

Alaska Salmon Market Summary & Outlook

— December 2016 —

Sockeye Salmon

Season Summary: Bristol Bay and the Alaska Peninsula saw larger than expected harvests in 2016, and the average sockeye in the Bay was slightly larger than in 2015. Base prices in Bristol Bay increased from \$0.50 to \$0.75; average final prices after accounting for bonus payments will likely be around \$0.90. The forecast called for a harvest of 14.6 million sockeye outside of Bristol Bay and the Alaska Peninsula, but only produced a harvest of 9.4 million fish – a similar theme for all salmon species in 2016.

Market Summary and Outlook: Wholesale prices for all major product forms increased this summer (May-August) after a couple years of steep declines. Based on strong demand for early 2016 sales and increasing farmed salmon prices, wholesale prices are expected to remain strong. Japan has re-emerged as an important buyer of smaller sized sockeye in recent years, due to lower sockeye prices and higher prices for farmed Chilean coho products. Larger sized sockeye are reportedly selling well in Europe's smoked salmon market. Canned prices have fallen substantially and the "Brexit" vote has further lessened demand in the largest canned red market (the U.K.). However, despite larger harvests in Bristol Bay over the past two years, canned production has been relatively minimal, potentially providing a better balance between supply and demand going forward. Farmed salmon production is expected to decline in 2016, which is notable considering farmed supply typically increases with every passing year. Farmed supply is expected to remain tight for several years. Investment banks are predicting farmed production will not exceed 2015 levels until 2019. Demand for fresh and frozen Alaska sockeye in U.S. retail markets is also expanding. Forecasts for 2017 sockeye fisheries in Bristol Bay and Upper Cook Inlet suggest smaller harvests in those regions (see www.adfg.alaska.gov for more information on forecasts). We expect higher sockeye prices next year, but total value could lag behind 2016 due to lower expected harvest volumes.

See the [Fall 2016 Sockeye Market Report](#) for more information on sockeye markets, produced by McDowell Group for the Bristol Bay Regional Seafood Development Association.

Alaska Sockeye Salmon Value and Market Factors, 2010-2016

Year	AK Harvest (Millions lbs.)	EV Value (\$Millions)	FW Value (\$Millions)	Avg. EV Price	FW Value per Round lb.	Global Supply	Dollar Index	Pct. Canned	Avg. AK Fish Weight
2010	238	\$286	\$594	\$1.20	\$3.68	384	81.5	19%	5.9
2011	239	312	675	1.31	4.11	351	76.3	18%	6.2
2012	212	274	625	1.30	4.20	335	80.4	28%	6.0
2013	178	312	576	1.75	5.41	305	81.5	23%	6.1
2014	242	369	565	1.53	4.40	411	83.1	27%	5.6
2015	288	234	644	0.81	3.21	402	96.8	17%	5.2
2016	286	280	N/A	0.98	N/A	N/A	96.5	N/A	5.4

Notes: 2016 figures are preliminary or estimated. First wholesale (FW) values based on sales made between May of the harvest year through April of the following year. Global supply shown in millions lbs., 2015 harvest is estimated. Refer to "Glossary/Abbreviations" section at end of the bulletin for questions about abbreviations or terms.

Source: ADF&G, FAO, NPAFC, ADOR, and Investing.com, compiled by McDowell Group.



Pink Salmon

Season Summary: Even years tend to produce smaller pink harvests than odd years, but the decline in 2016 was extraordinary. The 2016 season produced a preliminary harvest of 39.4 million pinks, less than half of the 90.1 million fish forecast and the lowest harvest since the 1970s. Governor Walker has asked for federal disaster declarations in four pink salmon regions. Despite the poor harvest, prices remained low averaging \$0.24 per pound based on preliminary information.

Market Summary and Outlook: If there is any silver lining to the disastrous pink season, the poor 2016 harvest should take out a lot of remaining inventory for canned, frozen, and roe products. This has resulted in upward wholesale price pressure. However, Russia produced a large pink harvest this year. Russia posted a total salmon harvest of 420,000 metric tons, a 34 percent increase over 2014 (last even year). Pinks accounted for 61 percent of the harvest. Russian exports of pink and chum salmon to China have indeed spiked this year, from 7,200 MT last year to 41,000 MT this year (through September). Russian pinks will likely blunt upward price pressure in the short run, but may be a positive in the long run. Chinese processors, who buy most of Alaska's frozen pink production, will be in a better position to remain in business in coming years due to the increase in Russian supplies. Again, higher farmed salmon prices are beneficial for pink salmon. Roe prices and market access are key issues impacting pink salmon prices. Pink roe prices are up 93 percent since last summer, although they are still about half of peak prices seen in 2012. The election of Donald Trump provides some hope that the Russian embargo may be lifted, which would re-open an important pink roe market. However, "trade wars" with China or other countries would likely hurt the value of Alaska pink salmon. Statewide Alaska pink forecasts for 2017 will not be available for several months, but the past two even years produced the largest pink harvests on record. We expect the value of Alaska pink salmon to rebound significantly next year, with higher prices and assuming a larger odd-year harvest.

Impact of Poor 2016 Season: Although the smaller harvest has pushed up wholesale prices, the lack of pinks is problematic for processors whose tender and labor costs were relatively high in relation to the small harvest. Similarly, fishermen were stung by lower harvests and low prices in 2016 – leaving less fishing revenue available to cover fixed vessel/permit costs. In the past, poor years for processors have generally resulted in less propensity to pay higher ex-vessel prices the following season. Lower profits or outright losses leave less capital available to operate the following year. In the past four even years, processors averaged "net" pink sales of \$263 million after subtracting ex-vessel payments to fishermen. The 2016 figure will not be known until mid-2017; however, a preliminary estimate suggests the 2016 "net" figure will be less than \$150 million. This shortfall could affect ex-vessel pricing/value for pink salmon and other salmon species in 2017.

See Table on following page.



Alaska Pink Salmon Value and Market Factors, 2010-2016

Year	AK Harvest (Millions lbs.)	EV Value (\$Millions)	FW Value (\$Millions)	Avg. EV Price	FW Value per Round lb.	Global Supply	Dollar Index	Pct. Canned	Roe Value%
2010	398	\$161	\$417	\$0.40	\$1.94	848	81.5	47%	23%
2011	390	182	441	0.47	1.99	1,290	76.3	34%	18%
2012	246	123	346	0.50	2.41	895	80.4	52%	27%
2013	679	285	552	0.42	2.03	1,258	81.5	44%	38%
2014	324	101	483	0.31	1.82	657	83.1	21%	17%
2015	632	140	467	0.22	1.53	990	96.8	37%	18%
2016	160	38	N/A	0.24	N/A	N/A	96.5	N/A	N/A

Notes: 2016 figures are preliminary or estimated. First wholesale values based on sales made between May of the harvest year through April of the following year. Global supply shown in millions lbs., 2015 harvest is estimated. Refer to "Glossary/Abbreviations" section at end of the bulletin for questions about abbreviations or terms.

Source: ADF&G, FAO, NPAFC, ADOR, and Investing.com, compiled by McDowell Group.

Keta Salmon

Season Summary: Keta (i.e. chum) harvests came in at 16.2 million fish in 2016. The harvest fell 11 percent short of the 18.3 million fish forecast. The harvest is below the 10-year moving average, but exceeded 2014 and 2015. Much of the 2016 shortfall came out of Southeast Alaska, the state's largest keta producing region. Average ex-vessel prices increased from \$0.48 in 2015 to \$0.55 in 2016, based on preliminary fish ticket information.

Market Summary and Outlook: Average wholesale prices of frozen H&G keta are up 4.0 percent and roe products are up 20.5 percent since last summer. The spike in roe prices is intriguing, but actual prices for individual products likely did not increase by as much as the average suggests. The Department of Revenue does not publish wholesale sales data on specific roe products, but rather presents an average for all roe products – principally green roe (i.e. frozen, unsalted roe sacks) and ikura (separated, salted roe). Ikura is a higher value product but requires more processing time. Processors had more time to produce ikura in 2016 compared to 2015 with its large pink salmon harvest. As a result, processors likely increased ikura production in 2016, which would lead to a higher average price for all chum roe products. Despite the ambiguity of Alaska chum roe production, wholesale prices are trending up. This is due to a stronger yen and a 30 percent decline in Japanese chum harvests. Lower Japanese chum harvests should keep roe supplies tight heading into next year. Higher farmed prices and a poor Alaska pink harvest could improve demand for frozen products as well. With an average harvest next year, we expect a higher total value for keta.

Coho & Chinook Salmon

Season Summary: Coho harvests nearly met the forecast of 3.86 million fish, with a preliminary harvest estimate of 3.80 million fish. The coho harvest is slightly higher than last year, but lower than the two previous years. Chinook harvests fell 23 percent short of the forecast, with a preliminary harvest estimate of 401,000 fish. Chinook harvests declined 15 percent in 2016, but were in line with the five-year average. The combined ex-vessel value of coho and Chinook harvests increased 74 percent in 2016, based on preliminary information. Ex-vessel prices for coho nearly doubled after dipping to \$0.65 per pound last year. Higher ex-vessel values are



welcome news for fishermen, but the 2016 value was 29 percent below 2014 and roughly equal to the previous five-year average.

Market Summary and Outlook: Prices are trending up for both species, based on first wholesale sales made between May through August compared to the prior year. Fresh H&G Chinook prices increased 23 percent. Frozen H&G coho prices are up 45 percent; however, some of these sales came from fish caught in 2015. Ex-vessel prices for both species were also higher in 2016. Higher farmed salmon prices and increasing sockeye prices are lifting coho prices. Chinook is a premium species and prices tend to be impacted by Chinook harvest volumes more so than farmed salmon prices. Lower harvest volumes in 2016, particularly in Southeast Alaska and the Pacific Northwest, are putting upward pressure on Chinook prices.

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