ALASKA SEAFOOD
Spring Update

Prepared for:
Alaska Seafood Marketing Institute

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

Alaska produced 5.5 Billion pounds of seafood in 2011, accounting for 53 percent of total U.S. seafood production.

Source: NMFS
# Alaska is the 7th Largest Seafood Exporter

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Seafood Exports in Billions (2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>$9.7</td>
</tr>
<tr>
<td>2</td>
<td>Norway</td>
<td>9.5</td>
</tr>
<tr>
<td>3</td>
<td>Russia</td>
<td>4.8</td>
</tr>
<tr>
<td>4</td>
<td>Vietnam</td>
<td>4.2</td>
</tr>
<tr>
<td>5</td>
<td>Chile</td>
<td>3.8</td>
</tr>
<tr>
<td>6</td>
<td>Thailand</td>
<td>3.3</td>
</tr>
<tr>
<td>7</td>
<td><strong>Alaska</strong></td>
<td><strong>3.2</strong></td>
</tr>
<tr>
<td>8</td>
<td>Canada</td>
<td>3.2</td>
</tr>
<tr>
<td>9</td>
<td>Netherlands</td>
<td>2.7</td>
</tr>
</tbody>
</table>

*Source: NMFS and Global Trade Atlas.*
Alaska Seafood: Composition by Volume
Total 2012 Harvest: 5.5 Billion lbs

- Alaska Pollock: 53%
- Other Groundfish & Flatfish: 19%
- Salmon: 12%
- Pacific Cod: 12%
- Shellfish: 2%
- Herring: 1%
- Halibut & Black Cod: 1%

Source: NMFS, ADFG
Alaska Seafood: Composition by Ex-Vessel Value
Total 2012 Ex-Vessel Value: $1.9 Billion

- Alaska Pollock: 26%
- Salmon: 27%
- Shellfish: 15%
- Halibut & Black Cod: 14%
- Pacific Cod: 9%
- Other Groundfish & Flatfish: 8%
- Herring: 1%

Source: NMFS, ADFG, and ASMI Estimates.
Markets for Alaska Seafood

United States: 34%
Europe and Russia: 17%
China: 20%
Japan: 15%
Other Countries: 14%

Note: Based on export value and estimated value to domestic market, 2011 data.
Source: NMFS Trade Data and ASMI Estimates.
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)

- Farmed Salmon: 65%
- Other Wild Salmon: 22%
- Alaska Salmon: 13% / 36%

Sources: ADFG, FAO, Groundfish Forum, TINRO, NPAFC, PSFMC and Suisan Keizai Shinbun
## Alaska Salmon Forecast

**Thousands of Fish**

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

*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

Wholesale Value, in $Thousands

Total Wholesale Value

Wholesale Value/lb

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

Source: ADFG.
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
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.
Alaska Salmon permits have more than tripled in value since 2002, and increased by $177M from 2010 to 2012.
Alaska’s Pollock vs Russian Pollock

<table>
<thead>
<tr>
<th>German Wholesale Price (USD/kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3.00</td>
</tr>
<tr>
<td>$3.20</td>
</tr>
<tr>
<td>$3.40</td>
</tr>
<tr>
<td>$3.60</td>
</tr>
<tr>
<td>$3.80</td>
</tr>
<tr>
<td>$4.00</td>
</tr>
<tr>
<td>$4.20</td>
</tr>
<tr>
<td>$4.40</td>
</tr>
<tr>
<td>$4.60</td>
</tr>
</tbody>
</table>

**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.