

ALASKA SEAFOOD INDUSTRY UPDATE



Prepared by:
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All Hands Meeting
10.21.15



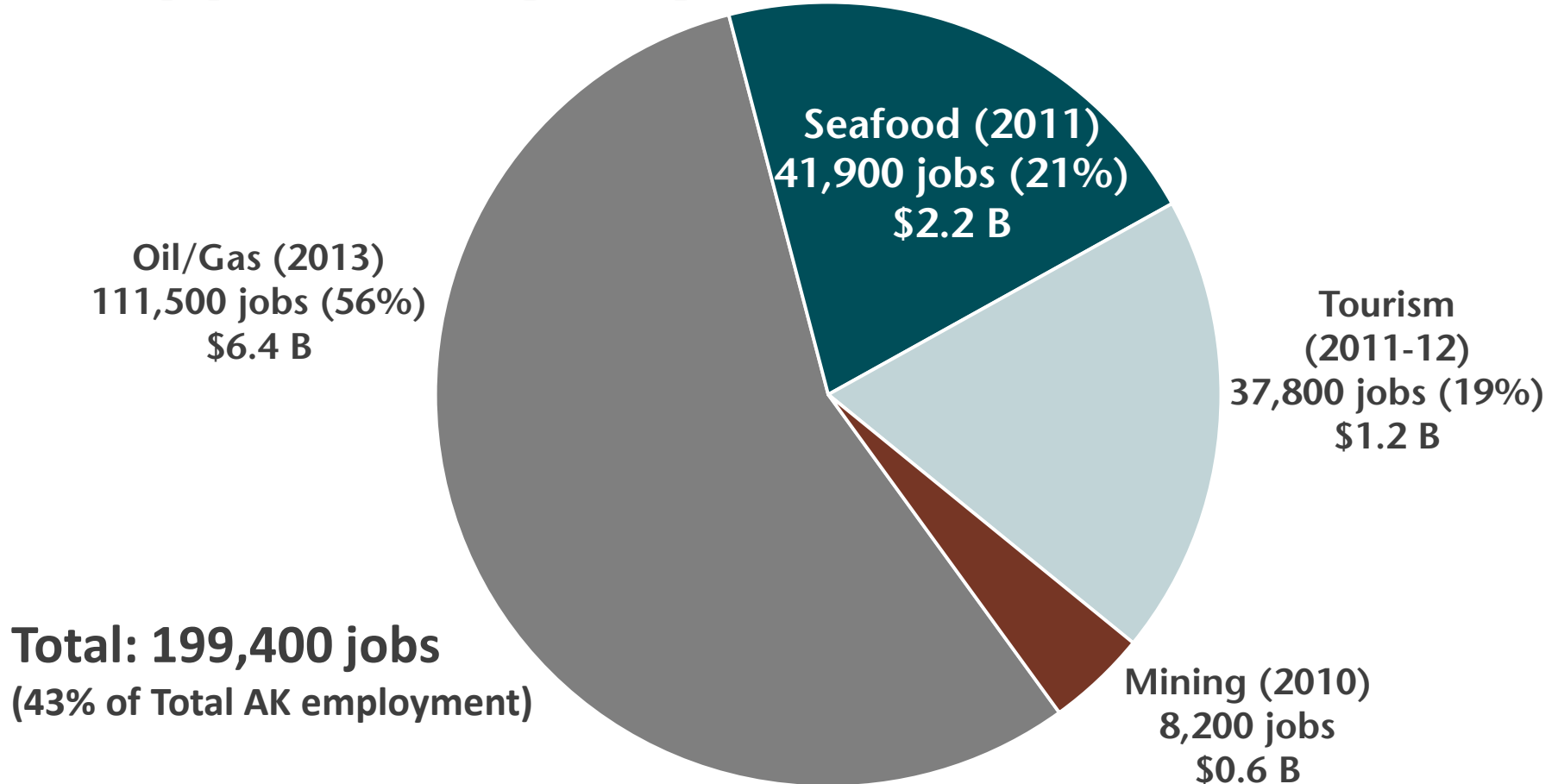
- ◆ Industry Summary
- ◆ Value Analysis
- ◆ Species Summary & Outlook
- ◆ Exports & Currencies
- ◆ Key Issues



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

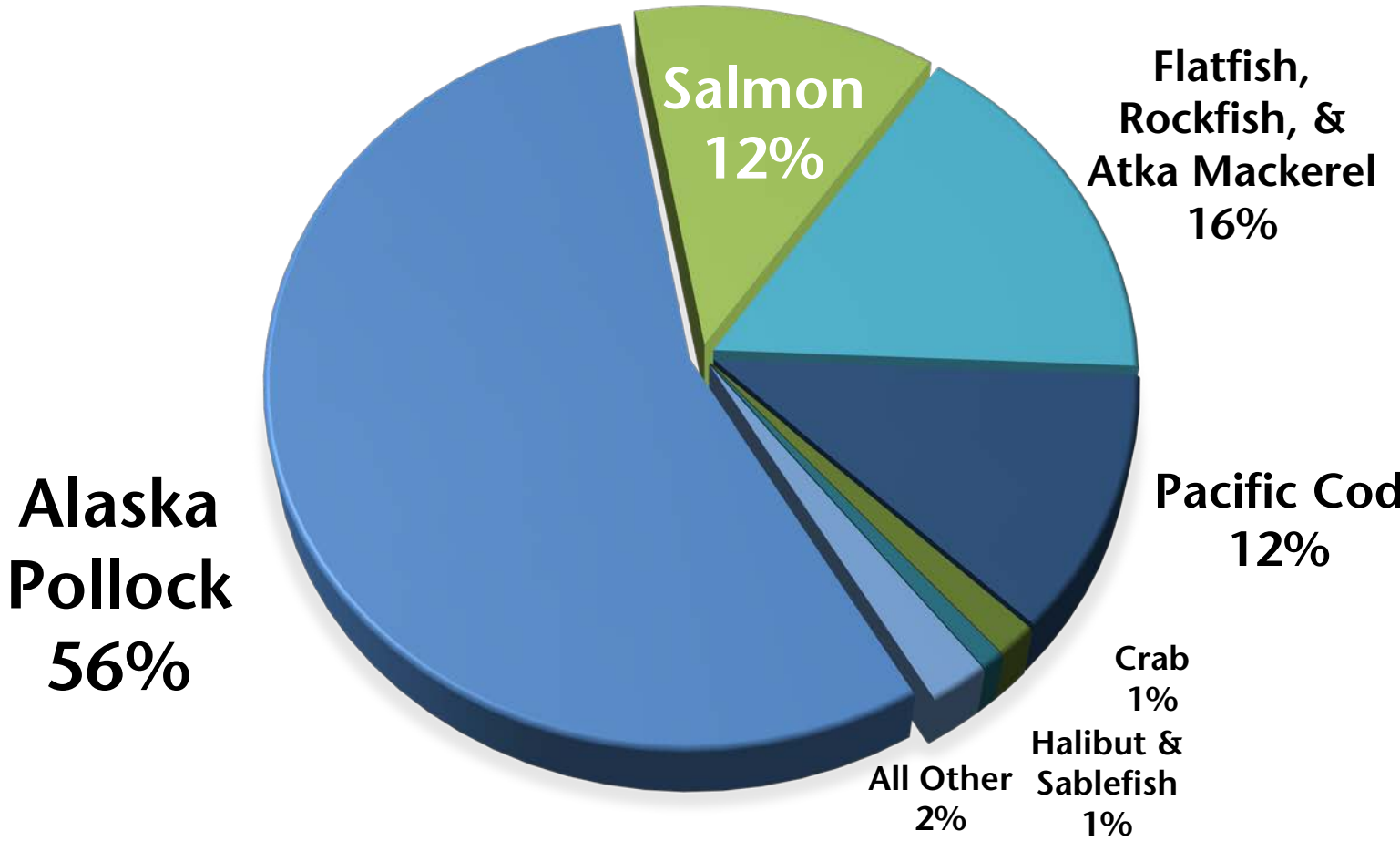


Note: Figures include multiplier effects. Includes jobs held by residents and nonresidents.

Sources: McDowell Group industry economic impact studies (2012-2014).

Alaska Seafood: Harvest Volume by Species

Total 2014 Harvest: 5.7 Billion lbs.

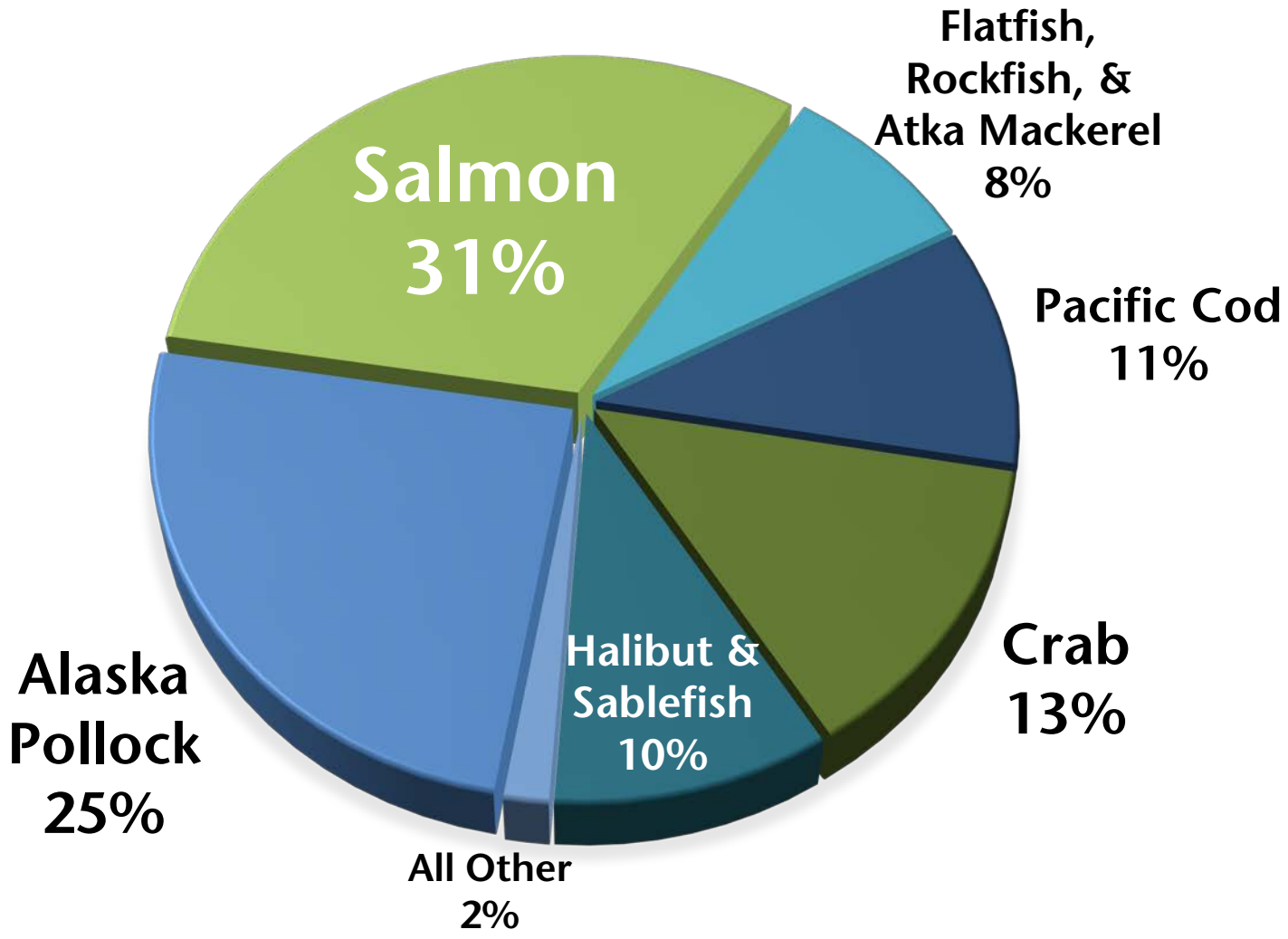


Source: NMFS, ADF&G, compiled by McDowell Group.



Alaska Seafood: Harvest Value by Species

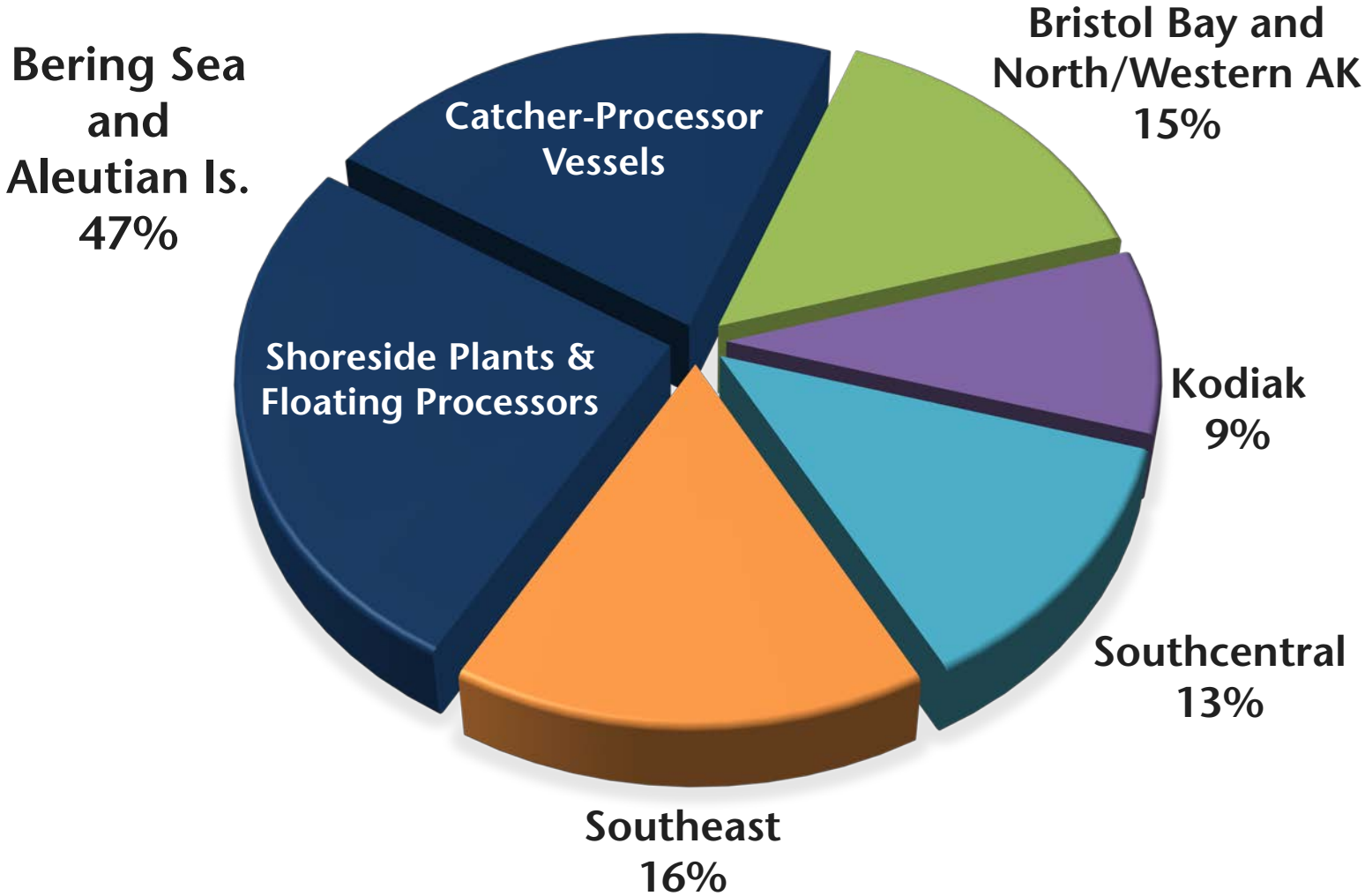
Total 2014 Ex-Vessel Value: \$1.9 Billion



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



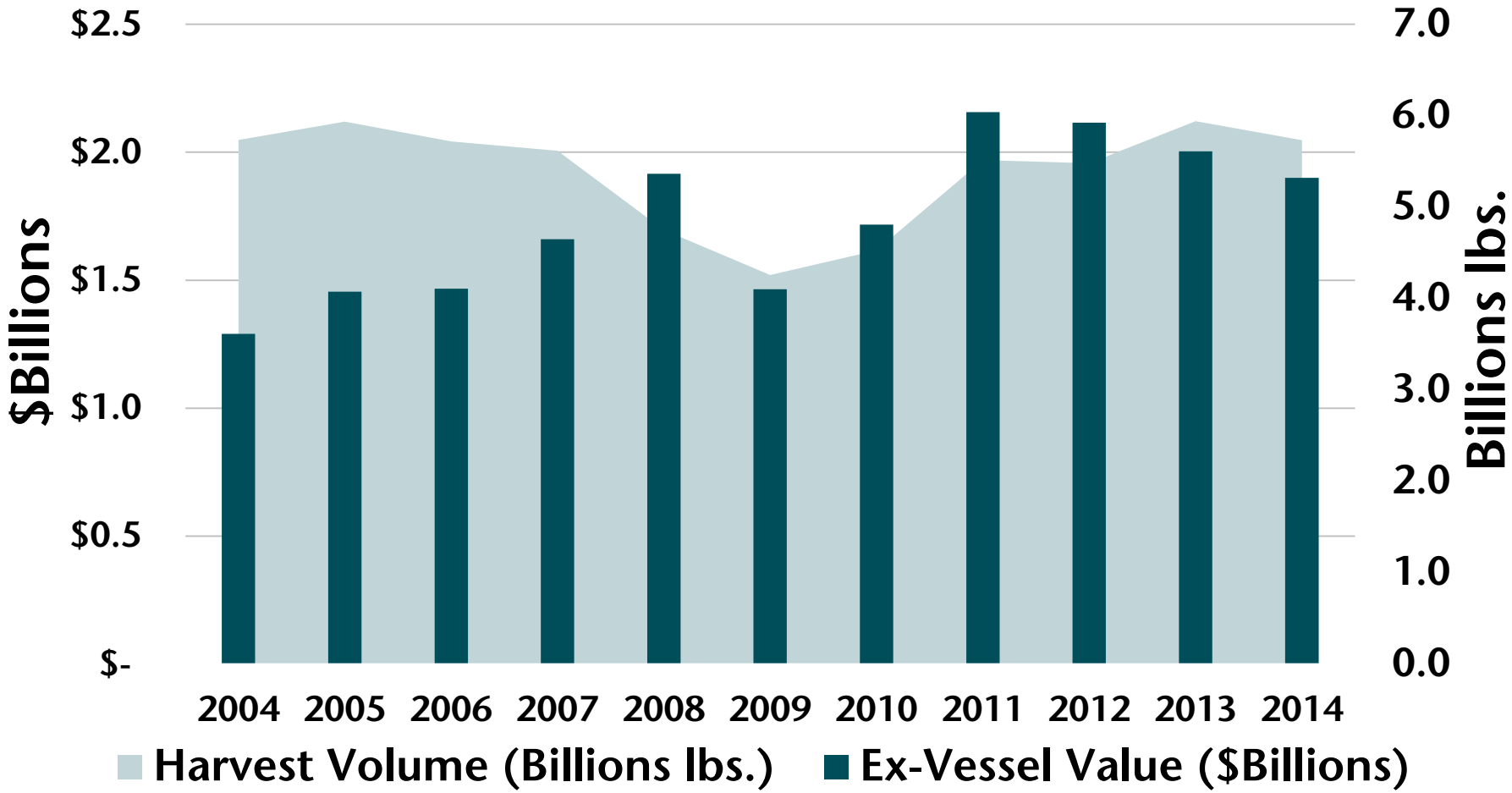
Alaska Seafood Harvest Value by Region, 2013



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

<u>Species</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Pct. Chg.</u>
Sockeye	178	242	280	+16%
Pinks	692	324	651	+101%
Keta	144	92	113	+23%
Coho	33	42	22	-48%
Chinook	3.6	5.3	5.1	-5%
Total	1,050	706	1,072	+52%

Figures in Millions of lbs.

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

<u>Species</u>		<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Pct. Chg.</u>
Sockeye	Value	\$285	\$349	\$198	-43%
	Avg. Price	1.60	1.37	0.71	-48%
Pinks	Value	\$277	\$98	\$132	+35%
	Avg. Price	0.40	0.30	0.20	-33%
Keta	Value	\$74	\$56	\$55	-2%
	Avg. Price	0.52	0.60	0.48	-20%
Coho	Value	\$35.8	\$49.9	\$14.6	-71%
	Avg. Price	1.08	1.15	0.65	-43%
Chinook	Value	\$19.2	\$23.5	\$15.2	-35%
	Avg. Price	5.31	4.07	3.01	-26%
Total	Value (\$M)	\$691	\$577	\$414	-28%

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**

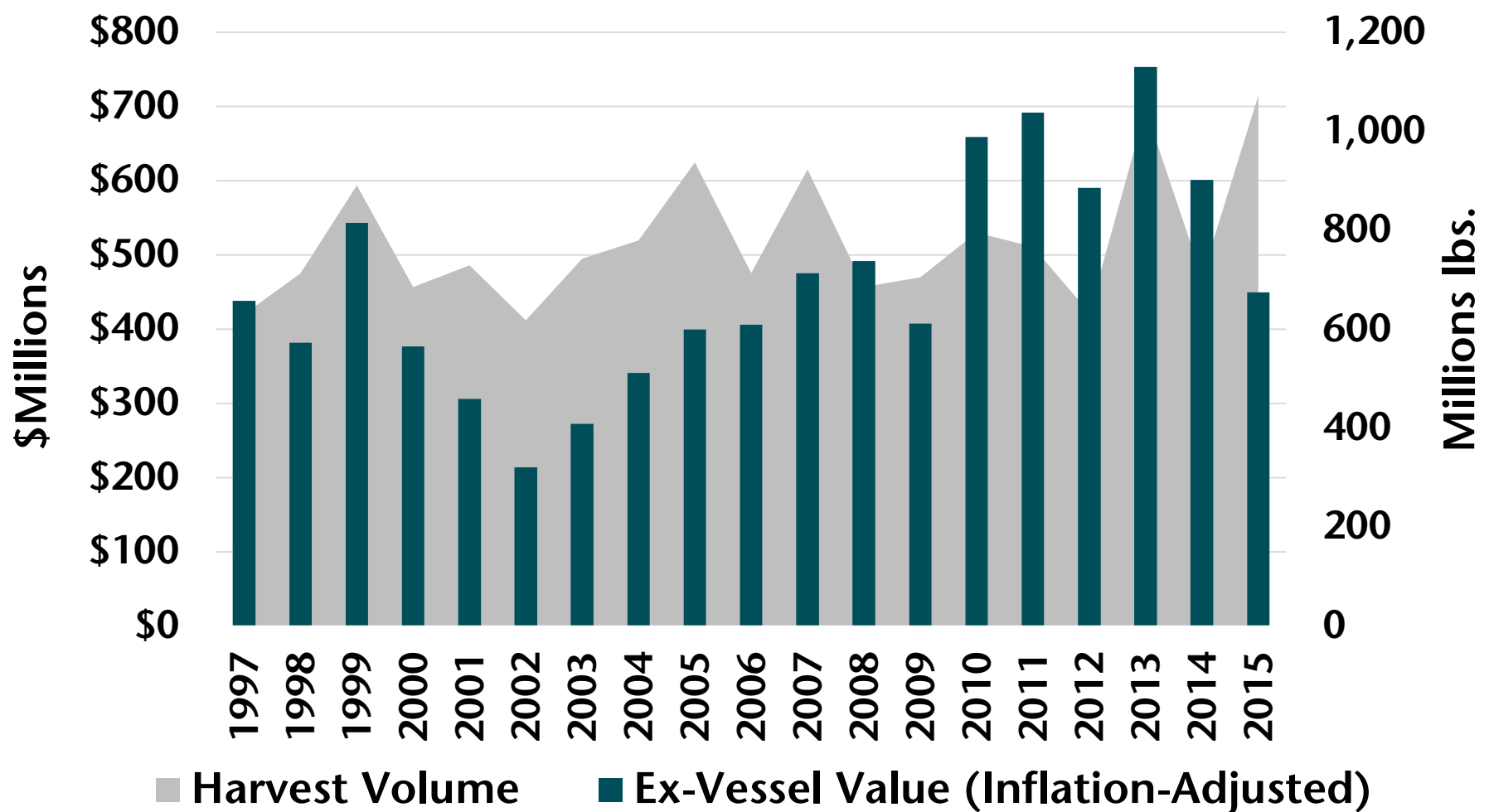
- ◆ Euro (\$1.12) & Yen = (121)
- ◆ Inflation-Adj. Ex-Vessel Value: **\$414M****
- ◆ Harvest Volume (millions lbs.): 1,050M

**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

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

TACs in Metric Tons

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

Note: Figures represent Total Allowable Catch in metric tons.

Source: NMFS, compiled by McDowell Group.

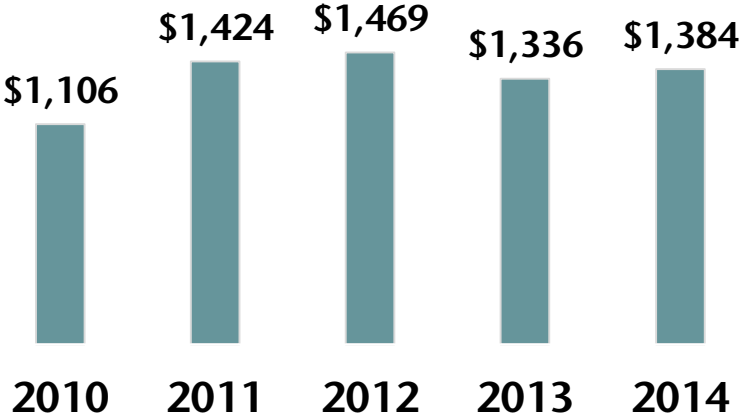
Whitefish Market Summary

44%
of value

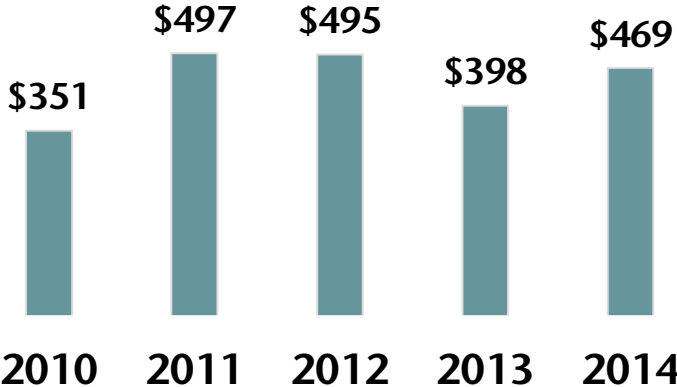
- Euro down 17% vs USD (YoY)
- Low pollock fillet prices... MSC/Russia + supply
- Surimi demand/prices up
- Cod prices up slightly (in USD terms), less Acod
- Russia incentivizing domestic sales, but exports attractive due to weak currency (ruble)
- Flatfish prices also lower (in USD terms)

First Wholesale Value, \$Millions

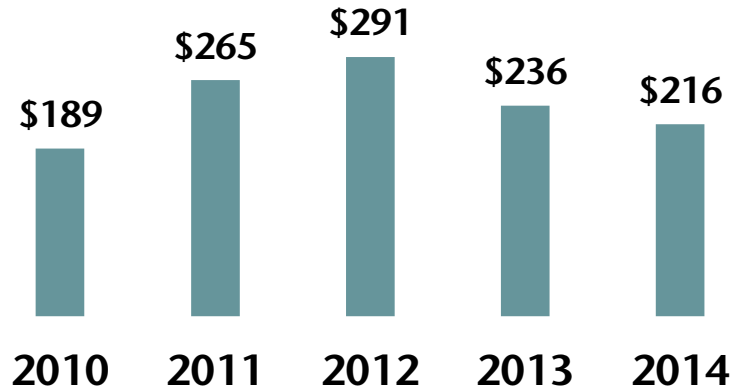
Alaska Pollock



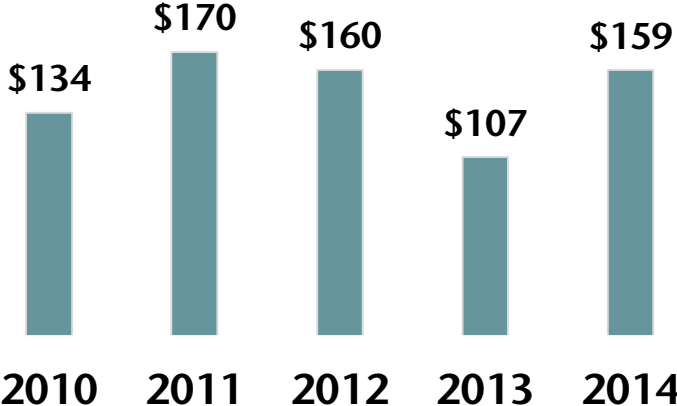
Pacific Cod



Flatfish



Rockfish & Atka Mackerel



Alaska Halibut, Black Cod, and Crab Supply Picture (TACs)

23%
of value

<u>Species</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Pacific Halibut	23.1	16.8	17.9
Black Cod	29.1	24.5	24.5
Red King Crab	8.6	10.0	10.0
Golden King Crab	6.3	6.3	6.3
Snow Crab (yr.+1)	54.0	68.0	40.6
BSAI Bairdi Crab (yr.+1)	3.1	15.1	19.7
Dungeness (harvest)	2.7	5.4	N/A

TACs in Millions of lbs.

Note: IFQ and CDQ TACs. All figures are in millions of pounds

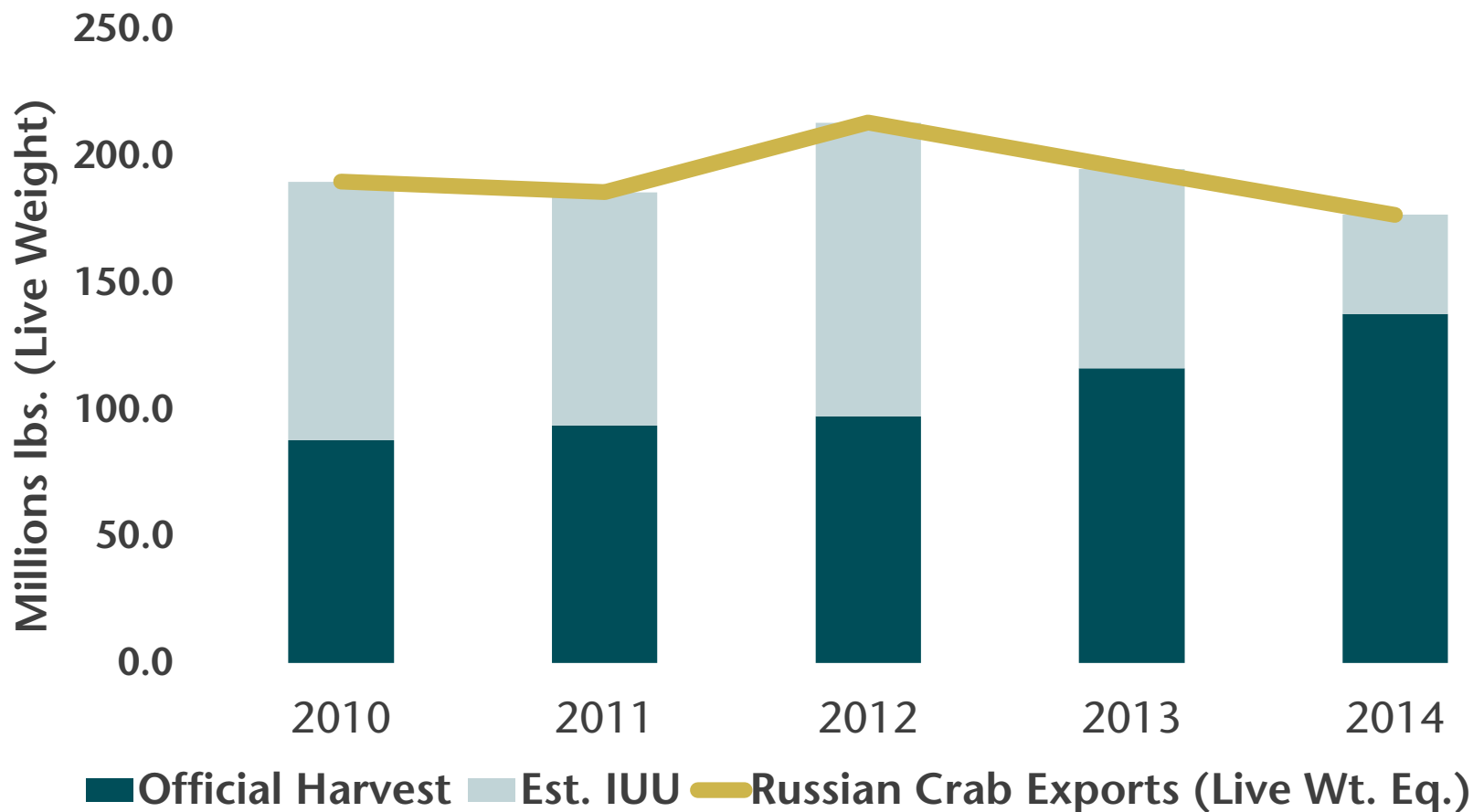
Source: NMFS, compiled by McDowell Group.

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 Dungeness fisheries closed... water temp

IUU Russian Crab (King+Snow)

IUU Production Declining, but Supply Still a Problem



Note: 2014 data is preliminary.

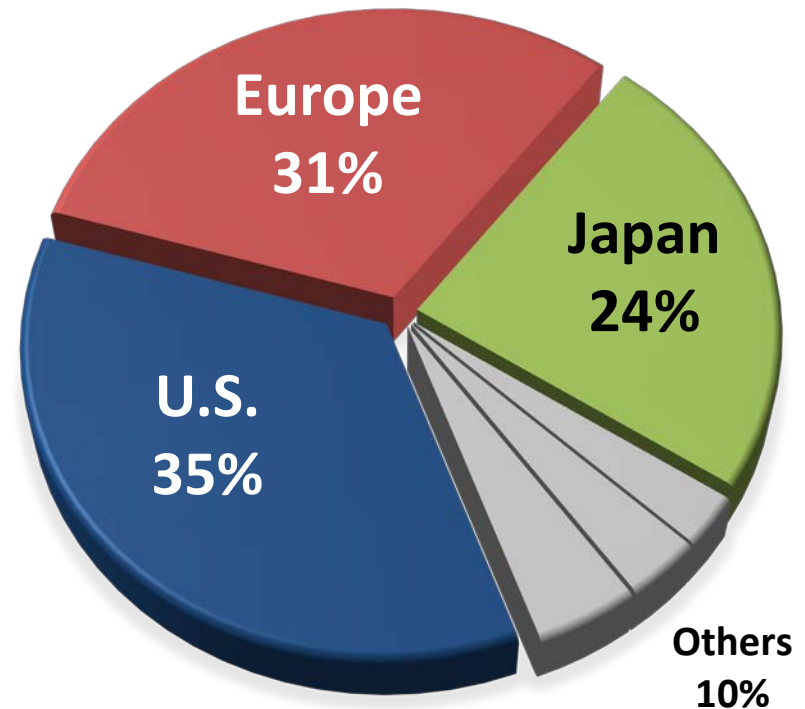
Source: McDowell Group estimates based on Global Trade Atlas, FAO, & other sources.

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

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

Source: NMFS, compiled by McDowell Group.

YTD Export Update – by Market

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

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

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ASMI All Hands – October 21, 2015

