ALASKA SEAFOOD MARKET UPDATE
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Market Update
• Harvest Value and Volume
• Key Markets
• Industry Impacts
• Species Update

ASMI Marketing Update
• Marketing Program Highlights
• Tariff Conflict Update
• Product Innovation
MARKET UPDATE
McDowell Group

- Research and consulting since 1973
- 17 professional staff
- Offices in Juneau, Anchorage, Bellingham
- Areas of expertise: seafood, oil & gas, tourism, mining, transportation, health care, education
- Services: economic and socioeconomic analysis, surveys, market research, feasibility studies, community planning, program evaluation
Ex-vessel Volume and Value by Species
(2016-2017 Annual Average)

Note: Some 2017 data are preliminary.
Source: NMFS and ADF&G; compiled by McDowell Group.

Ex-vessel Volume
5.9 Billion Pounds

Ex-vessel Value
$1.9 Billion
<table>
<thead>
<tr>
<th>Alaska Species</th>
<th>Primary Competition or Substitute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pollock</td>
<td>Russia Pollock; Hake</td>
</tr>
<tr>
<td>Pacific Cod</td>
<td>Russia Pacific cod; Atlantic Cod</td>
</tr>
<tr>
<td>Snow Crab</td>
<td>Russia and Canada Snow Crab</td>
</tr>
<tr>
<td>POP/Rockfish</td>
<td>Redfish; Non-AK Sebastes</td>
</tr>
<tr>
<td>Atka Mackerel</td>
<td>Russia Okhotsk Mackerel; Japan A.M.</td>
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<tr>
<td>Black Cod</td>
<td>Sea Bass</td>
</tr>
<tr>
<td>Pacific Halibut</td>
<td>Canada Atlantic Halibut</td>
</tr>
<tr>
<td>Salmon</td>
<td>Chile/Norway farmed salmon; other wild</td>
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</tbody>
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Markets for Alaska Seafood

- U.S. usually largest market, followed by China, Japan, South Korea, and EU
- Export volume and (nominal) value in 2017 the highest recorded
- More than one billion pounds of seafood exported annually since 2013
2018 Exports

• Volume: 2.3 billion pounds (-8%)
• Value: $3.3 billion (-4%)
• Top three export products
  • Pollock surimi, $478 million (+12%)
  • Pollock fillets, $367 million (+11%)
  • Sockeye H&G, $313 million (+15%)
• China export volume/value down 20%
Seafood Industry Impacts

- 60,000 jobs with $1.5 billion in earnings
- More than 9,000 vessels
- 87 large shoreside plants in AK
- Industry supports at least $150 million annually in taxes/fees
- A “one penny” increase in prices $1.8 million in tax revenue
Seafood Industry Impacts
Kodiak

- 2,600 residents earned income from seafood industry
- KIB generated $1.8 million from local fish tax (FY18)
- Shared SOA taxes
  - KIB, $1,919,000
  - City of Kodiak, $959,000
  - Larsen Bay, $155,000
Outlook
Salmon

- Salmon
  - 2018 harvest 6th most valuable; 34th most volume
  - Outlook is generally positive; market is stable to strong
  - Forecasts are mixed; odd-year supports increased pink volume
  - 2019 Russia salmon harvest possibly a billion pounds
• Pollock
  • 3 billion + pounds harvest annually
  • Prices recovering, particularly for fillets, surimi, and roe
  • “One penny” increase equals $35 million
  • Long-term Russia supply anticipated to decline
Outlook
Halibut

• Halibut
  • Quotas 8% higher in 2019 to 18.9 million pounds
  • Canadian supply a challenge
  • Some reports of inventory; early prices have been stable
  • Lower IFQ values
Atlantic halibut imports from Canada have nearly doubled since 2012.

Source: NMFS.
• Halibut
  • Quotas 8% higher in 2019 to 18.9 million pounds
  • Canadian supply a challenge
  • Some reports of inventory; early prices have been stable
  • Lower IFQ values
Sablefish

- Quota 41% higher in 2019 to 46.4 million pounds
- Smaller sablefish
- Lower IFQ values
- Value per pound -18% into Japan
Outlook
Pacific Cod

- Pacific cod
  - Quota down 40% since 2017
  - Value climbing, but not enough
  - Russia volume up; MSC certification expected in 2019
  - Alaska production less than 10% of global supply.
Other Species

- Crab
  - BSAI TAC up 20%; record values
  - Kodiak Tanner harvest worth ~$3 million
- Other
  - Flatfish/rockfish markets generally strong
  - Most quota up or stable
Outlook

- U.S. dollar strengthening against Yuan, Yen, and Euro
- Trade disputes are a threat
- Global whitefish supply outlook lower; prices up
- Salmon market positive
WHAT IS THE ALASKA SEAFOOD MARKETING INSTITUTE?

As Alaska’s official seafood marketing arm, ASMI maximizes the economic value of the Alaska seafood resource by:

- developing and creating markets
- building and protecting the Alaska Seafood brand
- working directly with the seafood industry

ASMI is a public-private partnership directed by a Governor-appointed Board of Directors: five processors, two commercial harvesters.
Many Alaska seafood products receive a market premium over other seafood products. This added value is largely due to the marketing efforts of ASMI.

ASMI’s strategic and targeted marketing efforts produce significant results.

- Promotions for online sales in China sold over $1 million in product for only $10,000 spent in advertising, an **ROI of 100:1**.
- A 2018 week-long retail promotion in Japan produced over $223 million in Alaska seafood sales for a spend of $35,000, which equates to an **ROI of 6,371:1**.
- In North America, Alaska Seafood overtook Angus Beef in 2016 to be the **No. 1 ranked protein** brand on menus nationwide.
- **71 percent** of domestic seafood eaters are willing to pay more for seafood labeled with the “Alaska Seafood” logo.
# Alaska Seafood Marketing Institute

## FY 2019 Budget

### Funds

- **UNRESTRICTED GENERAL FUNDS**: $0
- **GENERAL FUND MATCH**: $0
- **FEDERAL FUNDS (MARKET ACCESS PROGRAM)**: $4,212,400
- **VOLUNTARY INDUSTRY TAX**: $8,500,000 (est.)

### Projected Reserve

- $12,460,400

### Total Authorization

- $20,569,900

### FY 2016 Marketing Spend Actuals

- $19,128,600

### FY 2017 Marketing Spend Plan

- $17,040,000

### FY 2018 Marketing Spend Plan

- $17,033,125

### FY 2019 Marketing Spend Plan

- $16,000,000
ANNUAL MARKETING BUDGETS

- 2016:
  - Norwegian Export Council: $19,000,000
  - ASMI: $66,500,000

- 2018:
  - Norwegian Export Council: $17,033,100
  - ASMI: $50,250,000

INTERNATIONAL COMPETITION
GLOBAL MARKETING EFFORTS

ASMI Global Promotions

8 Regional Programs in 31 Countries:

- Japan
- China
- Brazil
- Northern Europe
- Central Europe
- Southern Europe
- Western Europe
- Eastern Europe

United States & Canada

- Foodservice
- Retail
- Distributor
- Consumer Public Relations

Datassential 2018
60% of Alaska Seafood is exported

60% value of Alaska Seafood from exports
ALASKA SEAFOOD MARKETING INSTITUTE
CHALLENGES & OPPORTUNITIES

CHALLENGES
- Trade disputes with China, Russia embargo, Brexit
- Significant competition from farmed, other proteins
- High prices of some key species

OPPORTUNITIES
- Successful application for federal marketing funds
- Qualities that align with consumer ethos
- Incredible story to tell
25% Tariff on Alaska Seafood Exports to China

- Implemented July 6, 2018
- Most major Alaska Seafood products including frozen finfish (salmon, pollock, cod, sablefish, rockfish, flatfish), roe, geoduck, sea cucumber, scallops, crab species and fishmeal. Some fresh product is exempt (salmon, herring) and fish oil.
- Short-term impacts: Tariffs will likely increase the cost of Alaska seafood products to Chinese consumers. Long-term impacts: If the tariff stays in place, it could impact demand & consumer sentiment in China for Alaska seafood/U.S. products.
- Does not include product reprocessed and re-exported

10-25% Tariff on Alaska Seafood Imports from China to U.S.

- 10% Sept. 2018 ; 25% March 1, 2019 (delayed)
- Excludes some salmon, cod and Alaska pollock products
- Could increase cost of Alaska Seafood products to U.S. companies and to U.S. consumers.
- Long-term - This could slow U.S. consumption of our own seafood because prices could increase. Companies may eventually look elsewhere for reprocessing.
- The proposed tariffs have already caused cancellations and delay, as well as uncertainty by U.S. and Chinese seafood companies.
E-COMMERCE PLATFORMS see good rate of return in China: Over $6.12 million (661,400 lbs) of Alaska seafood was sold over 44 sales promotion days.

TRADE MISSIONS bring buyers from China, Ukraine and an international group of women seafood executives to Alaska to tour Alaska fisheries and host media and chefs to explore Alaska’s seafood species and fisheries.

SEAFOOD EXPO GLOBAL in Brussels directly connects Alaska seafood companies to buyers worldwide. 2018 onsite sales at the ASMI Pavilion exceeded $52M; Projected sales total from the show will exceed $640M.
NEW YORK EVENTS activate major media coverage of the Alaska Seafood brand.

ALASKA CULINARY RETREAT hosts media and chefs to explore Alaska’s seafood species and fisheries.

ASMI works with the following restaurants, retailers and organizations to promote Alaska Seafood to consumers:

- Amazon Prime
- Macy's
- Jack in the Box
- Sonic
- King Soopers
- Costco
- Kroger
- Morrison Healthcare
- American Heart Association
- H-E-B
- QFC
- Columbia Crest
- Chateau Ste. Michelle
- Kona Brewing Co.
US MARKETING HIGHLIGHT
AMAZON PRIME + AMAZON FRESH PARTNERSHIP

CO-OP between ASMI, Amazon Prime, Amazon Fresh, Serious Eats and Simply Recipes.

SHOPPABLE RECIPES featuring Alaska salmon, whitefish and shellfish all approved by the American Institute for Cancer Research.

CLICKABLE INGREDIENTS added to shopper’s carts online, available for 24-hour delivery in applicable areas.
INTERNATIONAL RECOGNITION FOR RFM

- **Alaska Responsible Fisheries Management (RFM)** is Alaska’s sustainability certification program, ensuring market access at no cost for all Alaska producers.

- RFM successfully benchmarked against Global Sustainable Seafood Initiative (GSSI)’s Global Benchmark Tool. GSSI is a global platform to streamline seafood purchasing decisions while promoting sustainability.

- Alaska RFM was the first certification to do so in 2015.
INDUSTRY OUTREACH

RESOURCES

QUALITY handling guides and resources for processors and fishermen

BUYERS GUIDES help distributors, chefs, retailers learn more about Alaska’s seafood.

RESEARCH AND REPORTS on health, nutrition, utilization and industry efficiency
PRODUCT INNOVATION
REACHING THE CHANGING CONSUMER

- Top-growing sales category in 2017 was prepared foods
- Second largest growth category was combo meals
- Ready meals market expected to reach $143B by 2023
- In 2015 over 40% of meals served at home were cooked elsewhere

“Limited time is the top reason that deli prepared foods have become so popular in recent years. Consumers still want to eat at home, even though everyone seems to be working longer hours, leaving little time to cook a full meal and have it on the table by 6 p.m.” - GroceryDive

Source: Progressive Grocer, BusinessWire, GroceryDive
Alaska Symphony of Seafood is a competition for new value-added products made from Alaska seafood.

Goal is to inspire innovative ways to fully utilize and increase the value of Alaska’s seafood.

2018 Grand Prize Winner:
Wild Caught Alaskan Cod with Lemon Herb Butter
Alaskan Leader Seafoods

2019 Grand Prize Winner:
Alaska Pollock Protein Noodle
Trident Seafoods
STRIVING FOR FULL UTILIZATION

- The estimated untapped volume of seafood out a total of 6.1 billion lbs. = 3.1 billion lbs.
- The estimated value of maximizing meal/oil production (~1 billion lbs.) is close to $500 million.
- The estimated value of harvesting all groundfish TACs completely would be $116 million.
- By utilizing allocated TAC harvest and maximizing meal/oil production the estimated additional annual value to the Ak seafood industry is just over $600 million. (approx. 1/10 of the current value of Alaska seafood)
FULL UTILIZATION CHALLENGES

- Low value products get low production priority.
- Remote shipping for low value species is a major, costly hurdle.
- Inconsistent supply for some species, or lack of directed fishery in others.
- Specialized handling and processing requiring additional labor, training, and capital outlays.
- Limited freezer capacity is an issue, as is restricted labor during peak harvest times.
- Economies of scale are difficult to achieve for specialty products.
- Marketing and sales expertise is lacking, expensive, or non-existent.
Thank You

Upcoming ASMI Dates

ASMI Board of Directors
• April 23 – Juneau, AK

ASMI Committees
• Domestic Marketing: April 9 - Seattle

ASMI All Hands on Deck
• October 8-10 – Anchorage

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