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
Seafood Industry Impacts

- 60,000 jobs with $1.5 billion in earnings
- More than 9,000 vessels
- 87 large shoreside plants in AK
- Supports local and state tax revenue, scientific research, and marketing assessments
- Provides economic activity in rural Alaska from Ketchikan to Kotzebue
Ex-vessel Volume and Value by Species Group
(2017/18 Annual Average)

Ex-vessel Volume
5.8 Billion Pounds

Source: NMFS and ADF&G; compiled by McDowell Group.

Ex-vessel Value
$2.0 Billion
Markets for Alaska Seafood

- About 80% of AK harvest exported
- Export value fell 4% in 2018
- Through first half of 2019, value stable
  - China -15%
  - Japan -13%
  - South Korea +12%

Value of Alaska Seafood Exports ($billion), 2011-First Half of 2019

Source: McDowell Group estimates; NMFS OST.
Trade Disputes

- Chinese import tariffs (10%-35%)
  - Main Alaska exports excluded
  - Live and fresh products included
- U.S. import tariffs (10%-30%)
  - Most salmon, pollock, P. cod products excluded; sole included
  - October 15 and/or December 15 may see additional increases
Percent Change in Key Currencies Versus U.S. Dollar, 2013-September 2019

Source: investing.com; compiled by McDowell Group.
Salmon

- Harvest volume of 203 million fish may rank 8\textsuperscript{th} all time
  - 4\textsuperscript{th} largest sockeye harvest
  - 9\textsuperscript{th} largest pink
  - 11\textsuperscript{th} largest keta
- Will be among most valuable

- Ex-vessel prices for sockeye up; pink similar to 2017; lower for keta
- Forecast for sockeye exceeded by a third; pink was close; keta 40\% off
Million Pink Salmon Harvested per Two-year Period, 1986-2019

2018/19 pink salmon harvest represents the lowest two-year supply since mid 90s

Source: ADF&G.
Salmon

- 40% of production canned in early 2000s; was 14% in 2018
- Farmed prices 15% lower than 2018; 20+% below 2017
- Russia harvested about a billion pounds in 2019, with pinks 60% of total
Pollock

- 3.4 billion pounds worth $495 million in 2018
- YoY value generally higher:
  - Fillets up 20%; surimi up 10%
  - H&G flat; roe down 17%
- Russia primary competitor
  - Largest global producer
  - Increasing quality
  - Market advantage
Pollock

- Complex supply chains
  - Surimi and roe: Japan/South Korea
  - Fillets: EU/US
  - H&G: China
- Near-term pressure for lower global supply; minimal change in 2020
Pacific Cod

- Supply at a 20-year low
- Quota cut 240 million pounds between 2017 and 2019; -80% in GOA and -25% in BSAI
- Cuts supported 20-30% price increase that undercut demand; current prices lower than 2018
- Impacts most fleets and processors
Pacific Cod

- H&G typically about three-quarters of production; China, Japan, and EU key markets
- Fillets about 10-15% of production; US primary market
- AK largest global producer of P. cod; about 55% of total
- Including Atlantic cod, AK is about 15% of global supply
Sablefish

- Harvest volume recovering after 2016 low; may increase again in 2020
- Ex-vessel prices have weakened about 25% since 2017; export value down 30%
- Large biomass of small fish
  - Difficult to find large fish
  - Whale predation
Sablefish

- IFQ values down 50% in some areas; 19% of quota unharvested in 2018
- Sablefish IFQ holders typically received 60-70% of ex-vessel values when leasing; today rates are 30-40%
- Japan, China, Hong Kong key markets; domestic market growing
Halibut

- Current harvest levels are 20% of early 2000s
- Prices climbed through 2016; fell in 2017 and 2018; might be flat to stable in 2019
- Competing supply from Canada, Russia, and Norway
- Primarily a domestic product; most production fresh
• 2020 crab TACs:
  • Red king crab down 12%; golden up 13%
  • Snow crab up 23 percent; no Tanner fishery
• Other crab fisheries
  • Southeast Dungeness
  • Kodiak/Chignik/AK Pen. Tanner
  • Norton Sound
Crab

- Strong demand pushing prices higher
- Key markets for king and snow crab are US, Japan, and China
- AK accounts for 10-15% of global red king crab supply; 70% comes from Russia
- AK contributes less than 10% of snow crab supply; Canada produces 45%
Flatfish

- About 500 million pounds harvested annually worth $100 million
- Includes more than 10 species; yellowfin and rock sole the most common
- China primary reprocessing market
- Growth in value slowed by trade disputes
Pacific Ocean Perch/Atka Mackerel

- Pacific Ocean perch is the main rockfish harvested in AK
  - 100 million pounds worth $25 million
- Atka mackerel harvest value has doubled in last 5 years
  - 150 million pounds worth nearly $55 million
Key Factors

• Strong or stable pollock prices a bright spot
• 2019 salmon harvest will rank among most valuable
• U.S. dollar strengthening against Yuan and Euro
• Trade disputes a threat
• Robust fisheries management
• Alaska name resonates
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