ALASKA SEAFOOD INDUSTRY UPDATE

Prepared by:
McDowell Group, Inc.
Andy Wink
CAP Meeting – 7.28.15
- Alaska Seafood Overview
- Fishery & Market Update
- Key Issues
- Ketchikan Seafood Industry
Who and What is Alaska Seafood?

- About 60,000 fishermen, processors, fishery managers, etc... from Alaska and every other U.S. state
- Fisheries are managed by State and Federal Agencies
- Diverse Industry: Large corporations to sole proprietors
- Over 80 commercial species, caught by ~6,500 boats and processed in 120 shoreside plants
- 5-6 billion lbs. per year worth $4-$5 billion in first wholesale value
- Employs more workers than any other private sector in Alaska
Alaska Seafood: Harvest Volume by Species

Total 2013 Harvest: 5.9 Billion lbs.

Alaska Pollock 52%

Pacific Cod 12%

Flatfish 12%

Rockfish & Mackerel 4%

Salmon 15%

Rockfish & Mackerel 4%

Crab 2%

All Other 2%

Halibut & Black Cod 1%

Note: Data represents 2012-2013 average.
Source: NMFS, ADF&G.
Alaska Seafood: Harvest Value by Species
Total 2013 Ex-Vessel Value: $2.0 Billion

Salmon 32%
Alaska Pollock 23%
Pacific Cod 10%
Flatfish 6%
Rockfish & Mackerel 2%
Crab 14%
Halibut & Black Cod 11%
All Other 2%

Note: Data represents 2012-2013 average.
Source: NMFS, ADF&G.
Historical Ex-Vessel Value & Harvest Volume
2004 - 2014

Note: 2014 is a preliminary estimate.
Source: NMFS, ADF&G, and McDowell Group estimates.
Alaska Seafood Harvest Value by Region, 2013

- Bering Sea and Aleutian Is.: 47%
- Bristol Bay and North/Western AK: 15%
- Kodiak: 9%
- Southcentral: 13%
- Southeast: 16%

Source: McDowell Group estimates based on NMFS and ADF&G data.
Alaska Seafood Export Markets

- Exported to ~120 countries
- 1.1 million MT & $3.3 Billion
- Groundfish = about half ($)
  Salmon = 20-30%
- China is largest partner
- EU & Japan largest markets
- Exports = 60-70% of value
Alaska is the 6th Largest Seafood Exporter

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>1</td>
<td>Norway</td>
<td>$10.7</td>
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<tr>
<td>2</td>
<td>Chile</td>
<td>4.5</td>
</tr>
<tr>
<td>3</td>
<td>Russia</td>
<td>4.3</td>
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<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>3.1</td>
</tr>
</tbody>
</table>

Notes: Does not include China which is primarily a re-processor. Figures include exports of product classified with the “03” two-digit HS code, which includes the vast majority of edible seafood. Source: NMFS and Global Trade Atlas, compiled by McDowell Group.
Total Employment and Labor Income Supported by Key Basic Sectors in Alaska

Note: Figures include multiplier effects. Includes jobs held by residents and nonresidents.
Sources: McDowell Group industry economic impact studies (2012-2014).

Total: 199,400 jobs (43% of Total AK employment)

- **Oil/Gas (2013)**
  - 111,500 jobs (56%)
  - $6.4 B

- **Seafood (2011)**
  - 41,900 jobs (21%)
  - $2.2 B

- **Tourism (2011-12)**
  - 37,800 jobs (19%)
  - $1.2 B

- **Mining (2010)**
  - 8,200 jobs
  - $0.6 B
Alaska Fisheries & Market Update
July 2015
Alaska Salmon Supply Picture

<table>
<thead>
<tr>
<th>Species</th>
<th>2013</th>
<th>2014</th>
<th>2015e</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sockeye</td>
<td>178</td>
<td>248</td>
<td>350</td>
<td>Roughly On Pace</td>
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<tr>
<td>Pinks</td>
<td>692</td>
<td>330</td>
<td>480</td>
<td>Too Early to Call</td>
</tr>
<tr>
<td>Keta</td>
<td>144</td>
<td>93</td>
<td>135</td>
<td>Below Forecast</td>
</tr>
<tr>
<td>Coho</td>
<td>33</td>
<td>44</td>
<td>31</td>
<td>Too Early to Call</td>
</tr>
<tr>
<td>Chinook</td>
<td>3.6</td>
<td>5.9</td>
<td>3.5</td>
<td>Above Forecast</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,050</strong></td>
<td><strong>721</strong></td>
<td><strong>~1,000</strong></td>
<td></td>
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</table>

**Competing Supply:**

Atlantic Salmon: 4% growth expected in 2015
Russian Salmon Projection: Roughly flat to up slightly from 2013
Frasier River Sockeye: Down significantly

Figures in Millions of lbs.

Note: 2014 data is preliminary, 2015 is based on pre-season forecasts. All figures are in millions of pounds.
Source: ADF&G and McDowell Group estimates.
Alaska Salmon Fisheries & Market Update

- Sockeye came in late/big, likely +50M fish harvest
- Pink salmon forecast is largest on record, mixed start
  - Good harvests in PWS, slow in SE, still early
- Keta harvest below forecast, similar to last year
- Coho forecast down 27%
- Chinook harvest flat, above forecast, troll down
- Implications of warmer water temperatures?
- Wholesale prices have declined for most key products, due to increased supply and/or strong USD
## Alaska Whitefish Supply Picture

### Competing Supply 2015 Forecast:
- **Atlantic Cod:** Down ~10% (Barents Sea)
- **Russian Pollock:** TACs up ~100,000 MT in 2015, increasing supply trend
- **Tilapia:** possibly down out of China, Latin America growing rapidly

### Species Summary (2013-2015)

<table>
<thead>
<tr>
<th>Species</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska Pollock</td>
<td>1,387,146</td>
<td>1,461,051</td>
<td>1,528,251</td>
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<tr>
<td>Pacific Cod</td>
<td>320,600</td>
<td>318,632</td>
<td>324,624</td>
</tr>
<tr>
<td>Sole</td>
<td>410,212</td>
<td>388,766</td>
<td>333,287</td>
</tr>
<tr>
<td>POP</td>
<td>52,431</td>
<td>51,512</td>
<td>53,033</td>
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<tr>
<td>Atka Mackerel</td>
<td>34,322</td>
<td>27,920</td>
<td>56,500</td>
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</table>

*Note: Figures represent Total Allowable Catch in metric tons. Source: NMFS, compiled by McDowell Group.*
Whitefish Market Summary

• Euro down 18% vs USD in past 12 months
• Low pollock fillet prices... MSC/Russia + supply
• Spring pollock roe prices down ~40%
• Cod prices up slightly (in USD terms)
• Russia incentivizing domestic sales, but exports attractive due to weak currency (ruble)
• Flatfish prices also lower (in USD terms)
## Alaska Halibut, Black Cod, and Crab Supply Picture (TACs)

<table>
<thead>
<tr>
<th>Species</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific Halibut</td>
<td>23.1</td>
<td>16.8</td>
<td>17.9</td>
</tr>
<tr>
<td>Black Cod</td>
<td>29.1</td>
<td>24.5</td>
<td>24.5</td>
</tr>
<tr>
<td>Red King Crab</td>
<td>8.6</td>
<td>10.0</td>
<td>N/A</td>
</tr>
<tr>
<td>Golden King Crab</td>
<td>6.0</td>
<td>6.7</td>
<td>N/A</td>
</tr>
<tr>
<td>Snow Crab</td>
<td>66.4</td>
<td>54.0</td>
<td>68.0</td>
</tr>
<tr>
<td>BSAI Bairdi/Tanner Crab</td>
<td>-</td>
<td>3.1</td>
<td>15.1</td>
</tr>
<tr>
<td>Dungeness (harvest)</td>
<td>2.7</td>
<td>5.4</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*TACs in Millions of lbs.*

*Note: IFQ and CDQ TACs. All figures are in millions of pounds*  
*Source: NMFS, compiled by McDowell Group.*
Market Summary

• Halibut supply up from Southeast and CGOA
• Fresh halibut prices down slightly
• Higher black cod prices, less supply to Japan
• King Crab prices up after declining since 2012
• Opilio prices stabilize after declining last fall
• WA/OR Dungy fisheries closed... water temp
IUU Russian Crab

IUU Production Declining, but Still a Problem

Note: 2014 data is preliminary.
Source: McDowell Group estimates based on Global Trade Atlas, FAO, & other sources.
Key Issues for Alaska Seafood
Key Issues Facing Alaska Seafood

- Strong US dollar and very weak euro, yen, & ruble
- Lower prices for many key products... opportunity
- Canned salmon inventory (half pinks & reds)
- Increasing Alaska salmon & whitefish promotion
- IUU Russian crab... keep differentiating
- Market access and sustainability programs
- Economic impact awareness in “urban” Alaska
Alaska Seafood in Ketchikan
Population (Borough): 13,825  
Resident Fishermen: 627  
Local Processors: 7  
Landed Volume (Millions lbs.): 143.5  
Ex-Vessel Value ($M): $76.2  
National Rank (2013): #11  
Salmon – Geoducks – Sea Cucumbers – Halibut – Black Cod
Vigor Ketchikan Shipyard
Shipyard for large ships
Owned by State of Alaska
Built F/V Arctic Prowler in 2013
- 136’ Freezer/LL
- Owned by AK Longline Co. & APICDA

OceansAlaska
Marine science center
Construction in progress
Floating Lab Facility (2012)
Producing oyster seed
Outstanding water quality
Transportation Providers
Provides for high volume fresh/frozen
Alaska Airlines: 5 KTN-SEA flights/day
AML/Lynden: 2x weekly barge service
Also has Alaska ferry service

Training & Education
Training offered through UAS
Wide range of programs
Fills a significant need
Marine Advisory Program
- Extension service