

Summer 2018 Halibut and Sablefish Market Bulletin

Key Market Trends

HALIBUT

- 2018 total allowable catch (TAC) down 9 percent from 2017, to 17.5 million pounds.
- Early season 2018 ex-vessel prices of between \$4.50 and \$5.50 per pound are well below 2017 opening price of around \$7.00 per pound.
- Factors contributing to lower prices include existing inventory and competing Atlantic halibut supply.

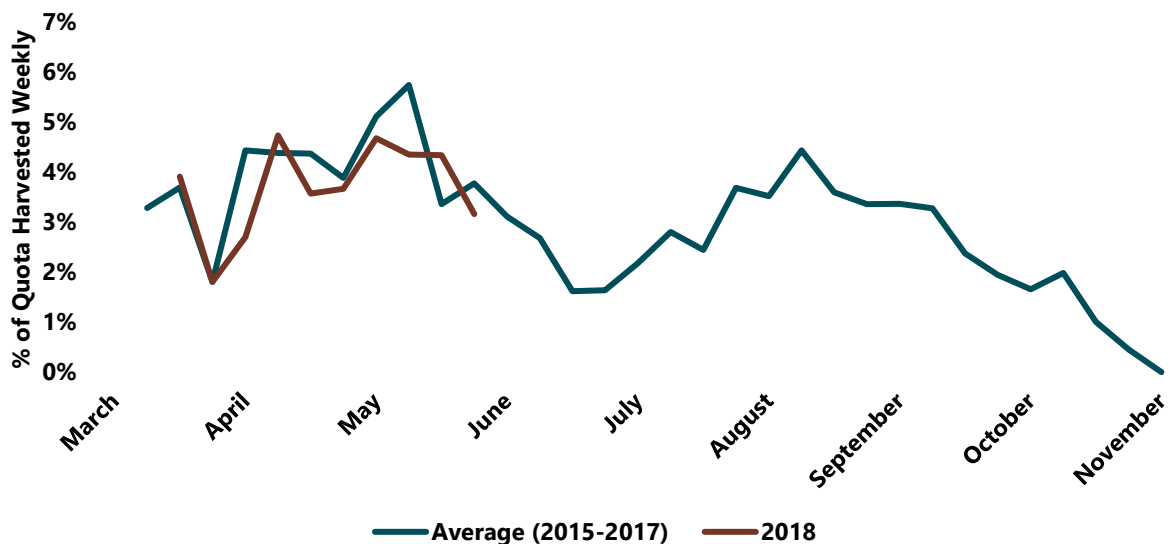
SABLEFISH

- 2018 TAC up 14 percent from 2017 to 25.8 million pounds.
- Opening 2018 ex-vessel prices of between \$1.50 and \$8.00 per pound (depending on size) are about \$1.00 to \$3.00 lower than 2017.
- Existing inventory, a larger 2018 harvest, and generally lower demand (likely due to the previous year's high value) are factors contributing to lower ex-vessel prices.

Pacific Halibut

The total allowable catch (TAC) for halibut has trended lower from more than 60 million pounds in the early 2000s to less than 20 million pounds today. Open between March and November throughout Alaska, the halibut season typically has two peaks—one in May and another in late August/early September—as many fishermen harvest salmon between June and August. Between 2015 and 2017, the last two weeks of May saw the largest volume of halibut deliveries; more than 10 percent of the annual quota is typically landed in this two-week period. Through the first ten weeks of the 2018 season, harvesting efforts have been consistent with previous years.

Weekly Alaska Pacific Halibut Harvest by Percent of Quota, 2015-2017 Average and 2018 YTD



Note: does not include CDQ harvest.
Source: NMFS.

Supply

Alaska's Pacific halibut fisheries, with about 75 percent of the total US and Canada 2018 TAC, are the primary sources of global supply. Pacific halibut TACs in Canada and along the U.S. West Coast represent about 23 and 2.6 percent, respectively.

In 2018, Alaska's Pacific halibut TAC fell 9.2 percent from the prior year to 17.5 million pounds. All areas experienced TAC reductions, with the largest reductions coming from the Western Gulf of Alaska (down 17 percent) and Southeast (down 15 percent). Since 2011, Alaska's halibut TACs have been reduced by 46 percent, or about 15 million pounds. Quota for Pacific halibut in British Columbia and the U.S. West Coast (Washington and Oregon) declined by 1.2 million pounds or 16 percent between 2017 and 2018.

Total Allowable Catch of Pacific Halibut in U.S. and Canada (Million lbs.), 2011-2018

Area	2011	2012	2013	2014	2015	2016	2017	2018
Alaska								
Southeast (2C)	2.3	2.6	3.0	3.3	3.7	3.9	4.2	3.6
Central GOA (3A)	14.4	11.9	11.0	7.3	7.8	7.3	7.7	7.4
Western GOA (3B)	7.5	5.1	4.3	2.8	2.7	2.7	3.1	2.6
Eastern Aleutians (4A)	2.4	1.6	1.3	0.9	1.4	1.4	1.4	1.4
Central/West Aleutians (4B)	2.2	1.9	1.5	1.1	1.1	1.1	1.1	1.1
Other BSAI (4CDE)	3.7	2.5	1.9	1.3	1.3	1.7	1.7	1.6
Total Alaska	32.5	25.5	23.0	16.8	17.9	18.2	19.3	17.5
Other U.S. (2A)	0.5	0.5	0.5	0.5	0.5	0.6	0.8	0.6
Canada (2B)	6.7	6.0	6.0	5.8	6.0	6.2	6.3	5.3
Total Non-Alaska	7.2	6.5	6.5	6.3	6.5	6.8	7.0	5.9
Grand Total	39.7	32.0	29.5	23.1	24.4	25.0	26.4	23.4

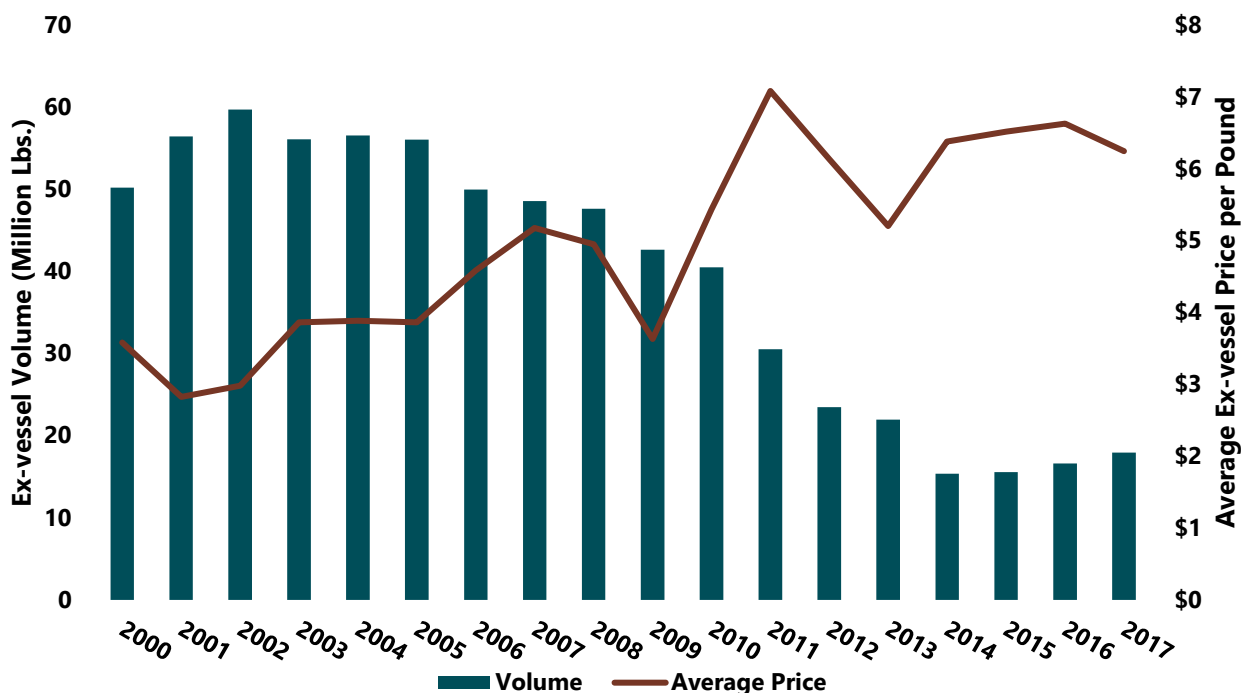
Note: includes community development quota (CDQ) and Indian treaty allocation. Does not include charter vessel allocation. Figures are reported in net weight (headed and gutted) and may not sum due to rounding.

Source: IPHC.

Value and Volume of the Harvest

Consistent with the reduction in TACs, landed volumes of halibut have declined significantly since peaking at approximately 60 million pounds in 2002, dropping to a low of approximately 15 million pounds in 2014. In terms of total harvest value, the harvest decline has been offset somewhat by an increase in prices. Harvest volumes declined more than 70 percent over this period while average real ex-vessel prices roughly doubled, averaging about \$6 per pound between 2015 and 2017.

Ex-vessel Volume and Average Real Price per Pound of Alaska Pacific Halibut Harvest, 2000-2017



Note: Value figures are adjusted for inflation. Volume figures are in net weight.
Source: ADF&G (COAR).

2018 Market Conditions

Halibut fishing opened on March 24 to difficult market conditions compared to 2017. Conversations with fishermen and processors indicated ex-vessel prices were between \$4.25 and \$5.50 per pound, depending on the size of halibut and port. These prices represent a steep decline from the roughly \$7.00 per pound offered last year. Several factors appear to be impacting halibut prices:

- **Existing Inventory.** Though the volume of carry-over inventory is unknown, some frozen product is evidently still available from 2017, contributing additional supply and perhaps depressing prices.
- **Competing Supply.** Canadian Atlantic halibut quota continues to expand, including growth in 2018. This fishery is open nearly year-round and is well-positioned to supply fresh markets on the East Coast. Currency rates favorable to Canada are supporting a relatively low price for Atlantic halibut, adding further competitive pressure.
- **Price Fatigue.** High ex-vessel prices in recent years have pushed the value of halibut up to \$30.00+ per pound at the retail level. Higher prices generally contribute to lower demand.

Alaska's Pacific halibut is highly dependent on the domestic US market, where 80 to 90 percent of Alaska's annual production is consumed. Canada is the second largest market, and small amounts of Alaska halibut are sporadically exported to Europe and Southeast Asia. In a typical year, about three-fourths of halibut production goes to buyers in a headed and gutted product form. The remainder is composed of skinless/boneless fillets, whole fish, cheeks, and other products.

Although prices have declined recently, Alaska halibut maintains a strong reputation with buyers and consumers nationally.

Sablefish

Alaska Sablefish TACs increased 3.2 million pounds (14 percent) in 2018 from 2017, with all harvest areas increasing between 14 and 15 percent. With more than 35 percent of statewide TAC, the Central Gulf will see the largest 2018 volume increase (1.1 million pounds), followed by Southeast (0.9 million pounds). TAC increases in these areas are particularly impactful, as most of the quota is harvested, unlike the Aleutian Islands and Bering Sea areas where between 30 and 50 percent of the TAC is harvested due to difficult fishing conditions

Alaska Sablefish IFQ TACs (Million Pounds), 2017 and 2018

Area	2017 TAC	2018 TAC	% Change
Aleutian Islands	2.3	2.6	15%
Bering Sea	1.1	1.3	15%
Central Gulf	8.0	9.1	14%
Southeast	5.7	6.6	14%
Western Gulf	2.4	2.7	14%
West Yakutat	3.1	3.5	14%
Total	22.6	25.8	14%

Note: Values have been rounded.
Source: NMFS.

Alaska accounts for more than 70 percent of the global sablefish harvest; the remainder comes from British Columbia and the U.S. West Coast. Sablefish are harvested across Alaska with longlines, pots, and trawl gear. To prevent whale depredation, fishermen are increasingly using pots. Federal IFQ sablefish fisheries accounted for about 20 million pounds of the nearly 26 million pound harvest in 2017. Trawl fishermen harvested and sold about five million pounds of sablefish, and the relatively small State of Alaska sablefish fisheries accounted for about one million pounds in 2017.

(Table on following page.)

Alaska Sablefish Harvest by Fishery (Million lbs.), 2011-2017

Fishery/Area	2011	2012	2013	2014	2015	2016	2017
IFQ							
Aleutian Islands	1.68	1.81	1.61	1.15	0.89	0.67	0.70
Bering Sea	1.06	1.06	0.80	0.43	0.32	0.39	0.60
Central Gulf	8.27	9.76	9.44	8.23	7.90	6.95	7.62
Southeast	6.45	6.88	6.87	5.92	5.84	5.09	5.70
Western Gulf	2.75	2.81	2.85	2.44	2.02	1.99	2.25
West Yakutat	3.83	4.24	3.91	3.25	3.27	2.81	3.05
Total	24.04	26.55	25.48	21.41	20.25	17.89	19.93
State of Alaska							
Southeast	0.54	0.52	0.51	0.49	0.51	0.48	0.51
Prince William Sound	0.22	0.20	0.16	0.10	0.02	0.04	0.07
Aleutian Islands	0.20	0.22	0.22	0.16	0.15	0.08	0.12
Cook Inlet	0.06	0.07	0.04	0.05	0.03	0.05	0.04
Total	1.02	1.02	0.93	0.80	0.71	0.64	0.74
Federal Trawl							
Bering Sea	0.10	0.21	0.30	0.07	0.04	0.57	1.52
Aleutian Islands	0.10	0.33	0.13	0.06	0.04	0.07	0.28
Western Gulf	0.12	0.14	0.03	0.13	0.09	0.10	0.15
Central Gulf	2.04	1.62	1.46	1.66	1.76	1.82	2.63
West Yakutat	0.24	0.15	0.38	0.34	0.47	0.39	0.45
Total	2.60	2.43	2.29	2.26	2.39	2.95	5.04
Grand Total	27.66	30.00	28.70	24.48	23.35	21.48	25.71

Note: values may not sum due to rounding. Does not include bycatch.
Source: NMFS; ADF&G.

2018 Market Conditions

Market conditions for Alaska sablefish are generally weaker compared to 2017, with prior-year inventories depressing ex-vessel prices and persistently high retail prices restricting demand. Conversations with harvesters and other stakeholders indicate prices paid to fishermen are approximately \$1-\$3 lower per pound than the same period in 2017. Current prices range widely, from about \$1.50 per pound to \$8.00 per pound, depending on size of the fish and port of delivery. Fishermen are also reporting smaller fish this year, further depressing ex-vessel prices.

Estimated Opening Ex-vessel Prices in Alaska for Sablefish, 2018

Size Category	Price per Pound
Less than 2 Pounds	\$1.50
2-3 Pounds	\$2.50
3-4 Pounds	\$3.50
4-5 Pounds	\$4.75
5-6 Pounds	\$6.50
6-7 Pounds	\$7.50
Greater than 7 Pounds	\$8.00

Source: Alaska Boats and Permits; conversations with harvesters.

Important markets for sablefish are the United States, Japan, China, and other Asian countries. Patagonian toothfish is the primary species Alaska sablefish competes with in these markets. Demand in Japan, sablefish's main market, appears to be stable, in part due to the U.S. dollar weakening against the Japanese yen since 2017, putting Alaska sablefish exports in a better price position. Japanese consumer demand for sablefish peaks in late April through early May during the "Golden Week" holiday.

Estimated Wholesale Price of Sablefish in Japan, May 2018

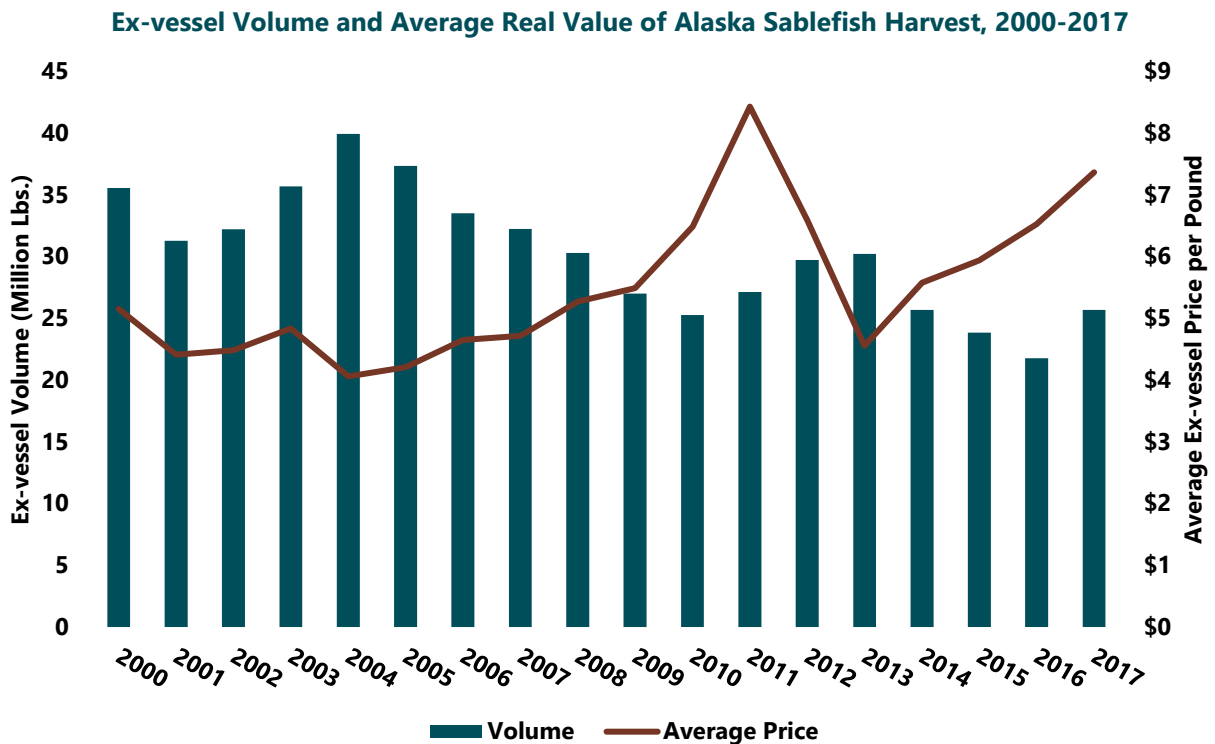
Size Category	Price per Pound
1-2 Pounds	\$11-\$14
2-3 Pounds	Less than \$18
3-4 Pounds	More than \$18
4-5 Pounds	\$21

Note: Quote is for H&G sablefish in 50-pound boxes.
Source: ASMI (Japan).

Conversations with ASMI officials in Japan indicate wholesale prices for sablefish destined for retail sales range between \$11 per pound (H&G) for fish weighing between one and two pounds to more than \$20 per pound (H&G) for fish weighing four to five pounds.

Value and Volume of the Harvest

Since 2000, the total volume of sablefish harvested in Alaska has trended lower. Following a peak of about 40 million pounds in 2004, harvests fluctuated between 25 and 35 million pounds before settling at a 17-year low of about 22 million pounds in 2016. This decline has been tempered by generally strong ex-vessel prices, which peaked in 2011 at around \$8.00 per pound. Following a sharp slide in price over 2012 and 2013, prices recovered somewhat, reaching an average of about \$7.00 per pound in 2017.



Note: Value figures are adjusted for inflation. Volume figures are in round weight. 2017 harvest volume is preliminary.
Source: NMFS.