Alaska Seafood Industry Update

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Photo Credit: Dave Clark
Contents

- Industry Overview
- Industry Outlook
- Key Issues
Industry Snapshot

- Directly employs 60,000 workers in Alaska, creates another +10,000 jobs in Alaska
- Harvest Volume (2012): 5.5B lbs.
- Ex-Vessel Value (2012): $2.1B
- First Wholesale (2012): $4.5B
- Commercial Fleet: +6,500 boats
- Approx. 120 shoreside plants
Economic Impact of AK Seafood

IMPACT ON ALASKA

- Created jobs for an estimated 41,530 Alaska residents
- Employs 1-in-4 Western Alaska residents at some point in yr.
- Accounted for 7% of all private sector resident labor income
- Created more labor income than tourism and mining combined

IMPACT ON U.S. ECONOMY

- Created jobs for an estimated 165,800 U.S. workers
- $15.7B in economic output, including $6.4B in labor income
- Each Alaska seafood worker = 1.24 additional U.S. jobs
- Accounts for 10% of U.S. seafood supply (for consumption)
The report can be downloaded from ASMI’s homepage, or by visiting this shortened url: 
http://bit.ly/18MbABz
(note: the address above is case sensitive)
Alaska is Top U.S. Seafood Producer, By a Wide Margin

Alaska produced 5.5 Billion pounds of seafood in 2012, accounting for 56 percent of total U.S. commercial fisheries production.

Source: NMFS and ADFG, compiled by McDowell Group.
Alaska is the 6th Largest Seafood Exporter

<table>
<thead>
<tr>
<th>2013 Rank</th>
<th>Country (Primary Exporters)</th>
<th>Seafood Exports in Billions of $US (2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Norway</td>
<td>$10.7</td>
</tr>
<tr>
<td>2</td>
<td>Chile</td>
<td>4.5</td>
</tr>
<tr>
<td>3</td>
<td>Russia</td>
<td>4.3</td>
</tr>
<tr>
<td>4</td>
<td>Vietnam</td>
<td>4.2</td>
</tr>
<tr>
<td>5</td>
<td>Canada</td>
<td>3.9</td>
</tr>
<tr>
<td>6</td>
<td>Alaska</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: NMFS and Global Trade Atlas, compiled by McDowell Group.
Key Alaska Species as Percent of Global Production

- Black Cod: 59%
- Alaska Pollock: 41%
- Alaska Flatfish: 39%
- Pacific Cod: 21%
- Snow/King Crab: 15%
- Alaska Salmon: 12%
- Pacific Halibut vs. Halibuts: 9%

Note: data covers 2011 and 2012, though most categories do not change much from year to year outside of salmon which may fluctuate as much as 5 percent.
Source: NMFS, FAO, compiled by McDowell Group.
Alaska Seafood: Harvest Volume by Species
Total 2013 Harvest: 5.9 Billion lbs.

- Alaska Pollock: 51%
- Salmon: 18%
- Flatfish, Rockfish, & Atka Mackerel: 15%
- Pacific Cod: 11%
- Crab: 1%
- Halibut & Sablefish: 1%
- All Other: 3%

Source: NMFS, ADFG. Data is preliminary. Compiled by McDowell Group
Alaska Seafood: Composition by Ex-Vessel Value
Total 2013 Ex-Vessel Value: $2.0 Billion

- Salmon: 36%
- Alaska Pollock: 23%
- Crab: 13%
- Pacific Cod: 8%
- Flatfish, Rockfish, & Atka Mackerel: 8%
- Halibut & Sablefish: 9%
- All Other: 3%

Source: NMFS, ADFG, and McDowell Group Estimates. Data is preliminary.
Estimated Market Share - 2013

Europe 31%
Japan 24%
U.S. 35%
China 3%
Canada 3%
Other 4%

Note: These figures are rough estimates of final sales made by country based on preliminary wholesale value, trade data, and industry interviews. There is no conclusive data source for summarizing market share by country.
Source: NMFS and McDowell Group estimates.
Ex-Vessel Value of AK Seafood

Alaska Seafood was worth over $2.0 billion in 2013

ASMI has helped the industry increase ex-vessel value by 58% over the past 10 years.

Source: ADFG, NMFS, ADOR, and McDowell Group estimates.
Better Fish Prices Creates Jobs

Commercial Fishing and Seafood Processing Employment versus Ex-Vessel Value

Source: ADFG, NMFS, and DOLWD, compiled by McDowell Group.
Alaska Seafood Industry Outlook
# Alaska Whitefish Supply Picture

<table>
<thead>
<tr>
<th>Species</th>
<th>2013 (TAC)</th>
<th>2014 (TAC)</th>
<th>E2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska Pollock</td>
<td>1,387,146</td>
<td>1,461,051</td>
<td>Up Slightly</td>
</tr>
<tr>
<td>Pacific Cod</td>
<td>318,632</td>
<td>320,600</td>
<td>Down Slightly</td>
</tr>
<tr>
<td>Flatfish</td>
<td>540,288</td>
<td>557,138</td>
<td>Likely Down</td>
</tr>
<tr>
<td>POP</td>
<td>52,431</td>
<td>51,512</td>
<td>Stable</td>
</tr>
<tr>
<td>Atka Mackerel</td>
<td>34,322</td>
<td>27,920</td>
<td>Up</td>
</tr>
</tbody>
</table>

**Competing Supply 2015 Forecast:**
- Atlantic Cod: Down ~10%
- Russian Pollock: Stable to possible up
- Tilapia: possibly down out of China

*Note: 2014 data is preliminary or estimated based on TAC’s, all figures are in metric tons. Source: ADFG, NMFS, and Industry Interviews, compiled by McDowell Group.*
## Alaska Salmon Supply Picture

<table>
<thead>
<tr>
<th>Species</th>
<th>2013</th>
<th>E2014</th>
<th>E2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sockeye</td>
<td>178.4</td>
<td>261.9</td>
<td>Unknown</td>
</tr>
<tr>
<td>Pinks</td>
<td>678.6</td>
<td>311.7</td>
<td>Up (Odd yr)</td>
</tr>
<tr>
<td>Keta</td>
<td>150.1</td>
<td>75.8</td>
<td>Likely Up</td>
</tr>
<tr>
<td>Coho</td>
<td>33.7</td>
<td>36.7</td>
<td>Unknown</td>
</tr>
<tr>
<td>Chinook</td>
<td>3.8</td>
<td>6.5</td>
<td>Unknown</td>
</tr>
</tbody>
</table>

### Competing Supply:
- **Atlantic Salmon**: 5% growth in 2014, stable to down in 2015 (est. from Bank Nordea)
- **Russian Pink Salmon**: Down significantly, below forecast for even yr.
- **Russian Sockeye Salmon**: Down 40% (preliminary reports)
- **Frasier River Sockeye**: 10-11 million fish harvest, in-line w/ forecast

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*Note: 2014 data is preliminary or estimated based on TAC’s, all figures are in millions of pounds*

*Source: ADFG, NMFS, and Industry Interviews, compiled by McDowell Group.*
### Alaska Halibut, Black Cod, and Crab Supply Picture

<table>
<thead>
<tr>
<th>Species</th>
<th>2013 (TAC)</th>
<th>2014 (TAC)</th>
<th>E2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halibut</td>
<td>23.1</td>
<td>16.0</td>
<td>Stable-down</td>
</tr>
<tr>
<td>Black Cod</td>
<td>28.0</td>
<td>23.7</td>
<td>Unknown</td>
</tr>
<tr>
<td>Red King Crab</td>
<td>8.6</td>
<td>Stable-Up</td>
<td>Unknown</td>
</tr>
<tr>
<td>Golden King Crab</td>
<td>6.3</td>
<td>6.3</td>
<td>Stable</td>
</tr>
<tr>
<td>Snow Crab</td>
<td>66.4</td>
<td>54.0</td>
<td>Likely Up</td>
</tr>
</tbody>
</table>

**Competing Crab Supply (based on Jan-July trade data):**
- King Crab into Japan: down 62% by volume, down 33% by value
- King Crab into US: up 29% by volume, up 40% by value
- Snow Crab into Japan: down 8% by volume, up 18% by value
- Snow Crab into US: down 17% by volume, down 13% by value

*Note: IFQ and CDQ TACs. All figures are in millions of pounds*  
*Source: NMFS and Global Trade Atlas, compiled by McDowell Group.*
# Alaska Seafood Price Trends - 2014

<table>
<thead>
<tr>
<th>Product</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pollock Fillets</td>
<td>-3%</td>
</tr>
<tr>
<td>Surimi</td>
<td>+10%</td>
</tr>
<tr>
<td>Pollock Roe</td>
<td>-20% (larger vol.)</td>
</tr>
<tr>
<td>Pacific Cod</td>
<td>+10 to 15%</td>
</tr>
<tr>
<td>YF Sole</td>
<td>+12%</td>
</tr>
<tr>
<td>POP</td>
<td>+11%</td>
</tr>
<tr>
<td>Halibut</td>
<td>+18% (lower vol.)</td>
</tr>
<tr>
<td>Sockeye</td>
<td>-10%</td>
</tr>
<tr>
<td>Pinks</td>
<td>-33%</td>
</tr>
<tr>
<td>Keta</td>
<td>-10 to -15%</td>
</tr>
<tr>
<td>Keta</td>
<td>-10 to -15%</td>
</tr>
<tr>
<td>Troll-caught CoHo</td>
<td>-7%</td>
</tr>
<tr>
<td>Troll-caught King</td>
<td>-23% (vol. up)</td>
</tr>
<tr>
<td>Black Cod</td>
<td>+20 to +30%</td>
</tr>
<tr>
<td>Snow Crab</td>
<td>+6%</td>
</tr>
</tbody>
</table>

These projections suggest an ex-vessel value of $1.8 to $1.9 billion in 2014. Which would be the 3<sup>rd</sup> year in a row of declining value; however, 2015 is likely to be better than 2014.

**Sources:** Urner Barry, Undercurrent News, NMFS Trade Data, and Industry Interviews, compiled by McDowell Group.
Why Declining Value?

- Value down from $2.16B in 2011 to $2.03B in 2013
- Halibut and Black Cod down by $160M
- Cod and Crab down $60M
- Not enough to offset $80M gain from 2013 salmon
- Other factors: Competition and Over-supply
In the middle of difficulty lies opportunity.
Key Issues Facing AK Seafood

- Canned Pink Salmon Inventory
- Sockeye market competition
- Impacts of Russian Trade Embargo
- Alaska Pollock nomenclature... USDA
- IUU Russian crab... keep differentiating
- Opportunities from high Tilapia and Beef prices
- Rising costs for secondary processors
- Low prices for Pacific Cod and flatfish
- Hot Halibut and Bcod markets, keep promoting
Affects most fishery products from US, EU, Norway, & Canada

7th largest seafood importer - $2.8B in 2013

Russia is our largest competitor for several species (pollock, wild salmon, and crab)

Bought $60M worth of AK Seafood in 2013, about ¾ was salmon roe (1.8% of all AK seafood exports).
Likely to create greater domestic demand for Russian Pollock & Salmon

Displaces roughly 7% of global farmed salmon production. Get ready for Viking marketing invasion in U.S.

What does AK do with that 7.1 million pounds of salmon roe worth $45 million?
What’s in a Name: Alaska Pollock

- Golden opportunity to address nomenclature
  - Russian Trade Embargo and Hostilities
  - Mid-Term Elections

- Domestic Market imported: $138M in AP fillets

- How? ASMI and other orgs work with delegations in AK and WA.
Domestic Opportunity: Tilapia

U.S. Tilapia Imports and Price Trend

Import Value ($Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>1H'13</th>
<th>1H'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$200</td>
<td>$400</td>
<td>$600</td>
<td>$800</td>
<td>$1,000</td>
<td>$1,200</td>
<td>$1,400</td>
<td>$1,600</td>
<td>$1,800</td>
<td>$2,000</td>
<td>$2,200</td>
</tr>
</tbody>
</table>

Fillet Import Price/lb.

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>1H'13</th>
<th>1H'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>$1.30</td>
<td>$1.50</td>
<td>$1.70</td>
<td>$1.90</td>
<td>$2.10</td>
<td>$2.30</td>
<td>$2.50</td>
<td>$2.30</td>
<td>$2.10</td>
<td>$1.90</td>
<td>$1.70</td>
</tr>
</tbody>
</table>

Source: NMFS Trade Data, compiled by McDowell Group.
Domestic Opportunity: Beef

That is a $1.00 difference from last year, or a 46% increase!

Source: Beef Checkoff Wholesale Pricing Update.
Estimated IUU Russian Crab Harvest
2005 - 2013

* Indicates preliminary data.

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

- Keep moving canned pinks
- Alaska Pollock nomenclature (plus other species)
- Reacting to Russian embargo (AK salmon roe exports & NOR salmon)
- Market AK sockeye
- Differentiating + protecting Alaska crab
- Pull U.S. consumers away from beef and tilapia