

ALASKA SEAFOOD INDUSTRY UPDATE



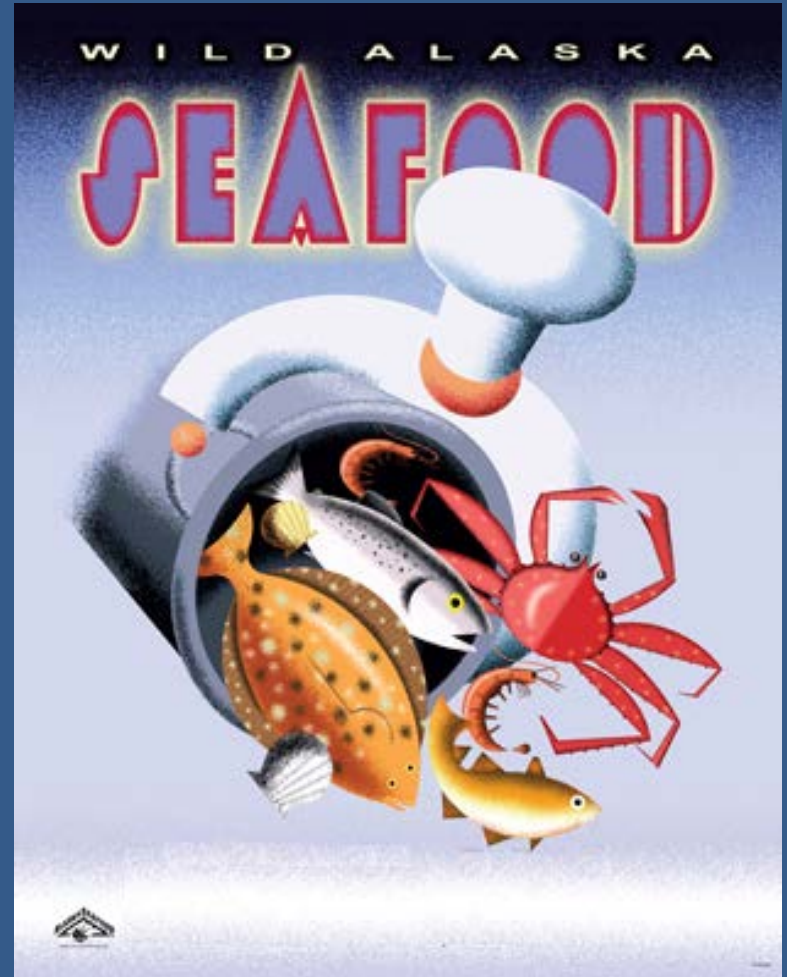
Alaska Seafood Marketing Institute

Photo Credit: Dave Clark

Prepared by:
McDowell Group, Inc.
Andy Wink
October 1, 2014

Contents

- ◆ Industry Overview
- ◆ Industry Outlook
- ◆ Key Issues



- 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

Industry Snapshot

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)

Economic Impact of AK Seafood

July 2013



Wild, Natural & Sustainable™

The Economic Value of Alaska's Seafood Industry



PREPARED BY

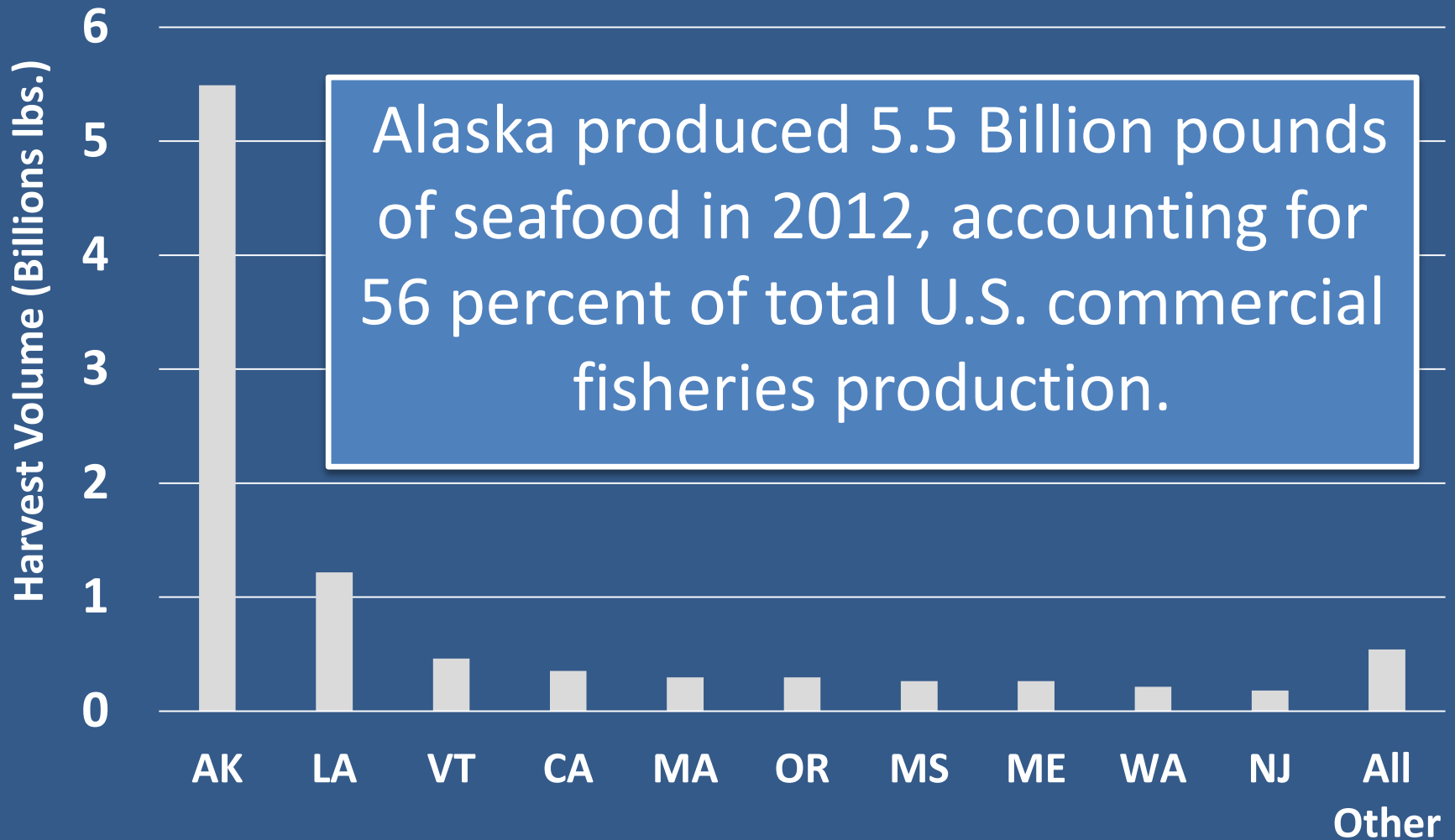


PREPARED FOR

Alaska Seafood
Marketing Institute

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



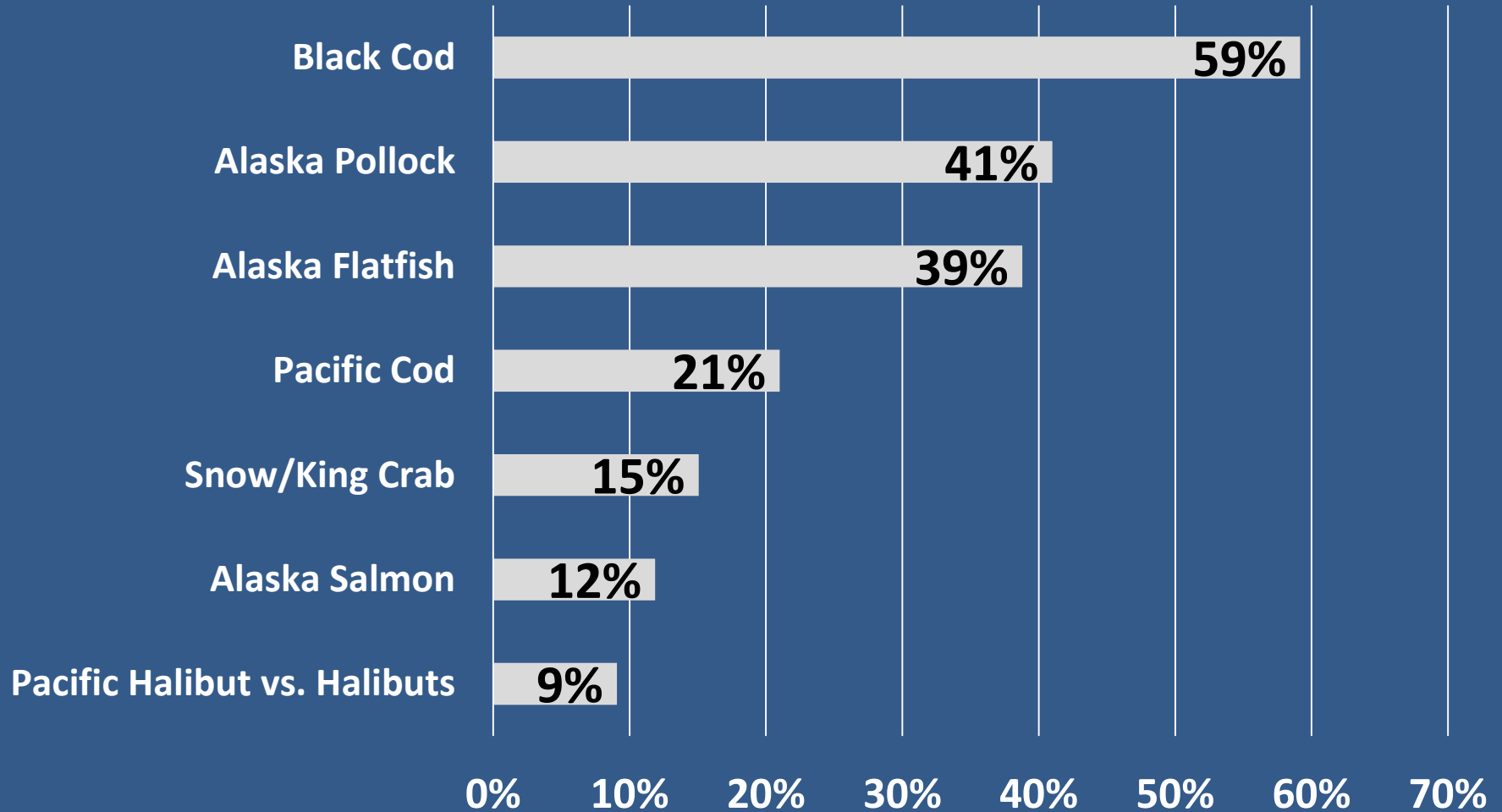
Source: NMFS and ADFG, compiled by McDowell Group.

Alaska is the 6th Largest Seafood Exporter

2013 Rank	Country (Primary Exporters)	Seafood Exports in Billions of \$US (2013)
1	Norway	\$10.7
2	Chile	4.5
3	Russia	4.3
4	Vietnam	4.2
5	Canada	3.9
6	A L A S K A	3.3

Source: NMFS and Global Trade Atlas, compiled by McDowell Group.

Key Alaska Species as Percent of Global Production

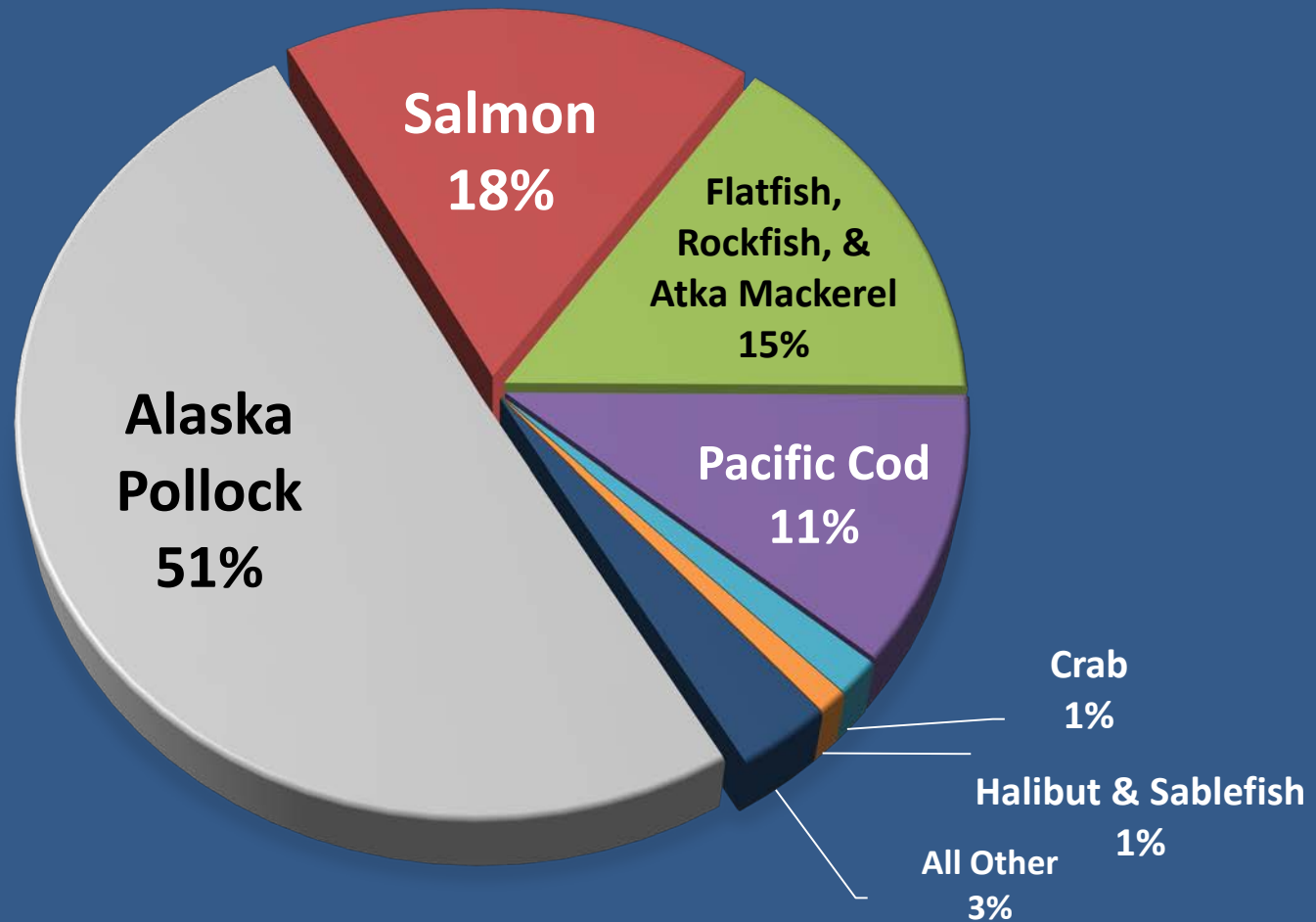


Note: data covers 2011 and 2012, though most categories do not change much from year to year outside of salmon which may fluctuate as much as 5 percent.

Source: NMFS, FAO, compiled by McDowell Group.

Alaska Seafood: Harvest Volume by Species

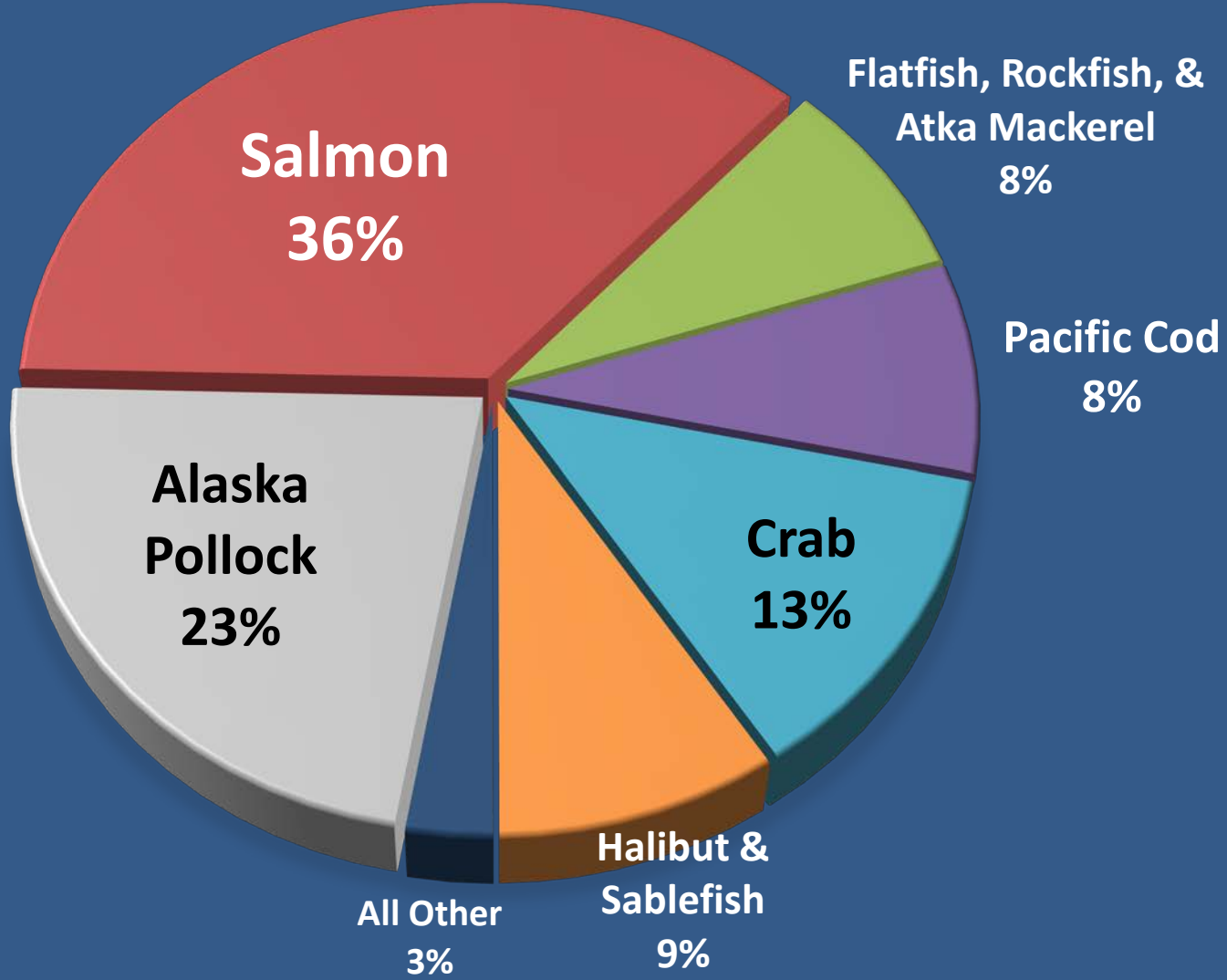
Total 2013 Harvest: 5.9 Billion lbs.



Source: NMFS, ADFG. Data is preliminary. Compiled by McDowell Group

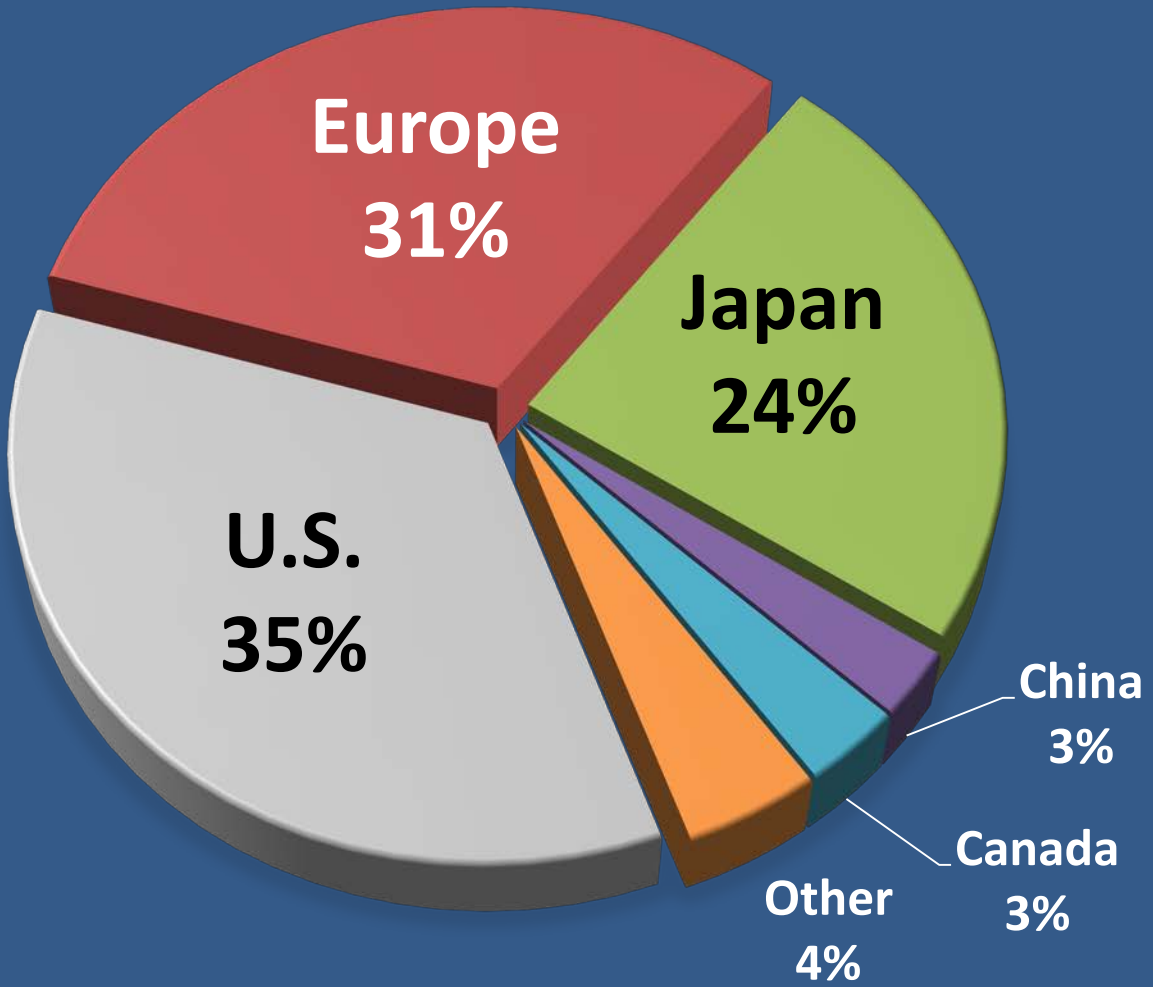
Alaska Seafood: Composition by Ex-Vessel Value

Total 2013 Ex-Vessel Value: \$2.0 Billion



Source: NMFS, ADFG, and McDowell Group Estimates. Data is preliminary.

Estimated Market Share - 2013

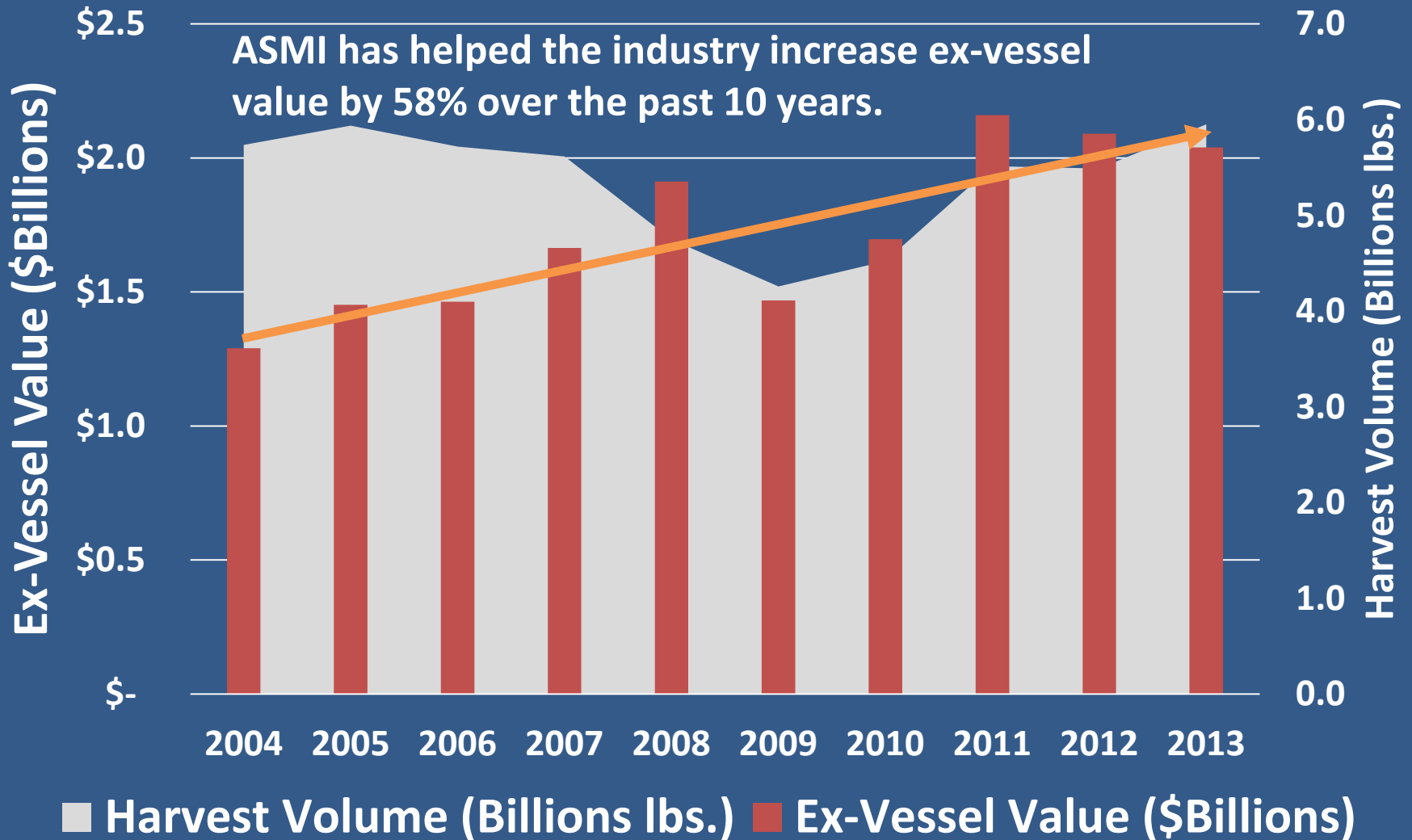


Note: These figures are rough estimates of final sales made by country based on preliminary wholesale value, trade data, and industry interviews. There is no conclusive data source for summarizing market share by country.

Source: NMFS and McDowell Group estimates.

Ex-Vessel Value of AK Seafood

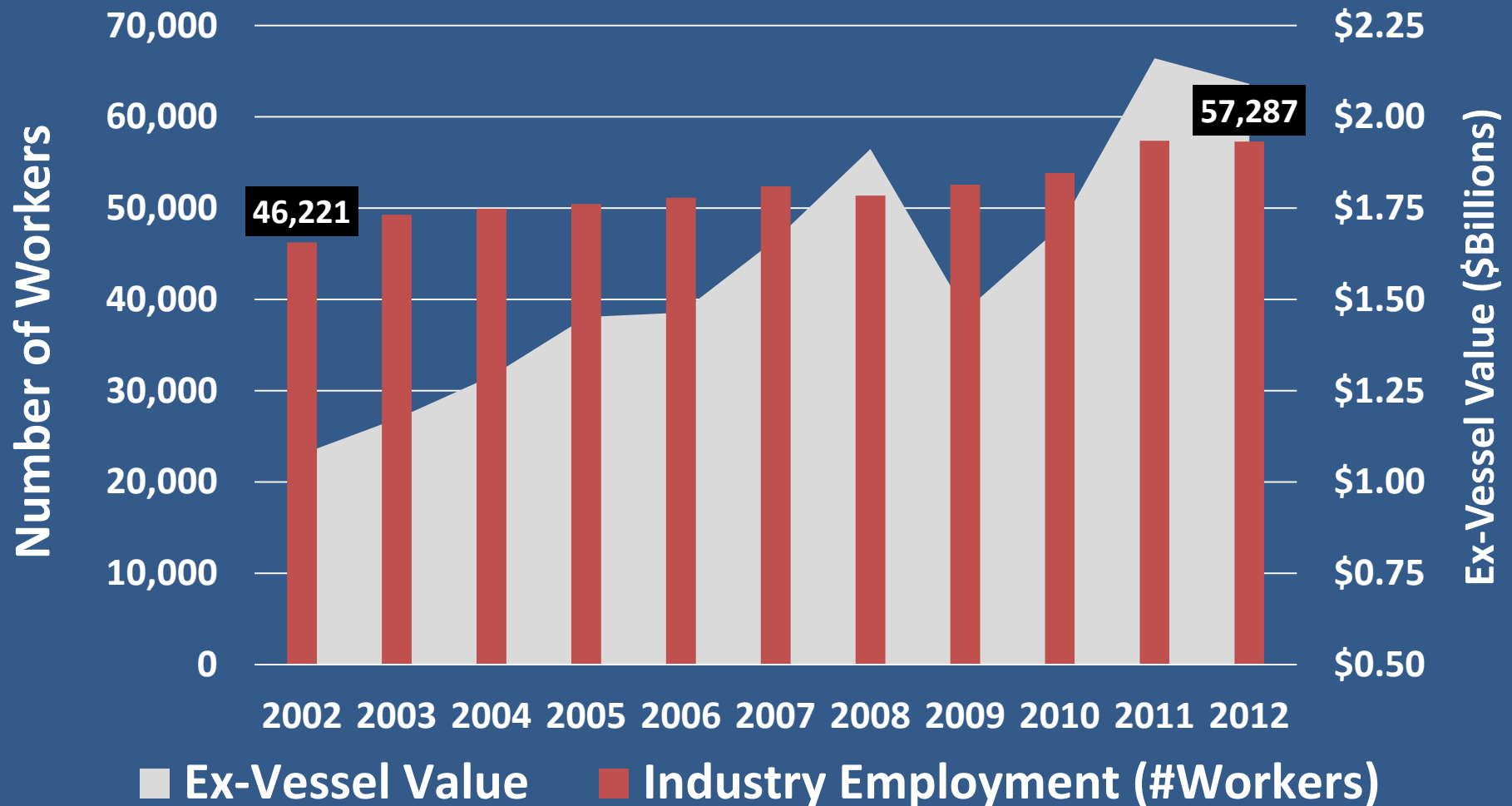
Alaska Seafood was worth over \$2.0 billion in 2013



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

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

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

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

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

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

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

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

Pollock Fillets: -3%

Sockeye: -10%

Surimi: +10%

Pinks: -33%

Pollock Roe: -20% (larger vol.)

Keta: -10 to -15%

Pacific Cod: +10 to 15%

Troll-caught Coho: -7%

YF Sole: +12%

Troll-caught King: -23% (vol. up)

POP: +11%

Black Cod: +20 to +30%

Halibut: +18% (lower vol.)

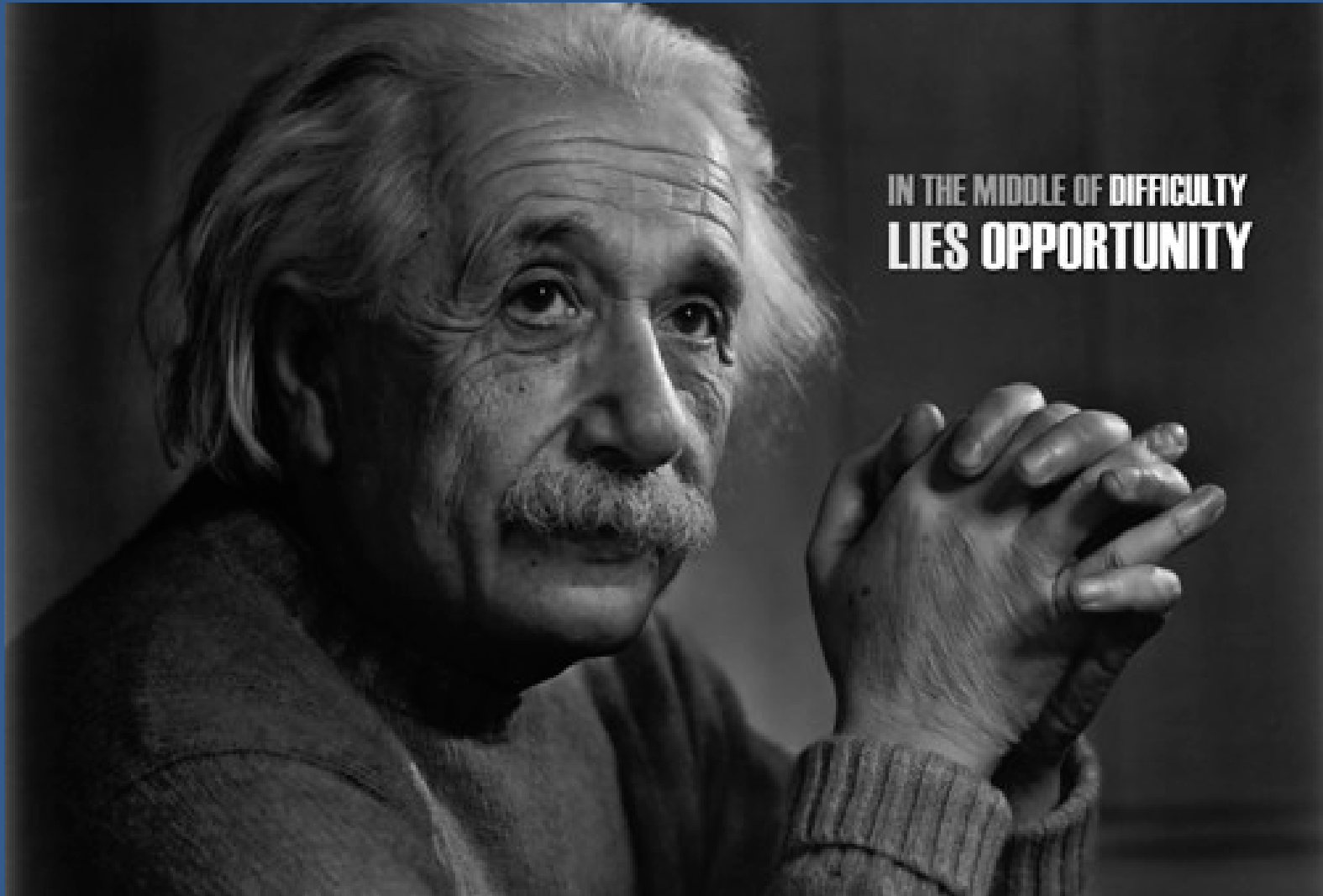
Snow Crab: +6%

These projections suggest an ex-vessel value of \$1.8 to \$1.9 billion in 2014. Which would be the 3rd 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

Russian Trade Embargo

- ◆ 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 $\frac{3}{4}$ was salmon roe (1.8% of all AK seafood exports).

Russian Embargo - Musical Chairs

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



Likely to create greater domestic demand for Russian Pollock & Salmon

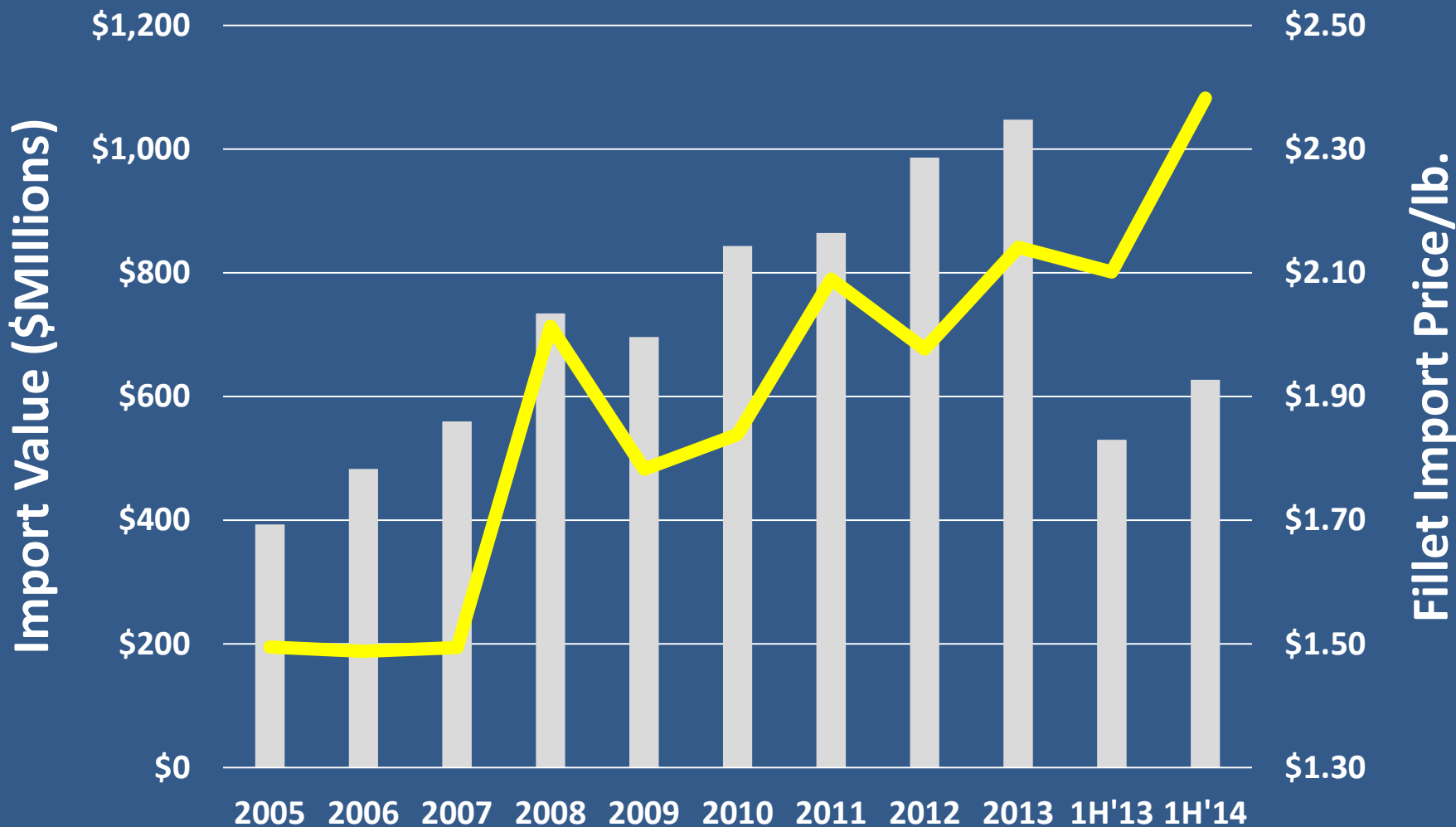
What does AK do with that 7.1 million pounds of salmon roe worth \$45 million?

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



Source: NMFS Trade Data, compiled by McDowell Group.

Domestic Opportunity: Beef



Estimated IUU Russian Crab Harvest

2005 - 2013

Adding \$2, \$1, and \$0.50 to ex-vessel prices for Red King Crab, Golden King Crab, and Snow Crab would have increased the value of the fishery by nearly \$60 million in 2013!

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

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Presentation Prepared by:
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Andy Wink

andy.wink@mcdowellgroup.net

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