Alaska Seafood Industry Update

Prepared by:
McDowell Group, Inc.
Andy Wink
All Hands Meeting
10.21.15
Industry Summary
Value Analysis
Species Summary & Outlook
Exports & Currencies
Key Issues
Industry Summary

- Largest private sector employer in Alaska
  - *In terms of direct workers (approx. 60,000)*
- ~6,500 boats and 120 plants... very diverse
- First wholesale value: $4.3 Billion (2014)
- Harvest volume: 5.7 Billion lbs. (2014)
- 6th largest (primary) seafood exporter
- More seafood than all other U.S. states combined
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 Seafood: Harvest Volume by Species
Total 2014 Harvest: 5.7 Billion lbs.

- Alaska Pollock: 56%
- Salmon: 12%
- Flatfish, Rockfish, & Atka Mackerel: 16%
- Pacific Cod: 12%
- Crab: 1%
- Halibut & Sablefish: 1%
- All Other: 2%

Source: NMFS, ADF&G, compiled by McDowell Group.
Alaska Seafood: Harvest Value by Species

Total 2014 Ex-Vessel Value: $1.9 Billion

Source: NMFS, ADF&G, compiled by McDowell Group.

- **Salmon**: 31%
- **Alaska Pollock**: 25%
- **Crab**: 13%
- **Halibut & Sablefish**: 10%
- **Pacific Cod**: 11%
- **Flatfish, Rockfish, & Atka Mackerel**: 8%
- **All Other**: 2%

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Source: NMFS, ADF&G, compiled by McDowell Group.
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%

Catcher-Processor Vessels
Shoreside Plants & Floating Processors

Source: McDowell Group estimates based on NMFS and ADF&G data.
Historical Ex-Vessel Value & Harvest Volume 2004 - 2014

Note: 2014 is a preliminary estimate.
Source: NMFS, ADF&G, and McDowell Group estimates.
More Volume, Less Value... Why?

**High Value Species**
- Halibut and black cod down $150M since 2011
- Crab down $50M from 2012
- Lower salmon prices and value, 2014-2015

**High Volume Species**
- Lower pollock and flatfish value per MT
- Cod volume, price, and value down, 2012-2014
Global Factors Impacting Value

**Negative Factors**
- Weak dollar vs. buyers and competitors
- Russian pollock MSC certification
- Competition from farmed salmon & other sockeye
- Russian embargo & Ukrainian conflict
- More Atlantic cod (through 2014)

**Positive Factors**
- Competing surimi supply down
- Long term demand vs. supply
- Strong Alaska Seafood brand
Alaska Seafood Industry Outlook
Fall 2015
# Alaska Salmon Supply Picture

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Sockeye</td>
<td>178</td>
<td>242</td>
<td>280</td>
<td>+16%</td>
</tr>
<tr>
<td>Pinks</td>
<td>692</td>
<td>324</td>
<td>651</td>
<td>+101%</td>
</tr>
<tr>
<td>Keta</td>
<td>144</td>
<td>92</td>
<td>113</td>
<td>+23%</td>
</tr>
<tr>
<td>Coho</td>
<td>33</td>
<td>42</td>
<td>22</td>
<td>-48%</td>
</tr>
<tr>
<td>Chinook</td>
<td>3.6</td>
<td>5.3</td>
<td>5.1</td>
<td>-5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,050</td>
<td>706</td>
<td>1,072</td>
<td>+52%</td>
</tr>
</tbody>
</table>

**Competing Supply:**

Atlantic Salmon: 4% growth expected in 2015

Russian Salmon: Pink/keta (below forecast), sockeye (stable/down)

Frasier River Sockeye: Down significantly

*Note: 2015 data is preliminary.*

*Source: ADF&G, industry/trade press reports.*
## Alaska Salmon Harvest Value & Price

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Sockeye</td>
<td>Value</td>
<td>$285</td>
<td>$349</td>
<td>$198</td>
</tr>
<tr>
<td></td>
<td>Avg. Price</td>
<td>1.60</td>
<td>1.37</td>
<td>0.71</td>
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<tr>
<td>Pinks</td>
<td>Value</td>
<td>$277</td>
<td>$98</td>
<td>$132</td>
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<tr>
<td></td>
<td>Avg. Price</td>
<td>0.40</td>
<td>0.30</td>
<td>0.20</td>
</tr>
<tr>
<td>Keta</td>
<td>Value</td>
<td>$74</td>
<td>$56</td>
<td>$55</td>
</tr>
<tr>
<td></td>
<td>Avg. Price</td>
<td>0.52</td>
<td>0.60</td>
<td>0.48</td>
</tr>
<tr>
<td>Coho</td>
<td>Value</td>
<td>$35.8</td>
<td>$49.9</td>
<td>$14.6</td>
</tr>
<tr>
<td></td>
<td>Avg. Price</td>
<td>1.08</td>
<td>1.15</td>
<td>0.65</td>
</tr>
<tr>
<td>Chinook</td>
<td>Value</td>
<td>$19.2</td>
<td>$23.5</td>
<td>$15.2</td>
</tr>
<tr>
<td></td>
<td>Avg. Price</td>
<td>5.31</td>
<td>4.07</td>
<td>3.01</td>
</tr>
<tr>
<td>Total</td>
<td>Value (M)</td>
<td>$691</td>
<td>$577</td>
<td>$414</td>
</tr>
</tbody>
</table>

*Note: All prices/values are based on preliminary data, not final price/value data.*

*Source: ADF&G.*
Back to the Future?
2002: Low Water Mark
- Weaker Euro ($0.95) & Weaker Yen (125)
- Inflation-Adj. Ex-Vessel Value: $215M*
- Harvest Volume (millions lbs.): 624M

2013: Peak
- Much Stronger Euro ($1.33) & Yen (98)
- Inflation-Adj. Ex-Vessel Value: $706M**
- Harvest Volume (millions lbs.): 1,050M

2015: Current
- Euro ($1.12) & Yen = (121)
- Inflation-Adj. Ex-Vessel Value: $414M**
- Harvest Volume (millions lbs.): 1,050M

*COAR
**Fish tickets & Area Managers
Salmon Ex-Vessel Value & Harvest Volume
1997 – 2015

Note: 2015 value is estimated to be more consistent with post-season adjustments.
Source: ADF&G and McDowell Group estimates.
Salmon Market Summary

- Well supplied market... significant AK inventory
- Farmed Atlantic prices down 15-20%
- Least optimal currency situation
- Russian embargo & geopolitical impacts
- Canned inventories high
- Chilean farmers taking losses, scaling back
- Less competing supply on immediate horizon

31% of value
## Alaska Whitefish Supply Picture

<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>
</tr>
<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>
</tr>
<tr>
<td>Atka Mackerel</td>
<td>34,322</td>
<td>27,920</td>
<td>56,500</td>
</tr>
</tbody>
</table>

### Competing Supply 2015 Forecast:

- **Atlantic Cod**: Down ~10% (Barents Sea)
- **Russian Pollock**: TACs up ~100,000 MT in 2015, +80,000 in 2016
- **Tilapia**: possibly down out of China, Latin America growing rapidly

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*Note: Figures represent Total Allowable Catch in metric tons.*

*Source: NMFS, compiled by McDowell Group.*
Whitefish Market Summary

• Euro down 17% vs USD (YoY)
• Low pollock fillet prices... MSC/Russia + supply
• Surimi demand/prices up
• Cod prices up slightly (in USD terms), less Acod
• Russia incentivizing domestic sales, but exports attractive due to weak currency (ruble)
• Flatfish prices also lower (in USD terms)
First Wholesale Value, $Millions

**Alaska Pollock**
- 2010: $1,106
- 2011: $1,424
- 2012: $1,469
- 2013: $1,336
- 2014: $1,384

**Pacific Cod**
- 2010: $351
- 2011: $497
- 2012: $495
- 2013: $398
- 2014: $469

**Flatfish**
- 2010: $189
- 2011: $265
- 2012: $291
- 2013: $236
- 2014: $216

**Rockfish & Atka Mackerel**
- 2010: $134
- 2011: $170
- 2012: $160
- 2013: $107
- 2014: $159
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>10.0</td>
</tr>
<tr>
<td>Golden King Crab</td>
<td>6.3</td>
<td>6.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Snow Crab (yr.+1)</td>
<td>54.0</td>
<td>68.0</td>
<td>40.6</td>
</tr>
<tr>
<td>BSAI Bairdi Crab (yr.+1)</td>
<td>3.1</td>
<td>15.1</td>
<td>19.7</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 in SE/CGOA, down in Aleutians
- Fresh halibut prices down slightly from last yr.
- Higher black cod prices, less supply to Japan (substitution?), strong demand in other markets
- King crab prices up after declining since 2012
- Opilio prices stabilize after declining last fall
- Large increases in Alaska Bairdi supply
- WA/OR Dungy fisheries closed... water temp
IUU Russian Crab (King+Snow)

IUU Production Declining, but Supply Still a Problem

Note: 2014 data is preliminary.
Source: McDowell Group estimates based on Global Trade Atlas, FAO, & other sources.
Exports & Currencies
Alaska Seafood Export Markets

- Export to ~120 countries
- 1.1 million MT & $3.3 Billion
- Groundfish = 55%
- Salmon = 25-33%
- China is largest partner
- EU & Japan largest markets
- Exports = 60-70% of value

Note: Estimated 2013 value by final market.
## YTD Export Update – by Species

<table>
<thead>
<tr>
<th>Species</th>
<th>Volume</th>
<th>Value</th>
<th>($M)Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska Pollock</td>
<td>-7.6%</td>
<td>-6.3%</td>
<td>-$51</td>
</tr>
<tr>
<td>Salmon</td>
<td>+9.1%</td>
<td>+6.5%</td>
<td>+$36</td>
</tr>
<tr>
<td>Sockeye</td>
<td>+36.5%</td>
<td>+19.0%</td>
<td>+$31</td>
</tr>
<tr>
<td>Pink</td>
<td>-0.3%</td>
<td>-3.5%</td>
<td>-$6</td>
</tr>
<tr>
<td>Pacific Cod</td>
<td>+8.9%</td>
<td>+9.0%</td>
<td>$19</td>
</tr>
<tr>
<td>Flatfish/NSPF</td>
<td>-22.4%</td>
<td>-22.4%</td>
<td>-$46</td>
</tr>
<tr>
<td>All Other</td>
<td>-1.6%</td>
<td>+3.5%</td>
<td>+$16</td>
</tr>
<tr>
<td>Total</td>
<td>-4.6%</td>
<td>-1.2%</td>
<td>-$27</td>
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</table>

Source: NMFS, compiled by McDowell Group.
## YTD Export Update – by Market

<table>
<thead>
<tr>
<th>Market</th>
<th>Volume</th>
<th>Value</th>
<th>($M)Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>-13.3%</td>
<td>-11.9%</td>
<td>-$78</td>
</tr>
<tr>
<td>Japan</td>
<td>+7.5%</td>
<td>+19.0%</td>
<td>+$84</td>
</tr>
<tr>
<td>Europe</td>
<td>-19.0%</td>
<td>-22.7%</td>
<td>-$125</td>
</tr>
<tr>
<td>Eastern EU</td>
<td>-91.1%</td>
<td>-93.9%</td>
<td>-$42</td>
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<tr>
<td>Other EU</td>
<td>-13.3%</td>
<td>-16.1%</td>
<td>-$80</td>
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<tr>
<td>Brazil</td>
<td>-10%</td>
<td>-55.0%</td>
<td>-$2.5</td>
</tr>
<tr>
<td>South Korea</td>
<td>+20.8%</td>
<td>+23.0%</td>
<td>+$66</td>
</tr>
<tr>
<td>Canada</td>
<td>+13.1%</td>
<td>12.4%</td>
<td>+$23</td>
</tr>
<tr>
<td>Total</td>
<td>-4.6%</td>
<td>-1.2%</td>
<td>-$27</td>
</tr>
</tbody>
</table>

Source: NMFS, compiled by McDowell Group.
NOT SURE IF EVERYTHING IS CHEAP
OR THE CURRENCY EXCHANGE RATE IS TERRIBLE
“Strong” or More Valuable U.S. Dollar is...

- Bad for U.S. Exporters
- Good for their Competitors
At $1.33/EUR = $2,931/mt

At $1.11/EUR = $2,446/mt

Would be a 17% loss in $ terms
Major Buyers’ Currency – YoY vs. USD

- Euro -17%
- Japan -12%
- Canada -12%

Competitors’ Currency – YoY vs. USD

- Russia -36%
- Norway -20%
- Chile -11%

Estimated Ex-Vessel decline of 8% in 2015, is more understandable given these figures.
Key Issues for Alaska Seafood
Key Issues Facing Alaska Seafood

- Countering commoditization... loss of Alaska brand
- Low prices for many key products... opportunities?
- Canned salmon inventory (half pinks & reds)
- Averting crisis for sockeye and troll fishermen
- Increasing Alaska salmon & whitefish promotion
- IUU Russian crab... keep differentiating
- Impact of Alaska budget pressures?
- Economic impact awareness in “urban” Alaska
Alaska Seafood Industry Update

Prepared by: Andy Wink, McDowell Group, Inc.
ASMI All Hands – October 21, 2015