Alaska Seafood Economic Value Update

PREPARED FOR:
ASMI All Hands – BOD Meeting

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McKinley Research Group

• Formerly McDowell Group
• Research and consulting since 1972
• McKinley Management family
  • McKinley Capital Management
  • McKinley Research Group
  • McKinley Alaska Private Investment
Presentation Outline

• Ongoing Work for ASMI
• Alaska Seafood Industry Impacts Overview
• COVID Impacts Update
• 2021 Season
**Ongoing and Upcoming**

- **COVID Impact Briefing Papers**
  - 3 more in 2021 and 2022

### COVID Impact Briefing Papers & Additional Documents

- **July 2021 Briefing Paper**
  - Download

- **March 2021 Briefing Paper**
  - Download

- **February 2021 Briefing Paper**
  - Download

- **January 2021 Briefing Paper**
  - Download

- **October 2020 Briefing Paper**
  - Download

- **September 2020 Briefing Paper**
  - Download

- **August 2020 Briefing Paper**
  - Download

- **Alaska Seafood COVID-19 Impacts**
  - Presented at the April 29, 2021 ASMI Board of Directors Meeting
  - Download

- **Summary: COVID-19 Disruptions to Alaska's Seafood Industry and Communities, Feb 2021**
  - Download
Ongoing and Upcoming

- Salmon and Groundfish Harvest Updates, Market Bulletins, Ad Hoc Research Support, and more
- New Economic Impact Report
  - Will be finalized in Dec. 2021
- Supply Chain Overview Report
  - With SE Asia, UK, and US case studies
Alaska Seafood Industry Overview

- 60,000 jobs with $1.7 billion in earnings
- More than 9,000 vessels
- Over 200 small and large shoreside and at-sea processing plants
- $2 billion ex-vessel, $4.5 billion wholesale
- Provides economic activity and tax revenue in rural Alaska from Ketchikan to Kotzebue
Alaska Seafood Industry Overview

- **2019**
  - $2 billion ex-vessel
  - $4.7 billion wholesale

- **2020**
  - $1.5 billion ex-vessel
  - $3.7 billion wholesale

2020 Ex-Vessel Value, % By Species Group:
- Alaska Pollock: 29%
- Salmon: 26%
- Pacific Cod: 13%
- Flatfish & Rockfish: 10%
- Halibut, Sablefish, and Crab: 21%
- Other: 1%

Source: ADF&G, NOAA

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Alaska Seafood Industry Overview

- 2019
  - $2 billion ex-vessel
  - $4.7 billion wholesale
- 2020
  - $1.5 billion ex-vessel (-27%)
  - $3.7 billion wholesale (-21%)
  - Felt across most fisheries

Source: ADF&G, NOAA
Alaska Seafood – 2020 COVID Impacts

- Increased operating costs
  - ~$70 million for seafood processors
- Dramatic, rapid demand shifts, esp. for food
- Transportation/logistics challenges
  - Reduced air travel
  - Delays into China, demurrage fees
- 20-25% lower ex-vessel values in 2020
  - biological issues in key fisheries
- Fisheries still operated
Alaska Seafood – 2021 COVID Impacts

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- 2021 mitigation costs unknown
- Worst outbreaks in Jan. 2021
- Most mitigation maintained
- Increased costs throughout supply chain
- Hiring still challenging
  - 28% rise in processing labor costs
  - Recovered about half the drop in peak employment seen in 2020
  - 20,250 -> 15,950 -> 17,900
Alaska Seafood – 2021 COVID Impacts

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- Retail sales increases largely sustained
- Foodservice recovery
- Prices climbed to new heights
Monthly Retail Sales, by Category

$ Billions

Jan 20  Mar 20  May 20  Jul 20  Sep 20  Nov 20  Jan 21  Mar 21  May 21  Jul 21  Sep 21

+36%, e-commerce
+9%, foodservice
+17%, grocery

Source: U.S. Census Bureau. Seasonally adjusted.
Alaska Seafood Export Value, 2011-2020 and 2021 YTD

May still break $3B in 2021

Source: NOAA OST.
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Spot Prices per Container on Key Shipping Routes

- +1,083%, China -> West Coast
- +910%, China -> N. Europe
- +113%, West Coast -> China

Source: Freightos Baltic Index
Increased operating costs
  • ~$70 million for seafood processors

Dramatic, rapid demand shifts, esp. for food

Transportation/logistics challenges
  • Reduced air travel
  • Delays into China, demurrage fees

20-25% lower ex-vessel values in 2020
  • biological issues in key fisheries

Fisheries still operated

Expect a return to normal range of Ex-Vessel and Wholesale Values in 2021

Separating COVID from other impacts still challenging
2021 – Salmon

- Big improvement over 2020
- Complicated Story
  - Since 1975:
    - 3rd best by # of fish
    - 11th highest volume
    - 7th strongest value - $644 million

Source: ADF&G
2021 – Salmon

- Smallest average size on record for 4 out of 5 species
- Strong prices, frozen H&G export prices up 15-17%, roe up 60%
- Alaska 80% of global sockeye and 1/3 of global pink supply
- Alaska salmon 9% of global supply in 2020; most is farmed
  - More coho farmed in Chile than sockeye in AK

Source: ADF&G, NOAA
2021 – Groundfish

- Pollock TAC fully harvested
  - strong prices on fillets
  - Increased surimi production mix
  - Smaller fish still an issue
  - Prime roe season interruptions
- BSAI crab reductions
- Flatfish - only half of TAC harvested right now
- Strong halibut prices

Source: Undercurrent News.
New Office in Alaska Permanent Fund Corp. Building