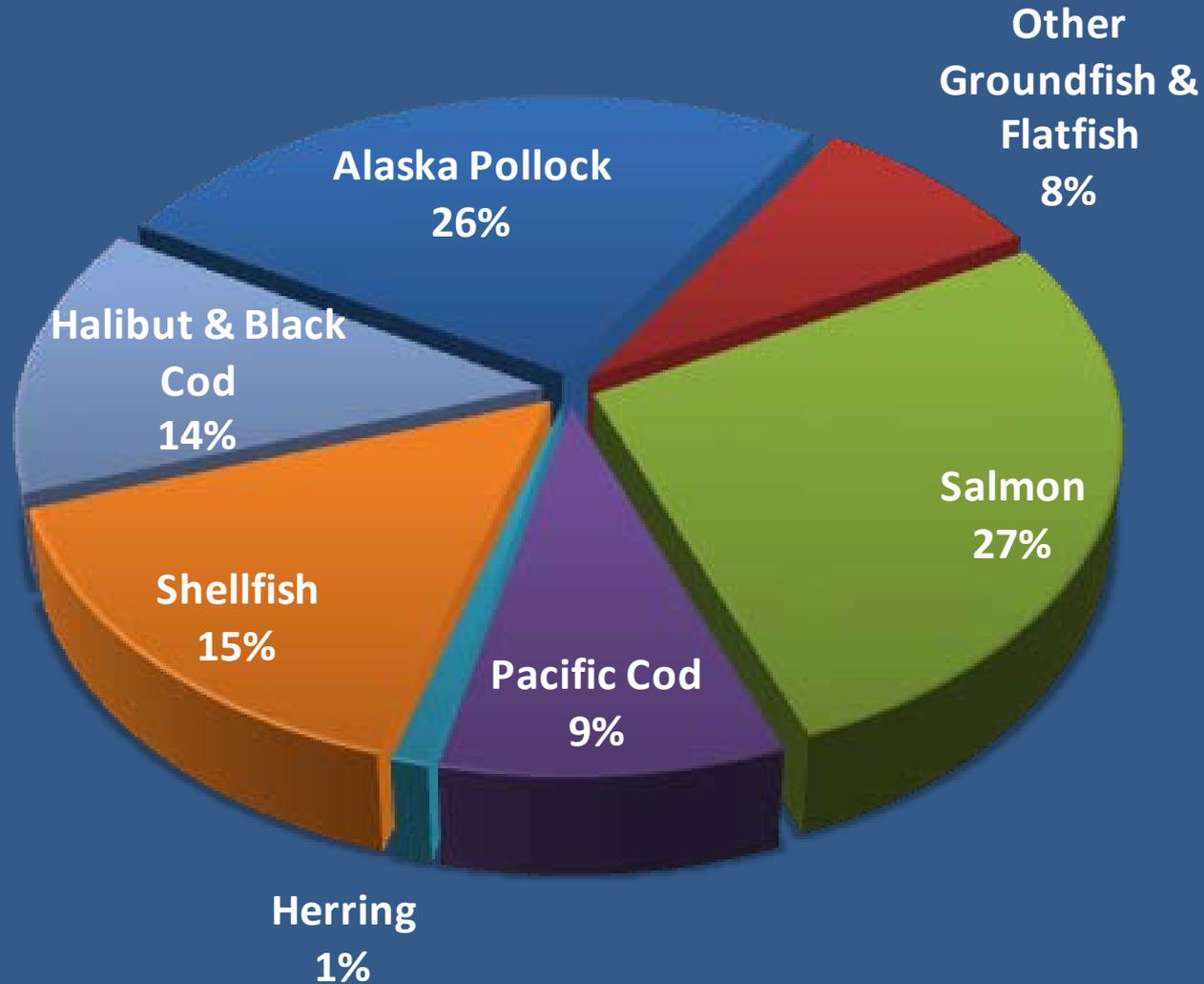
Alaska Seafood: Composition by Volume

Total 2012 Harvest: 5.5 Billion lbs



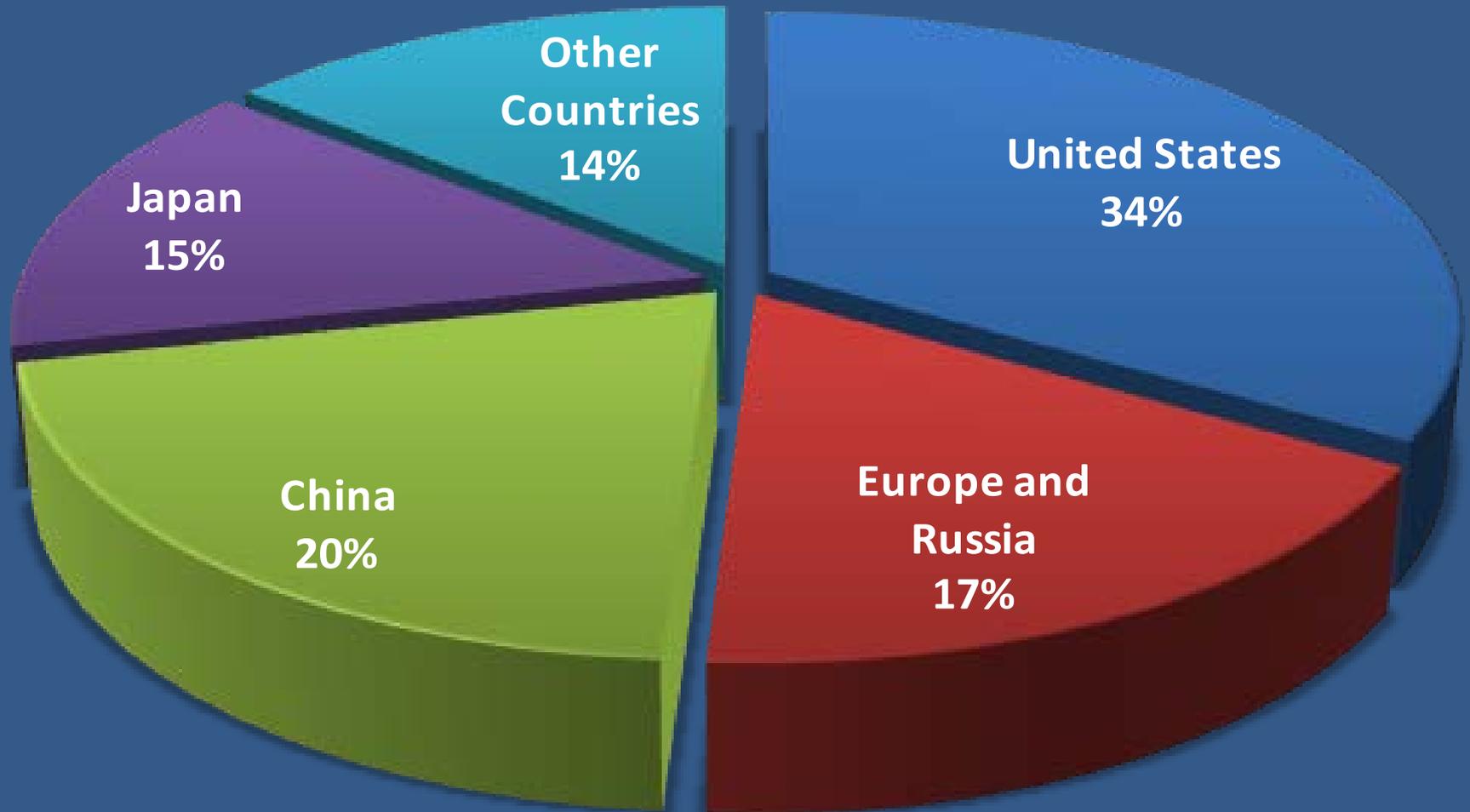
Alaska Seafood: Composition by Ex-Vessel Value

Total 2012 Ex-Vessel Value: \$1.9 Billion



Source: NMFS, ADFG, and ASMI Estimates.

Markets for Alaska Seafood



Note: Based on export value and estimated value to domestic market, 2011 data.

Source: NMFS Trade Data and ASMI Estimates.

Impact of Alaska Seafood on US

- ◆ Alaska seafood directly employs 91,500 workers in U.S.
- ◆ Including multiplier effects, accounts for 163,200 jobs, \$15.8 billion in economic output, and \$6.2 billion in labor income
- ◆ Makes up 10 percent of total U.S. seafood consumption
- ◆ At least three residents from every state participated in Alaska's commercial fisheries in 2011

Impact of Seafood Industry in Alaska

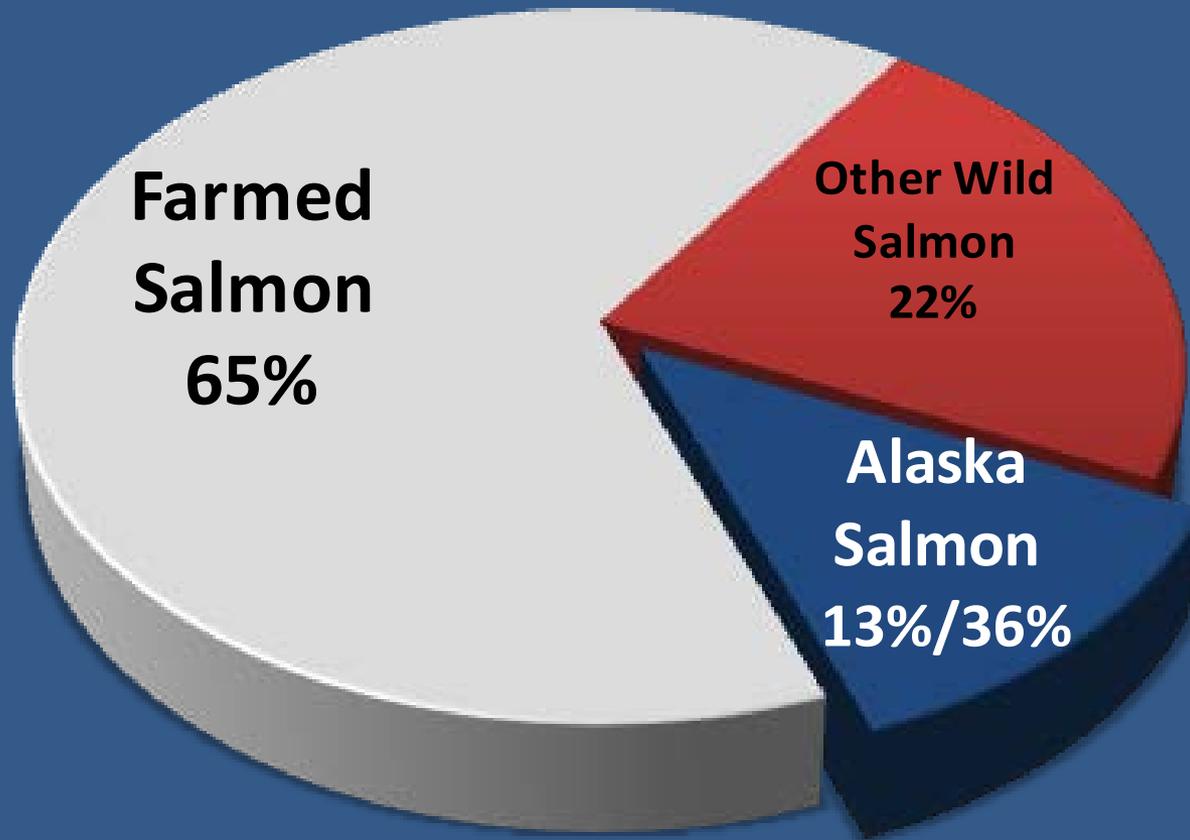
- ◆ Alaska seafood directly employs 62,650 workers in Alaska, over 28,200 are Alaska residents
- ◆ Including multiplier effects, accounts for 81,000 jobs, \$6.7 billion in economic output, and \$2.1 billion in labor income within AK
- ◆ Accounts for 10 percent of all civilian labor income in AK, and 7 percent of all resident labor income
- ◆ Southcentral is home to most participants but participation rate highest in western Alaska, Kodiak, and Southeast.

Alaska Salmon



Global Salmon Supply

Average Production Volume (2009-2012)



Alaska Salmon Forecast

Thousands of Fish

<u>Species</u>	<u>2013 Forecast</u>	<u>5-yr Avg. Harvest</u>	<u>10-yr Avg. Harvest</u>
Chinook	339	385	525
Keta	22,749	18,341	17,676
Coho	3,904	3,844	4,171
Pink	117,821	94,540	107,537
Sockeye	34,264	39,854	40,739
Total	179,074	156,895	170,615

Source: ADFG.

Alaska Salmon: Production/Markets

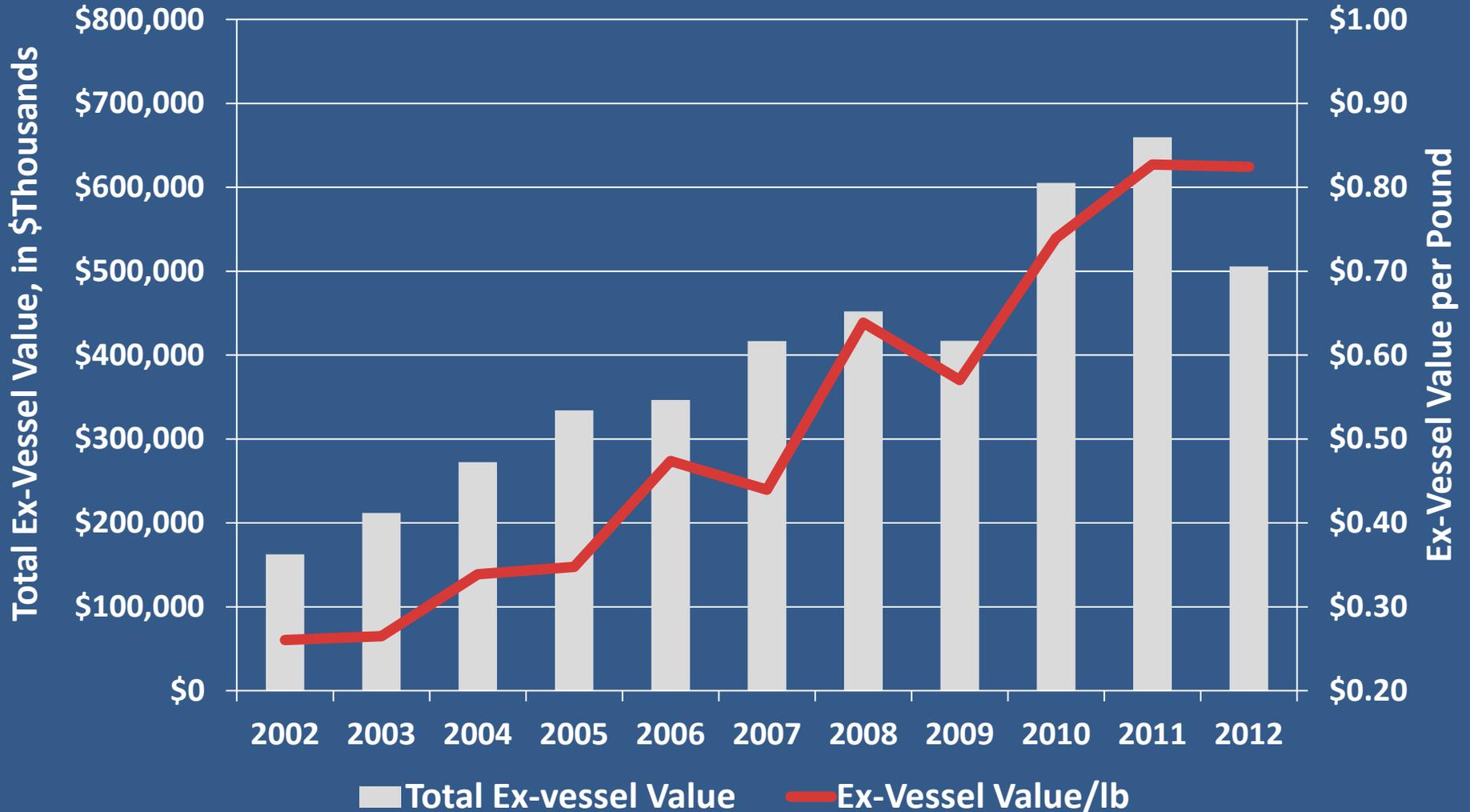
Production

- ◆ Harvest volume down 21 percent in 2012, even year
- ◆ Canned percentage increased significantly in 2012
- ◆ Slightly higher fresh%, steady fillet%

Markets

- ◆ Declining price for frozen pink and chum
- ◆ Sockeye exports to Japan down 72 percent
- ◆ Less sockeye actual volume to U.S. market, but higher pct.
- ◆ Roe to Japan and China up, Eastern Europe down
- ◆ Canned volume to UK down, but avg. price up

Ex-Vessel Value of Alaska Salmon



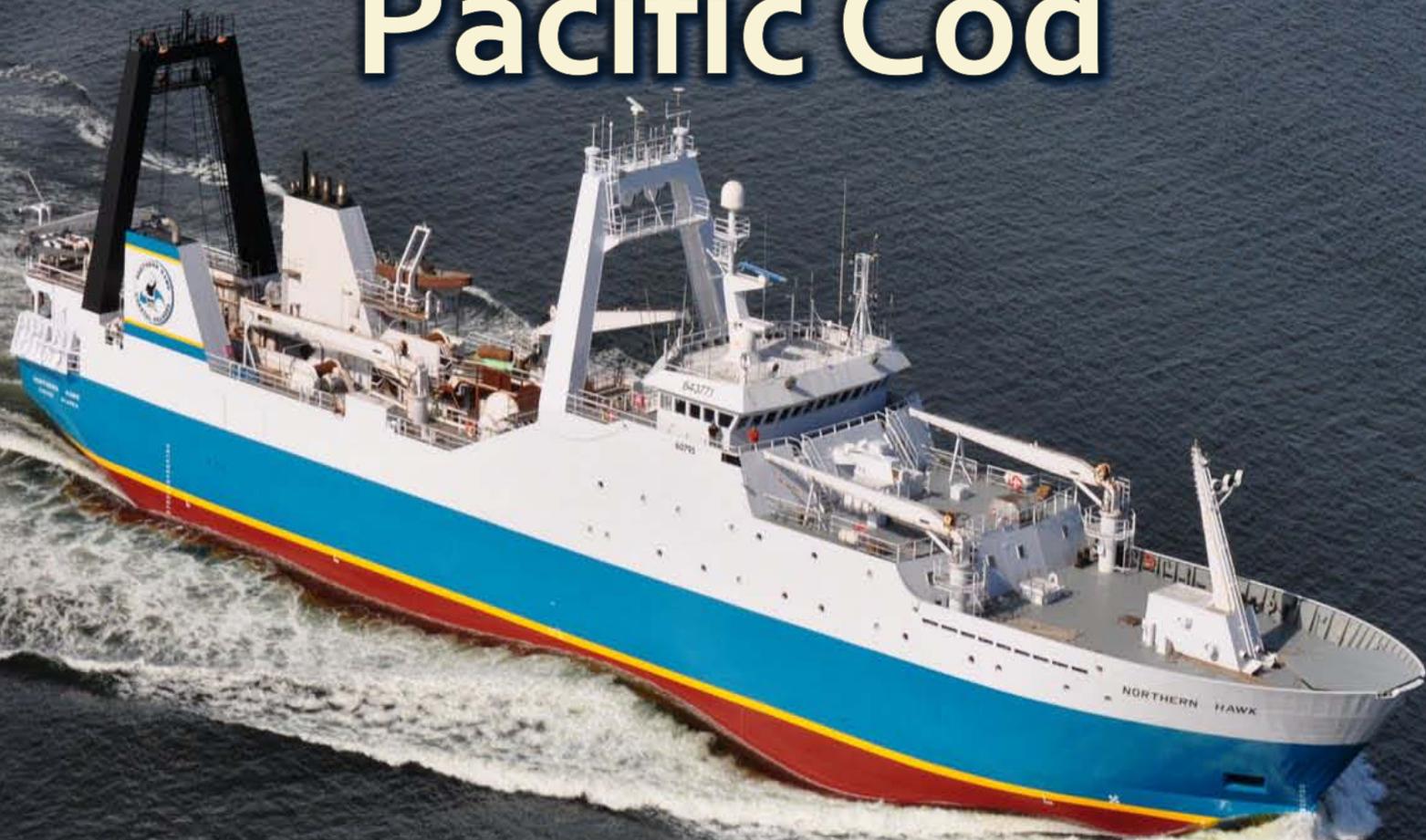
Note: 2012 is preliminary.

Source: ADFG and McDowell Group estimates.

Key Issues for Alaska Salmon

- ◆ Differentiation from farmed salmon
- ◆ Sustainability Logos and Branding
- ◆ Frozen pink and chum salmon
- ◆ Positive long-term outlook
- ◆ Growth markets
- ◆ Salmon 2025... SWOT
 - ◆ Strengths: AK Image and Taste
 - ◆ Weaknesses: Logistics/Fuel/Capacity/Limited by biology
 - ◆ Opportunities: Bigger Pie, Byproducts, New Prods/Mkts
 - ◆ Threats: Farmed salmon, Misinformation

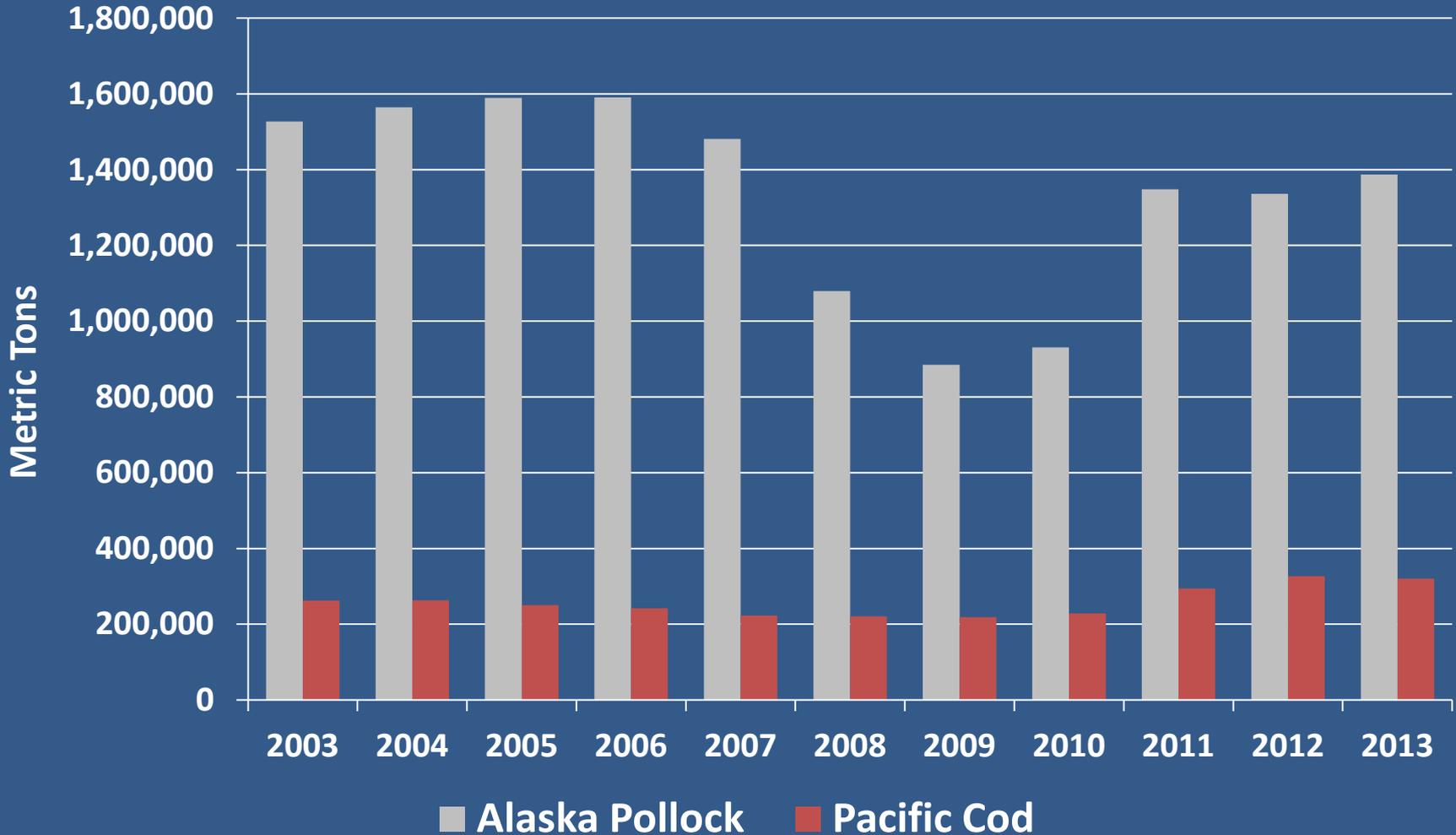
Alaska Pollock & Pacific Cod



Ship Photo Credit: CVRF

Alaska Pollock & Pacific Cod

BSAI/GOA Federal Fishery TACs



Source: NOAA.

Wholesale Value of Alaska Pollock



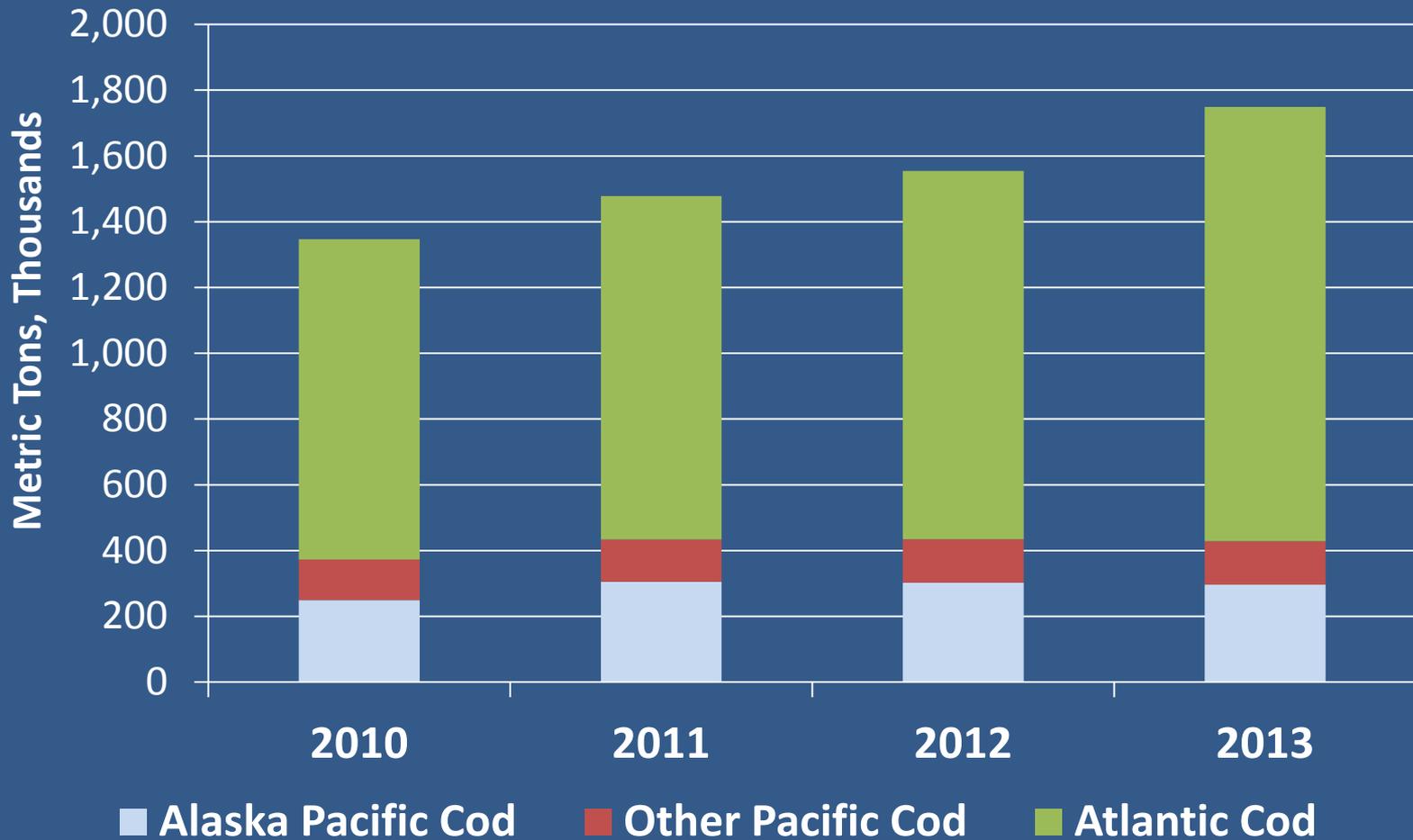
Source: Economic SAFE Report, NPFMC.

Wholesale Value of Alaska Cod



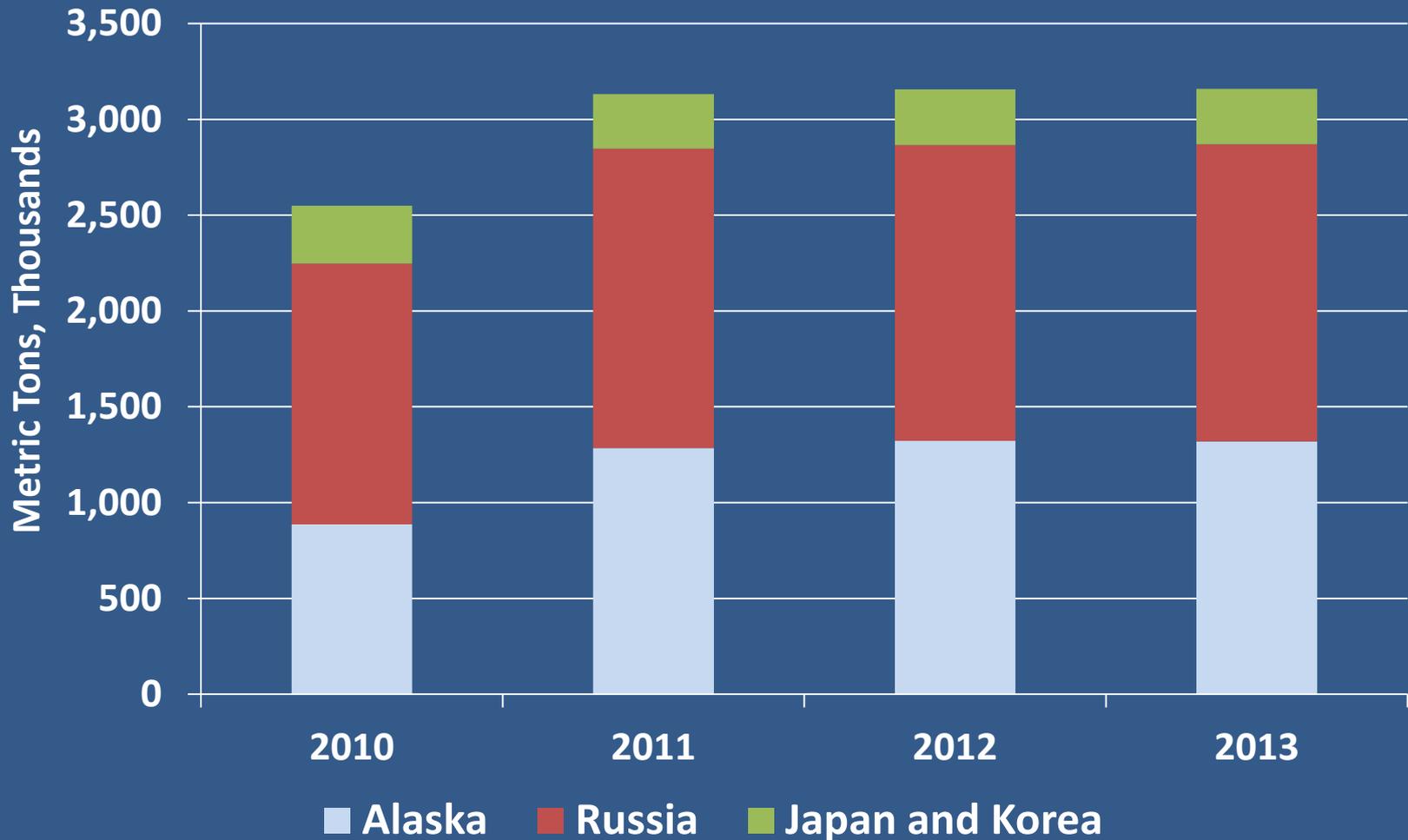
Source: Economic SAFE Report, NPFMC.

Supply Outlook for Cod



Source: Groundfish Forum and McDowell Group estimates.

Supply Outlook for Alaska Pollock



Source: Groundfish Forum.

Key Issues for Alaska Pollock & Cod

Alaska Pollock

- ◆ Declining roe value
- ◆ Possible certification of major competitor
- ◆ Economic headwinds in Europe & weaker yen

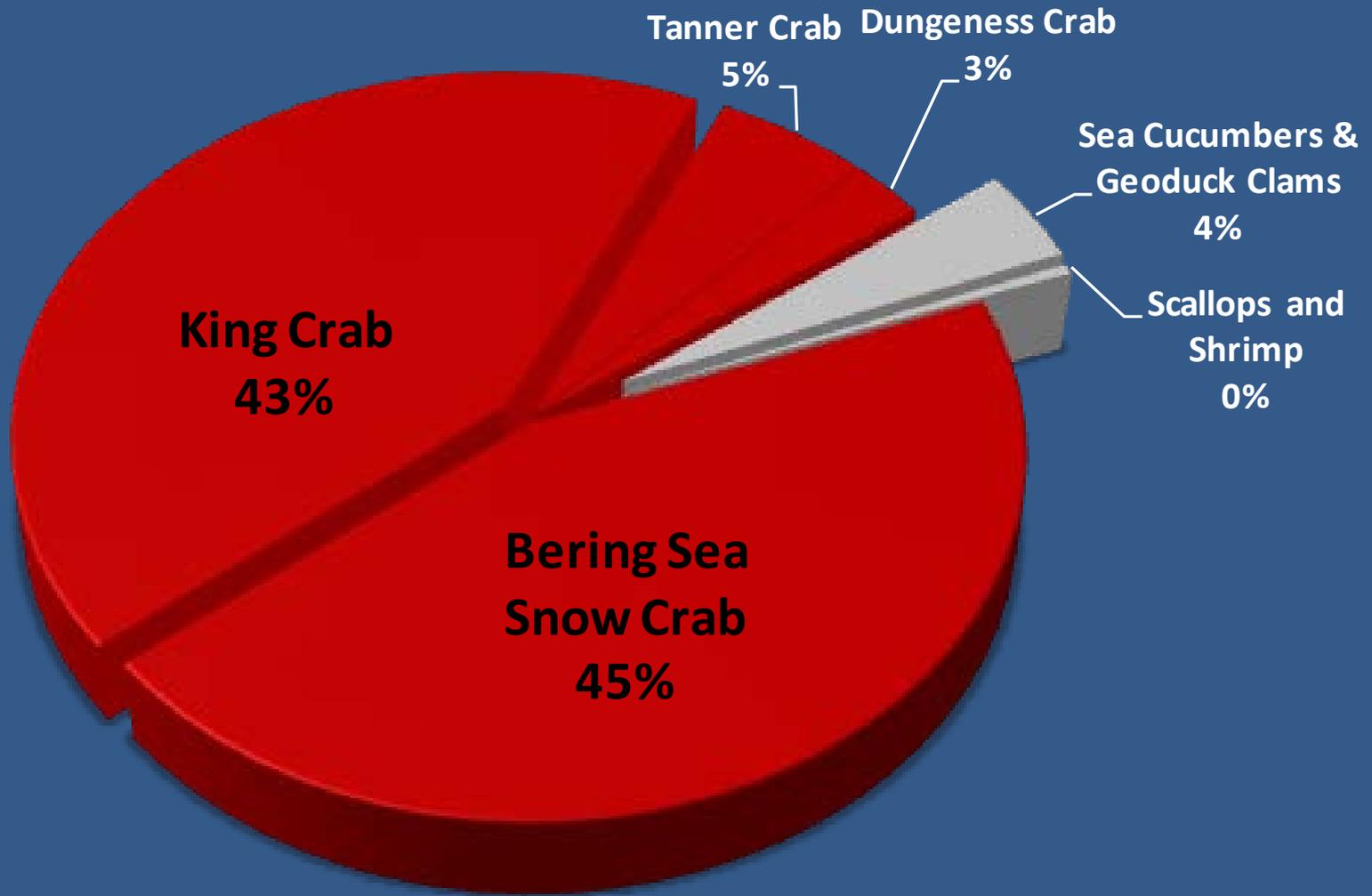
Pacific Cod

- ◆ Large increases in supply of Atlantic cod
- ◆ Growth in the domestic market

Alaska Shellfish

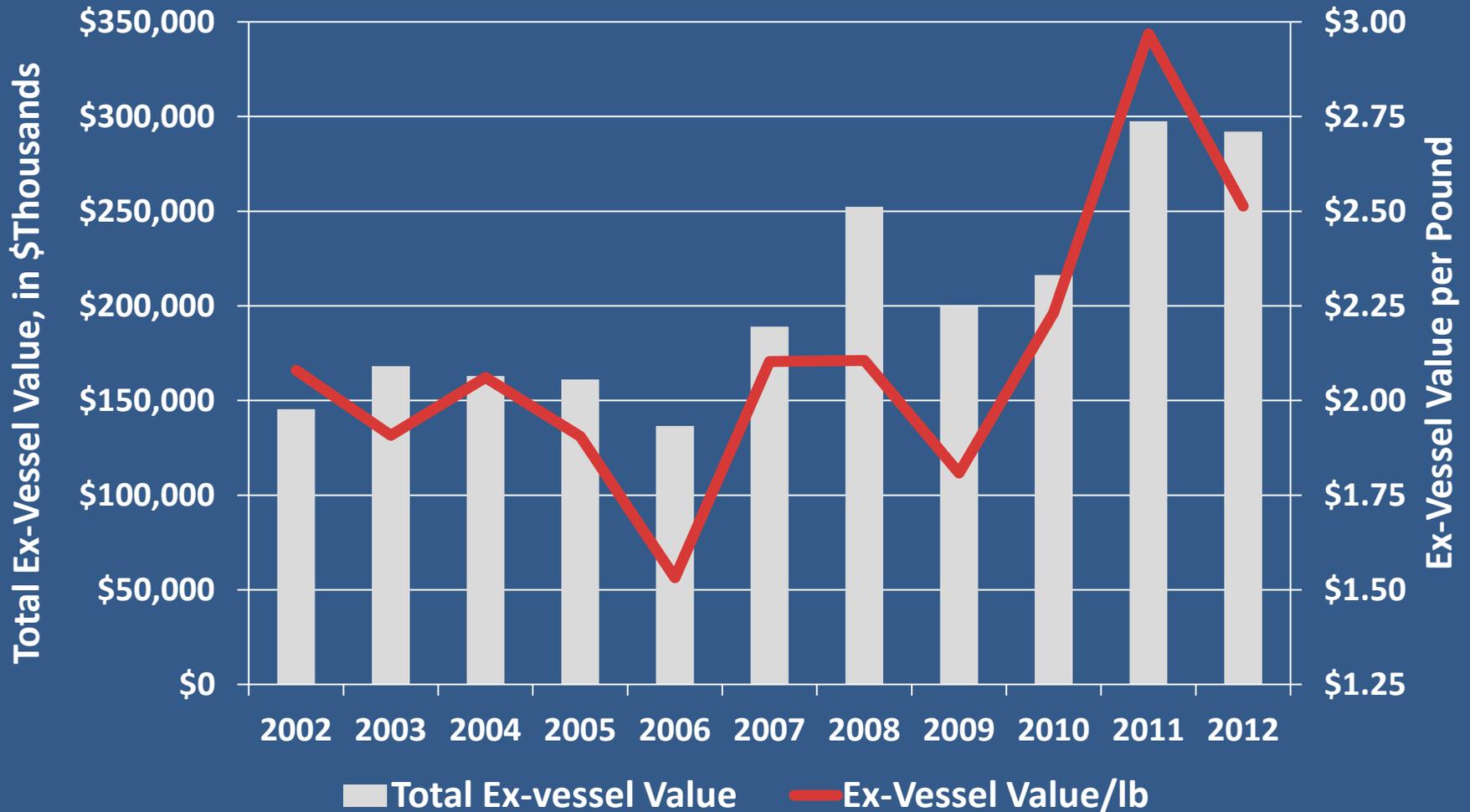


Value of Alaska Shellfish Species 2011



**Total Ex-Vessel Value of
AK Shellfish in 2011: \$290M**

Ex-Vessel Value of Alaska Shellfish



Note: 2012 is preliminary.

Source: ADFG and McDowell Group estimates.

Estimated Russian IUU Harvest

2005 - 2012



* Indicates preliminary data.

Sources: National Marine Fisheries Service, Alaska Department of Fish and Game, and McDowell Group Estimates based data from FAO, Global Trade Atlas, and Russian Centre for Fishery Monitoring and Communications.

Key Issues for Alaska Shellfish

Crab

- Snow crab abundance high, king crab low in Bering Sea
- Major market issue: increasing IUU crab from Russia
- Promotional exposure via Deadliest Catch
- Premium for Alaska product in U.S. due to less risk

Other

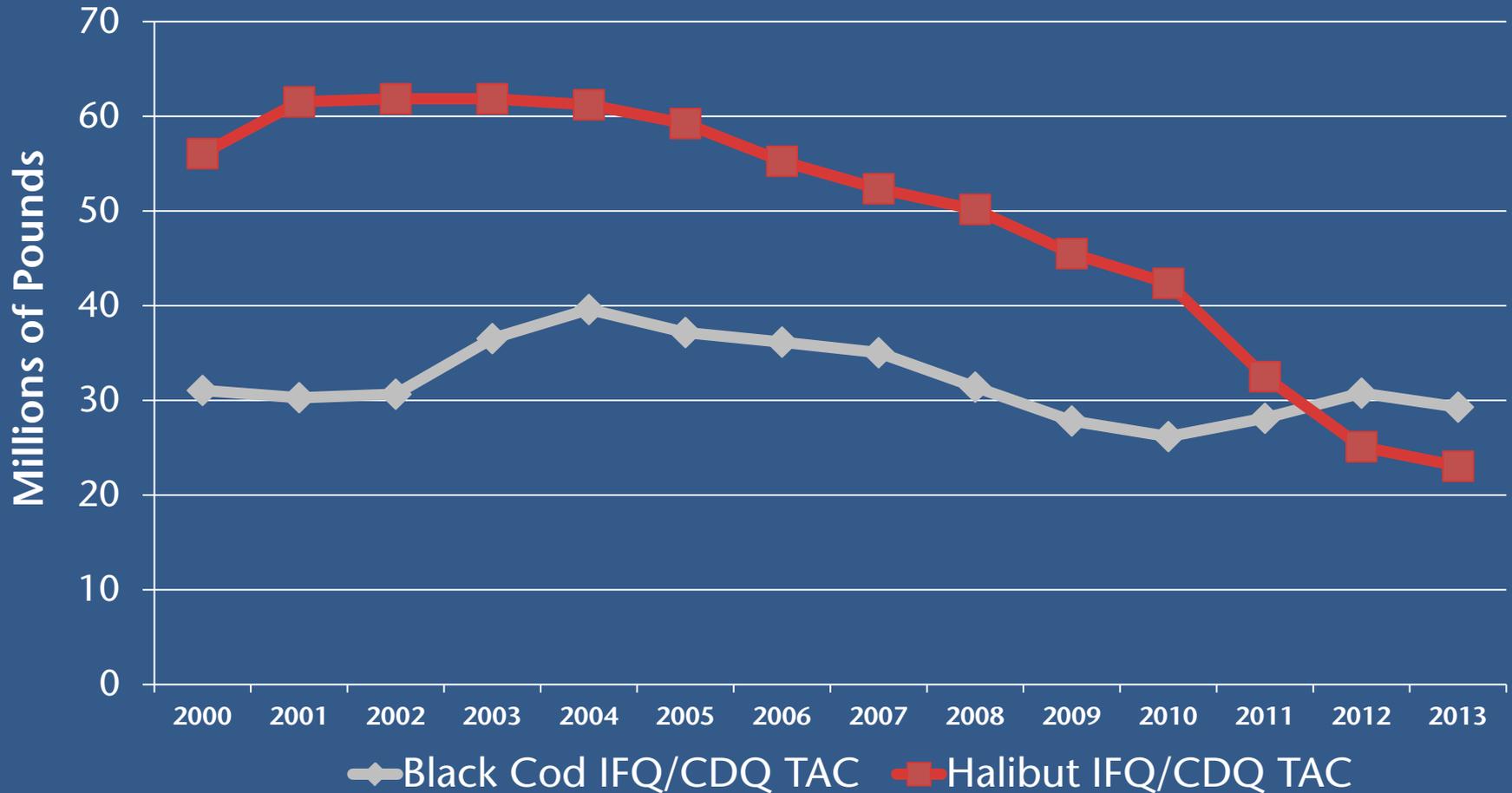
- Strong demand for sea cucumbers and geoducks in China
- Sea otters threaten biomass in Southeast
- Cold water shrimp and AK scallops: amazing quality that have niche markets

Alaskan Halibut & Black Cod



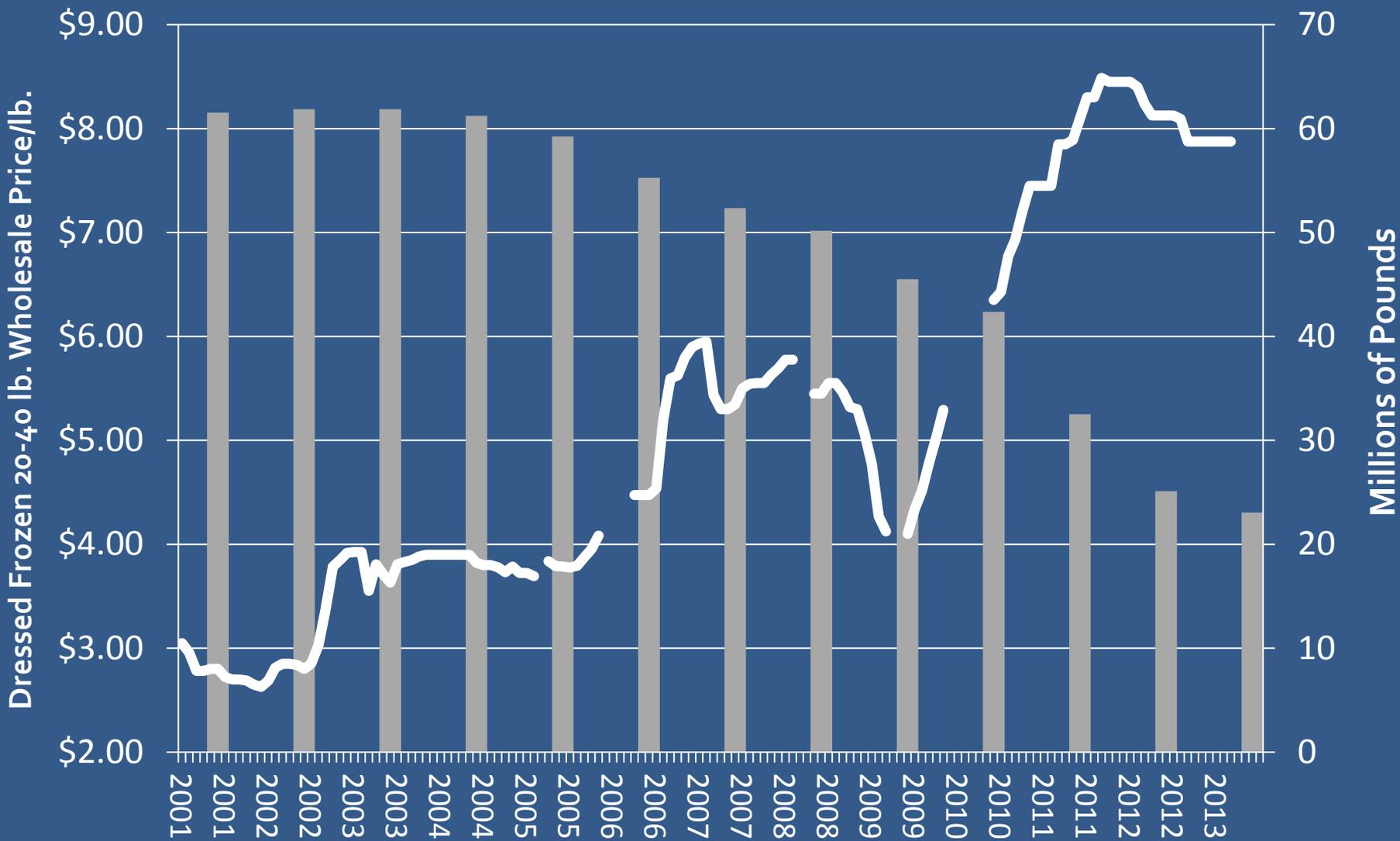
Alaska Halibut and Black Cod

Total Allowable Catch 2000-2013



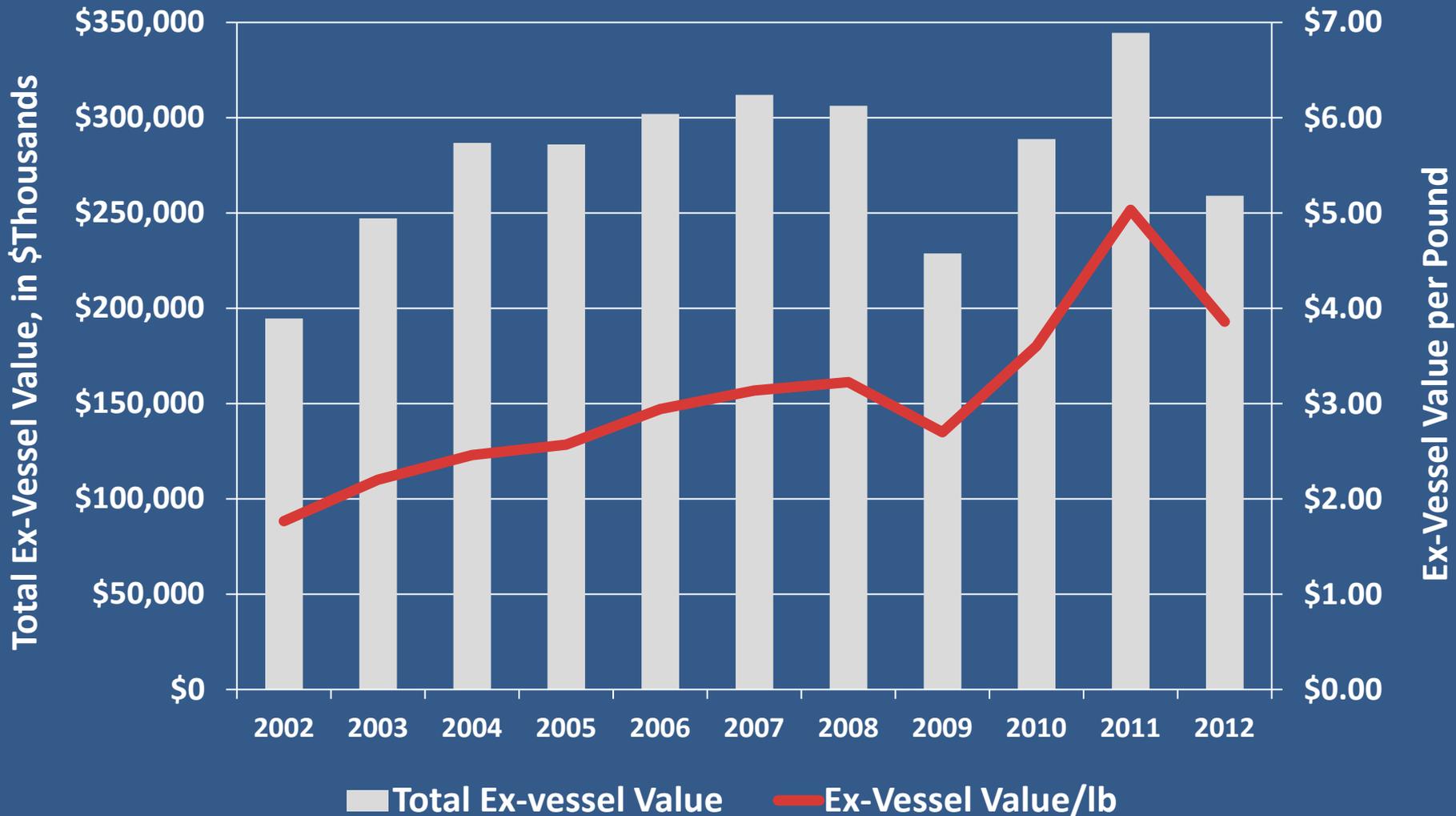
Note: Includes CDQ.
Source: NOAA.

Alaska Halibut TAC and Price Activity



Sources: NOAA, Urner Barry

Ex-Vessel Value of Alaska Halibut and Black Cod



Note: 2012 is preliminary.

Source: NMFS and ADFG.

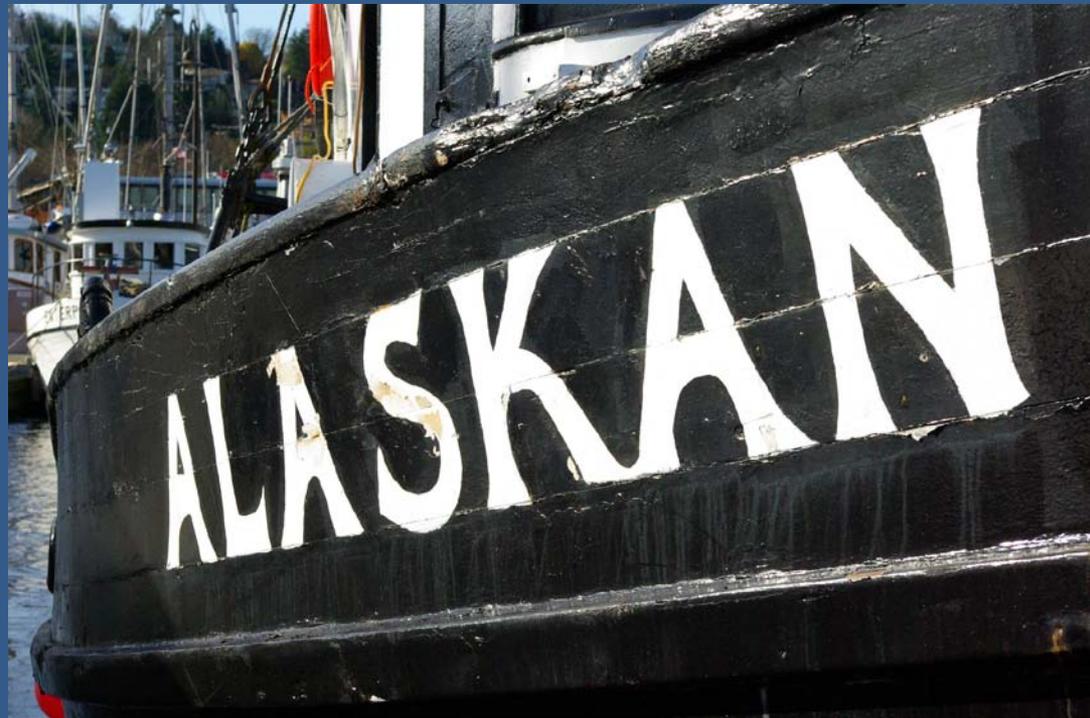
Key Issues for Alaska Halibut and Black Cod

Halibut

- Price fatigue from consumer
- Modeling issues
- Slower growth rate
- Still a premier species

Black Cod

- Steady supply
- Weaker yen
- Emerging markets



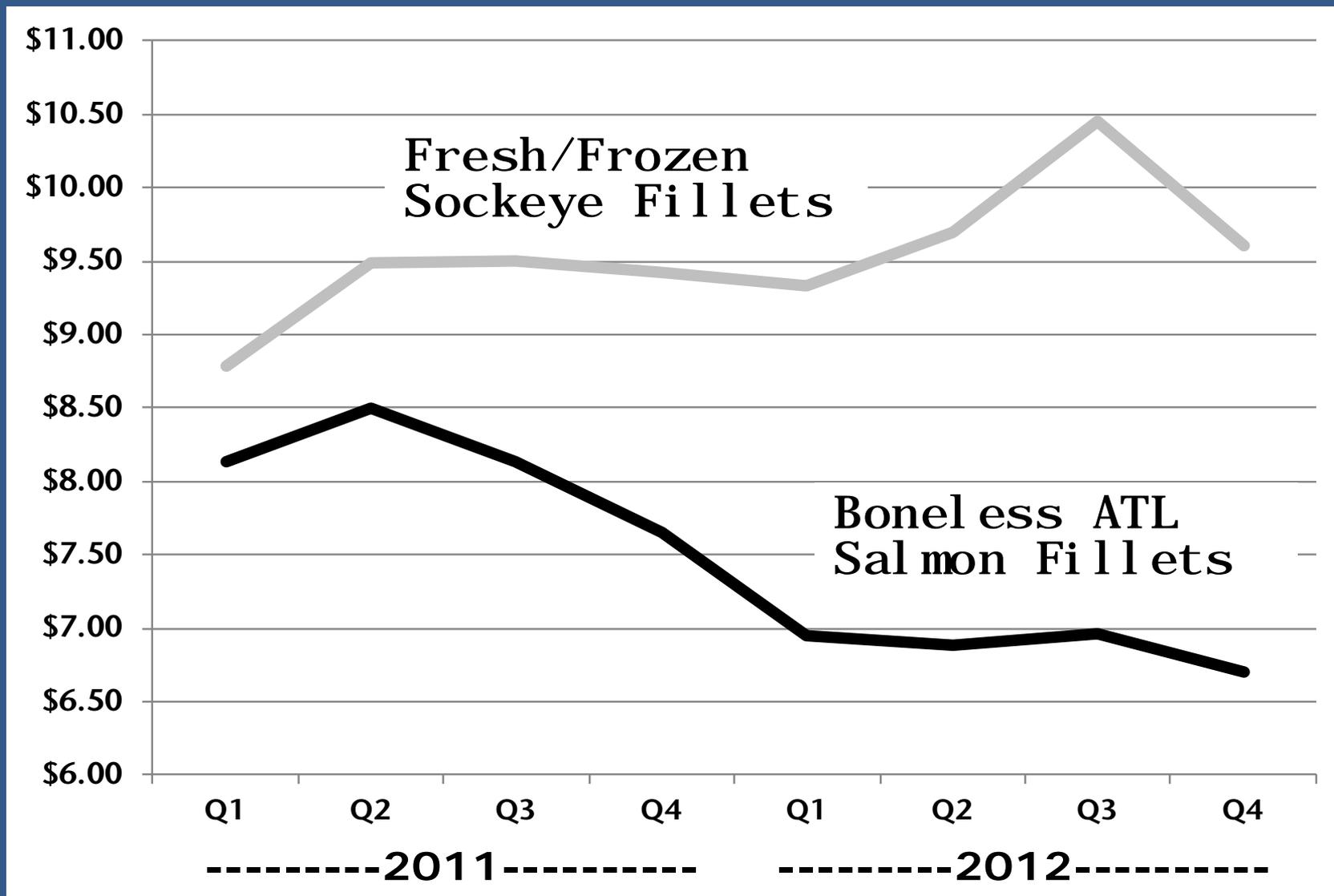
Why Market??



Wild, Natural & Sustainable®

Successful Sockeye Marketing

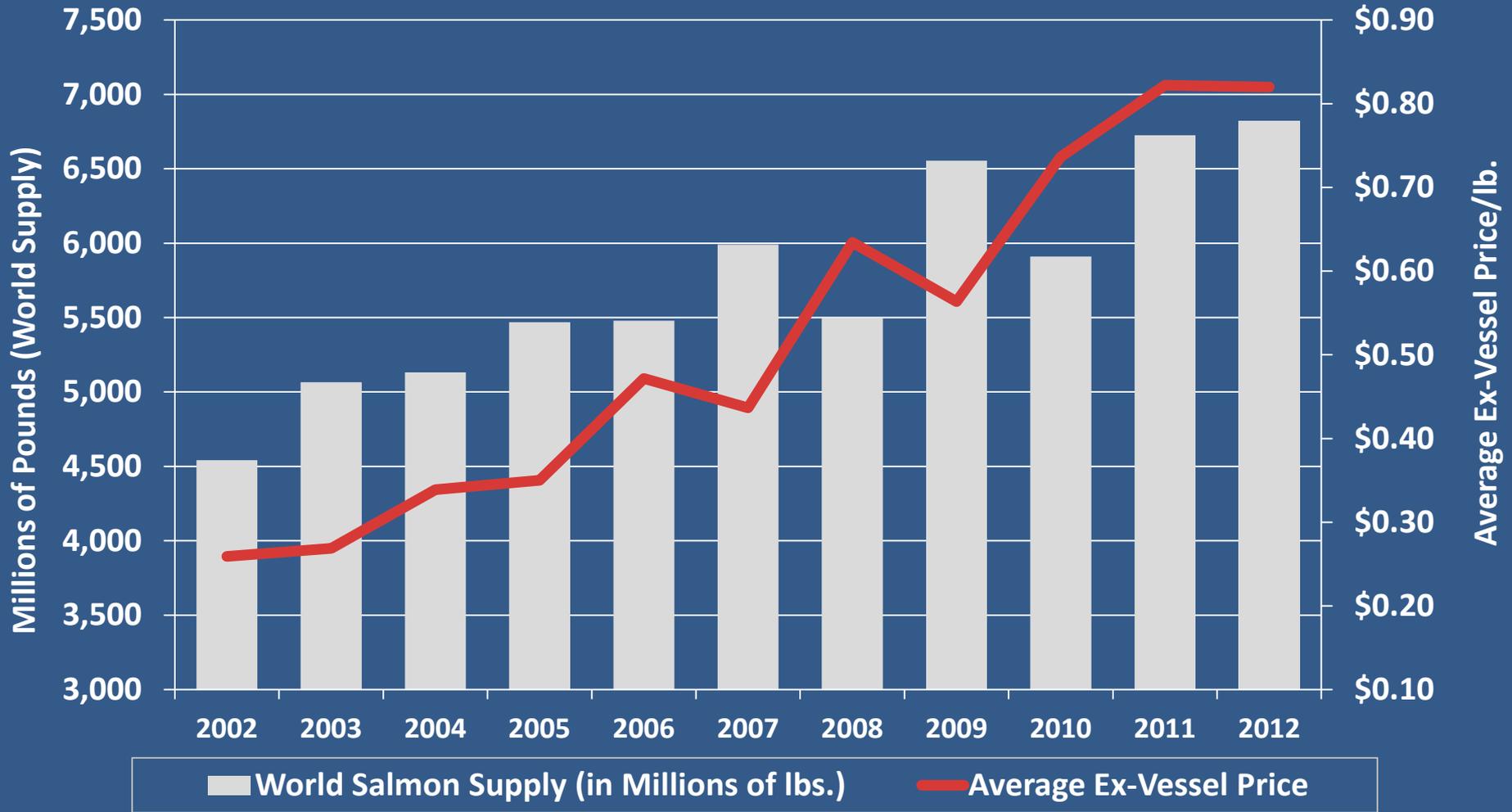
Retail Price of Alaska Sockeye Holds Steady as Farmed Prices Decline



Source: Urner Barry Retail Features Database, compiled by McDowell Group.

Alaska Salmon Ex-Vessel Price

Rising Value for Wild Alaska Salmon Despite Increased Supply

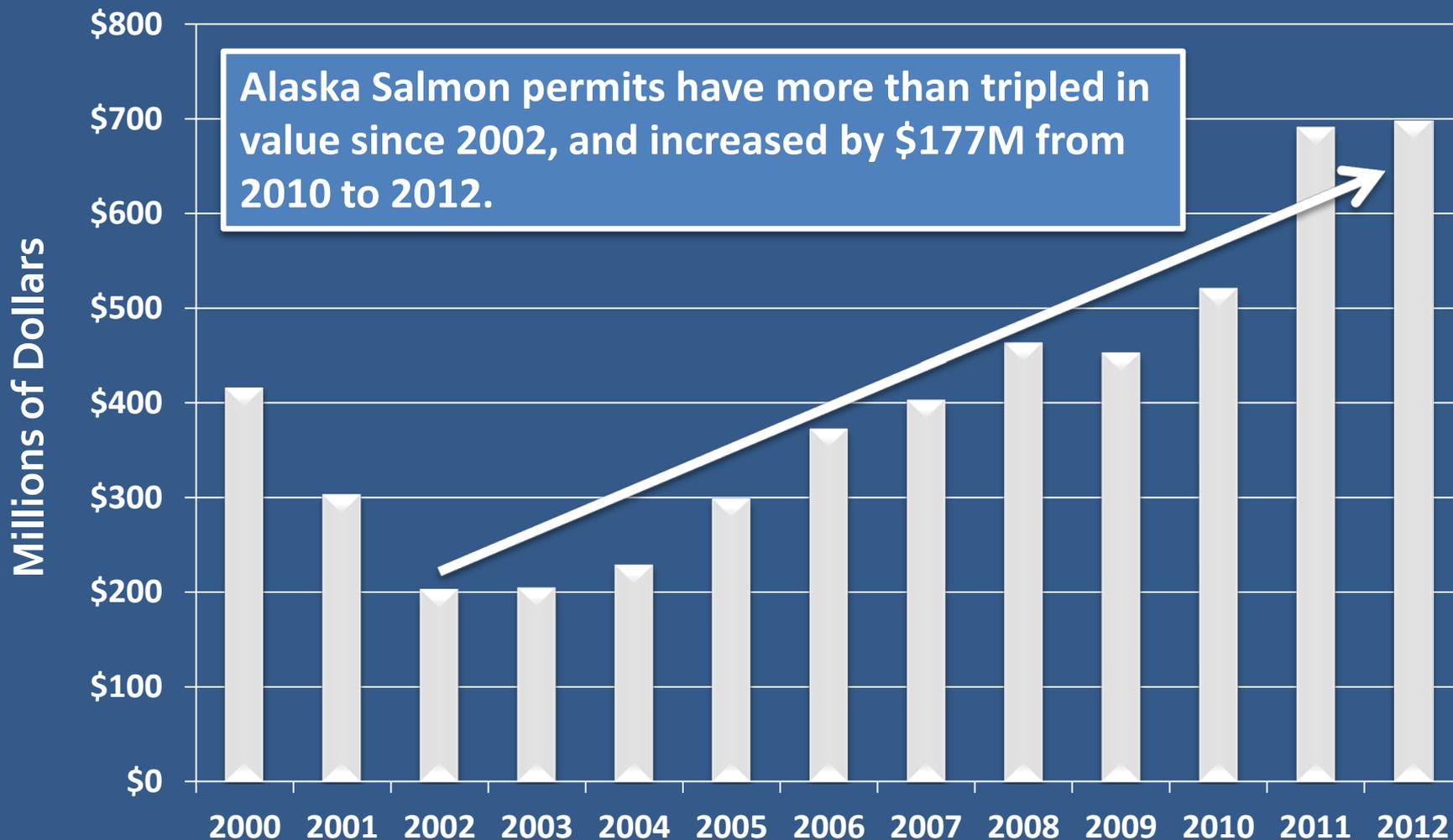


Note: 2012 is preliminary.

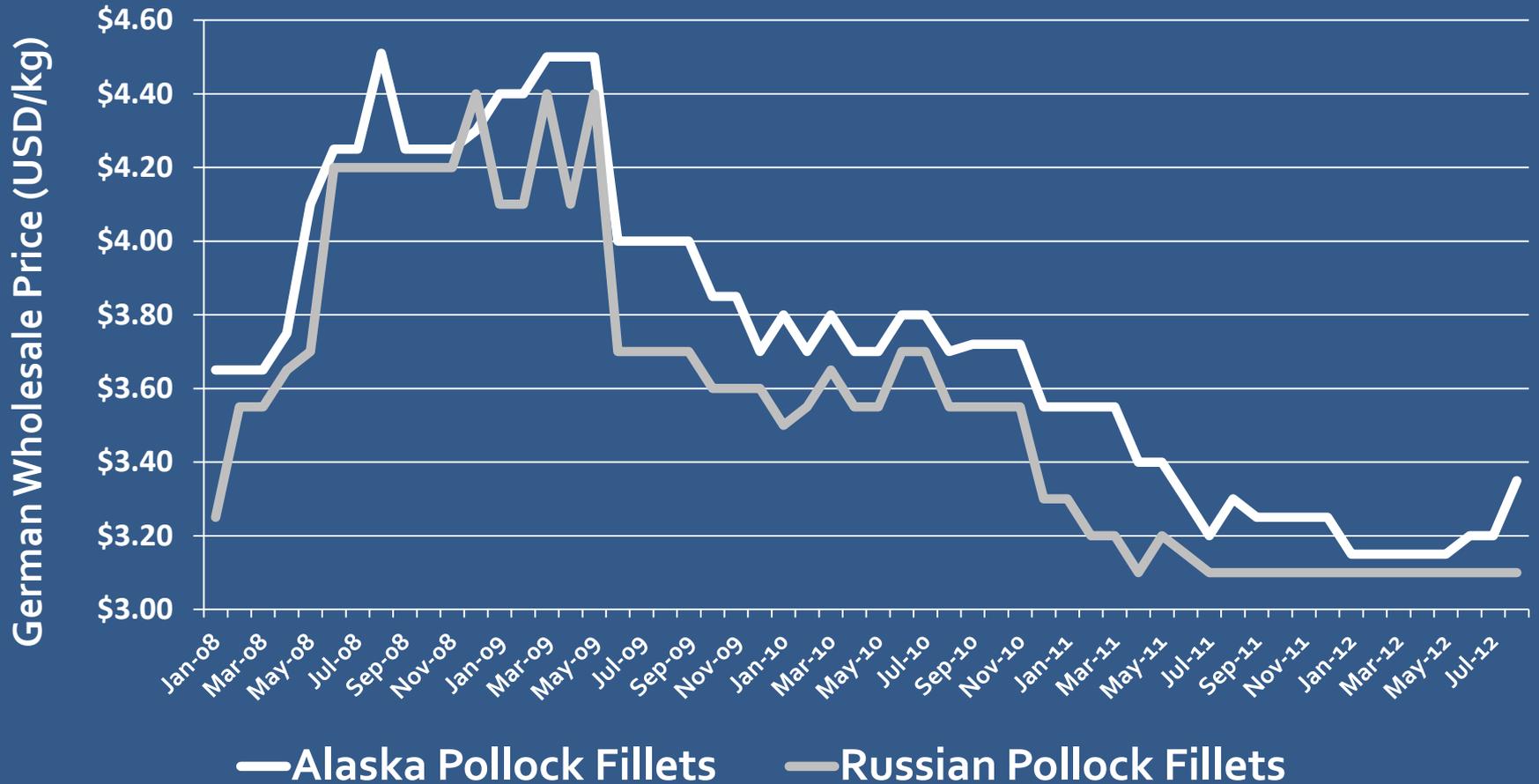
Source: ADFG, FAO, Groundfish Forum, Salmon of the Americas, and Russian Federal Fisheries Agency.

Higher Prices Rebuild Fishing Assets

Total Value of Commercial Salmon Fishing Permits



Alaska's Pollock vs Russian Pollock



Average AK Price Premium	\$0.18 per kg.
Conservative Estimate of Extra Value	\$12 million per year

Source: McDowell Group estimates, based on NMFS and Globefish data.

ALASKA SEAFOOD — SPRING UPDATE



Prepared for:



Prepared by:
McDowell Group, Inc.
May 8, 2013