

# SOCKEYE MARKET ANALYSIS



Prepared by:  
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**BBRSDA Member Meeting**  
**11.16.17**



**BRISTOL BAY**  
Regional Seafood  
Development Association

# Reflecting on the Sockeye Market Project



Informing Fleet

Board Support

\$share of Resource

Price/Value Comps

State/Trade Press

Case for Quality

# Fall 2017 Report Contents

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- Season Summary + Overescapement Valuation
- Preliminary Changes in Supply
- Sockeye Market Conditions
- News & Notes
- Story of Sockeye Market Diversification
- Impact of U.S. dollar
- Cash Flow and Resource Value Allocation
- Sockeye price/value comparison
- Driftnet Permit Market

# 2017 Bristol Bay Season Summary

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- 2nd-largest harvest of past 20 years (206M lbs.)
- Largest (real) EV value since 1990s (\$215M\*)
- Preliminary value up 37% from 2016
- \$215M in prelim value, final = ~\$250M ??
- Overescapement in 2017 = 5.2 million sockeye
- Worth \$29 million in ex-vessel value  
or about \$12,120 per active drift/set permit

*\*Preliminary value, adjustments could push it up another \$30-\$40M.*

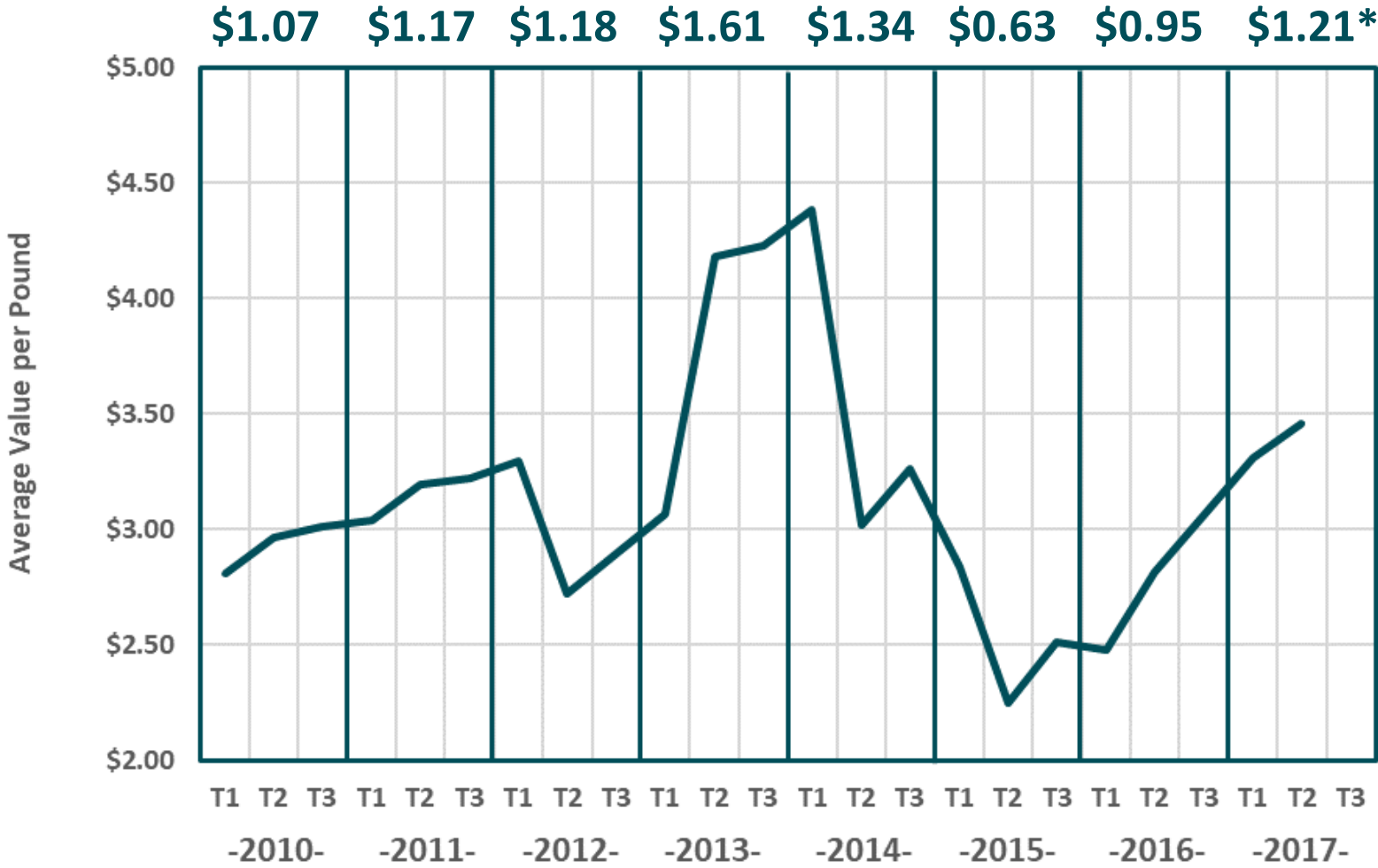
# Sockeye Market Summary

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- Sockeye supply down ~5% (20M lbs.) in 2017
- All wholesale prices up (frozen H&G +23% in T2)
- Fresh sales up 39% to 3.1 M lbs.
- Farmed prices declining, supply outlook rising
- Frozen/canned price spread tighter = less cans
- Early frozen H&G volume down 31%
- Increasing U.S. imports of Russian sockeye

# Average Price of Frozen H&G BB Sockeye 2010 - 2017

*Final Avg. Bristol Bay EV Sockeye Price*

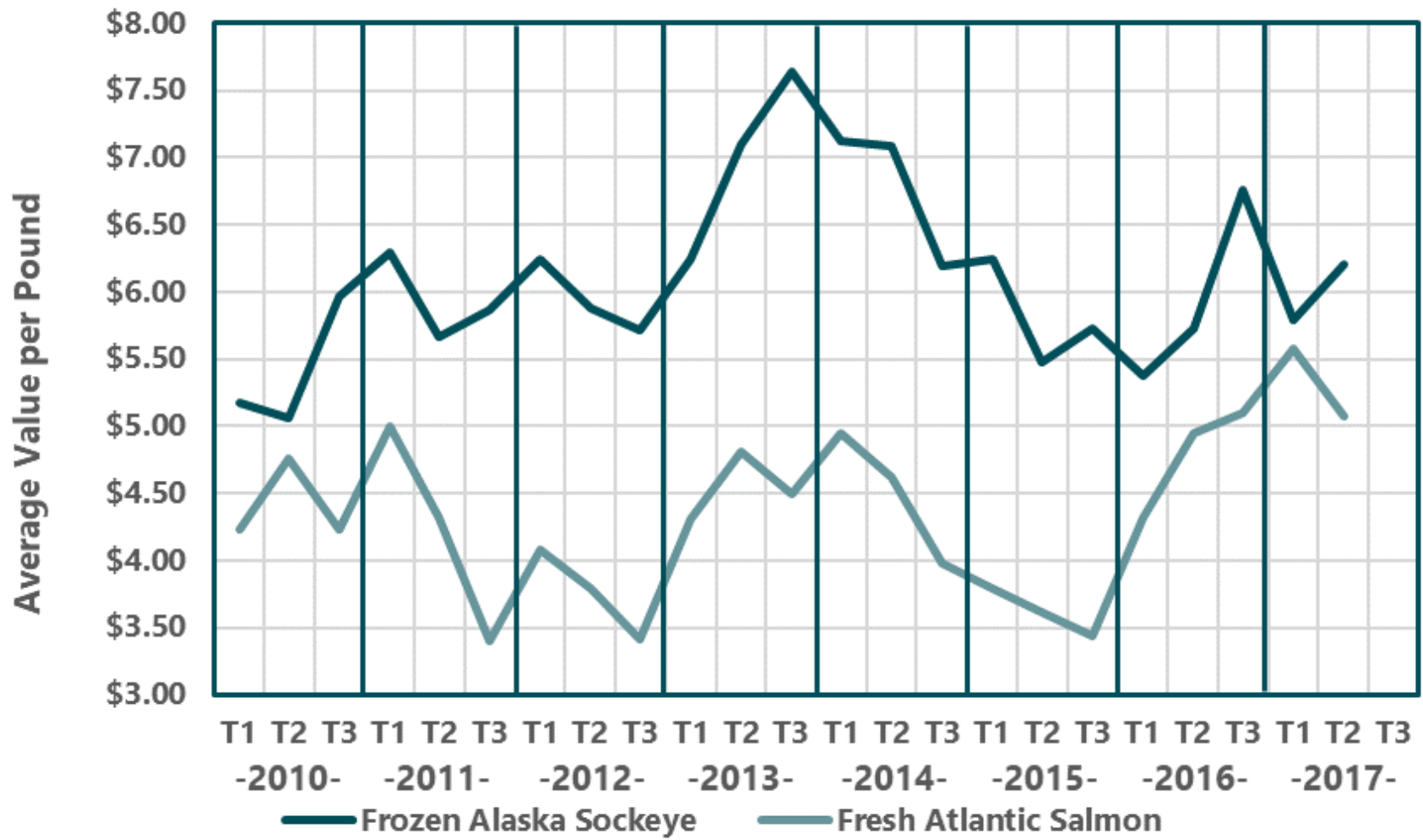


*\*2017 Final Price is estimated.*

*Source: ADOR (ASPR).*



# Wholesale Prices of Atlantics & Sockeye 2010 - 2017



Source: Urner Barry and ADOR (ASPR).



# The Canned Red Cycle/Spiral

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- Higher prices on other products causes processors to limit canned production
- Canned prices increase in response to lower supply
- Higher prices cause processors to can more & retailers to cut shelf space
- Canned prices decline and price spread tightens due to oversupply at new demand level



# Sockeye Market Outlook

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- Pricing increasing, reflecting high demand after few years of low prices and marketing efforts
- Retail prices increasing, sale prices over \$10/lb.
- New phase in sockeye marketing, maintain sockeye demand at higher prices
- Will be keeping a close eye on wholesale sales volumes and inventories
- Still optimistic about future, barring shocks

# Story of Sockeye Diversification

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<u>Market</u>	<u>2001</u>	<u>2016</u>
Canned & Japan	86%	34%
U.S. & Other Markets	14%	66%

- Crisis: Bay EV fell 59% between 1999 and 2003
- Response: \$50M of matching grants from Senator Stevens and State of Alaska
- New markets created in U.S. and Europe

# Cash Flow Analysis

+First Wholesale Sales (May-April)  
–Ex-Vessel payments to Fishermen

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=Net Processing Revenue

- ◆ Net processing revenue does not equal profit
- ◆ Does not account for the value of carryover inventory
- ◆ Good proxy for financial health and temperament in processing sector
- ◆ Analyzes the ALLOCATION and SCALE of resource value

# Bristol Bay Sockeye Cash Flow Analysis

## 2010 - 2016

*Figures in \$Millions*

Harvest Year/Cycle	First Wholesale Value	Final Ex-Vessel Value	Net Processing Revenue (NPR)	NPR Four Year Avg.	Next Year's Ex-Vessel Value
2010	\$383	\$177	\$206	\$179	\$155
2011	360	155	206	193	140
2012	310	140	171	195	149
2013	291	149	142	181	217
2014	293	217	76	149	121
2015	355	121	233	156	191
2016*	430	191	239	173	248

*\*Figures in this row are preliminary and/or estimated, final data pending.*

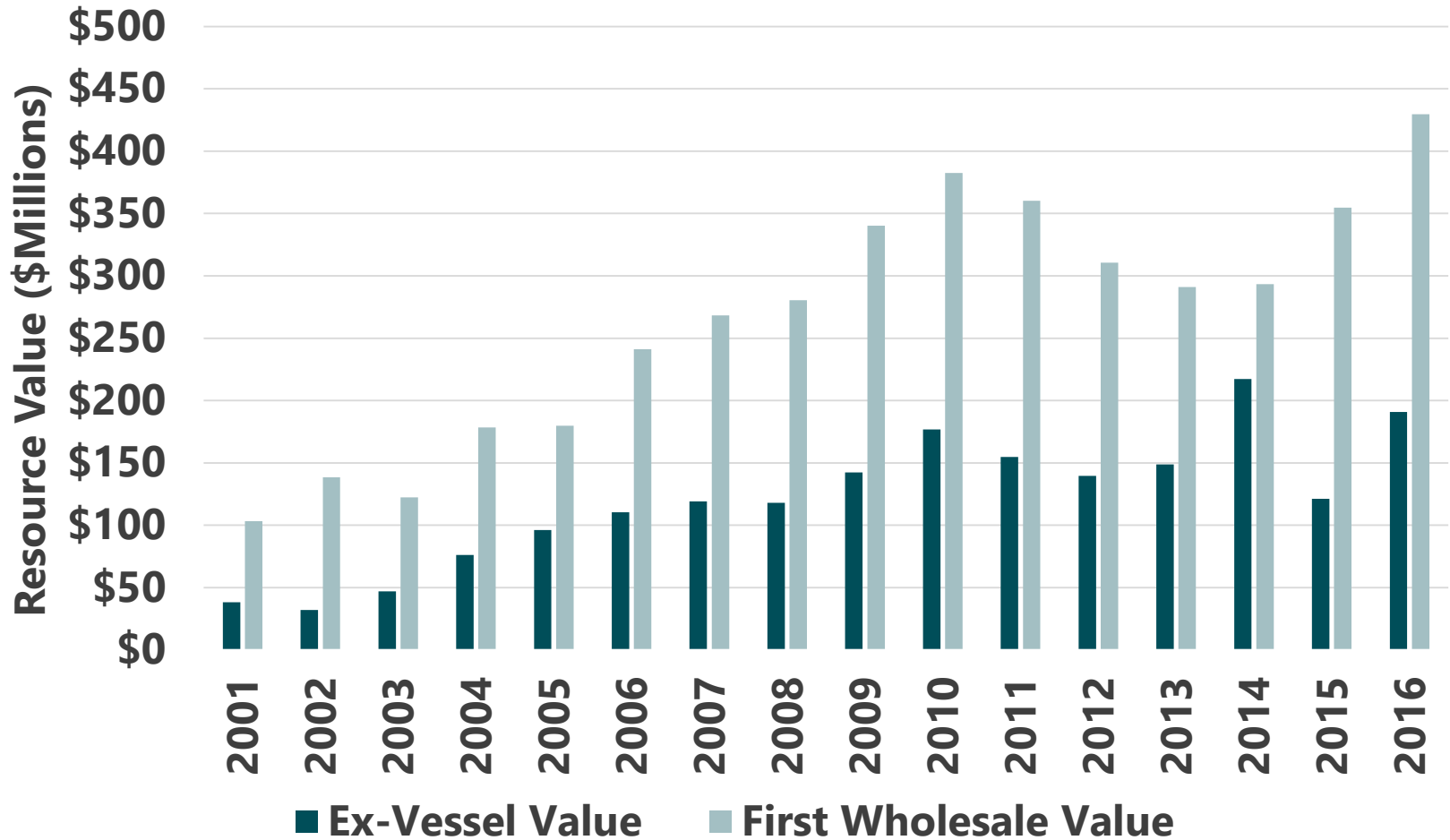
*Source: ADF&G, ADOR, and McDowell Group estimates.*

# Cash Flow Summary

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- Net processing revenue has increased substantially since 2014 harvest year
- Net processing revenue strong in 2016, led to excellent conditions for ex-vessel value in 2017
- Tighter labor market = increasing costs
- Fishermen and processors are making more money, better outlook compared to 2014/2015

# Resource Value



# Sockeye Value Comparison

*Figures in \$Millions*

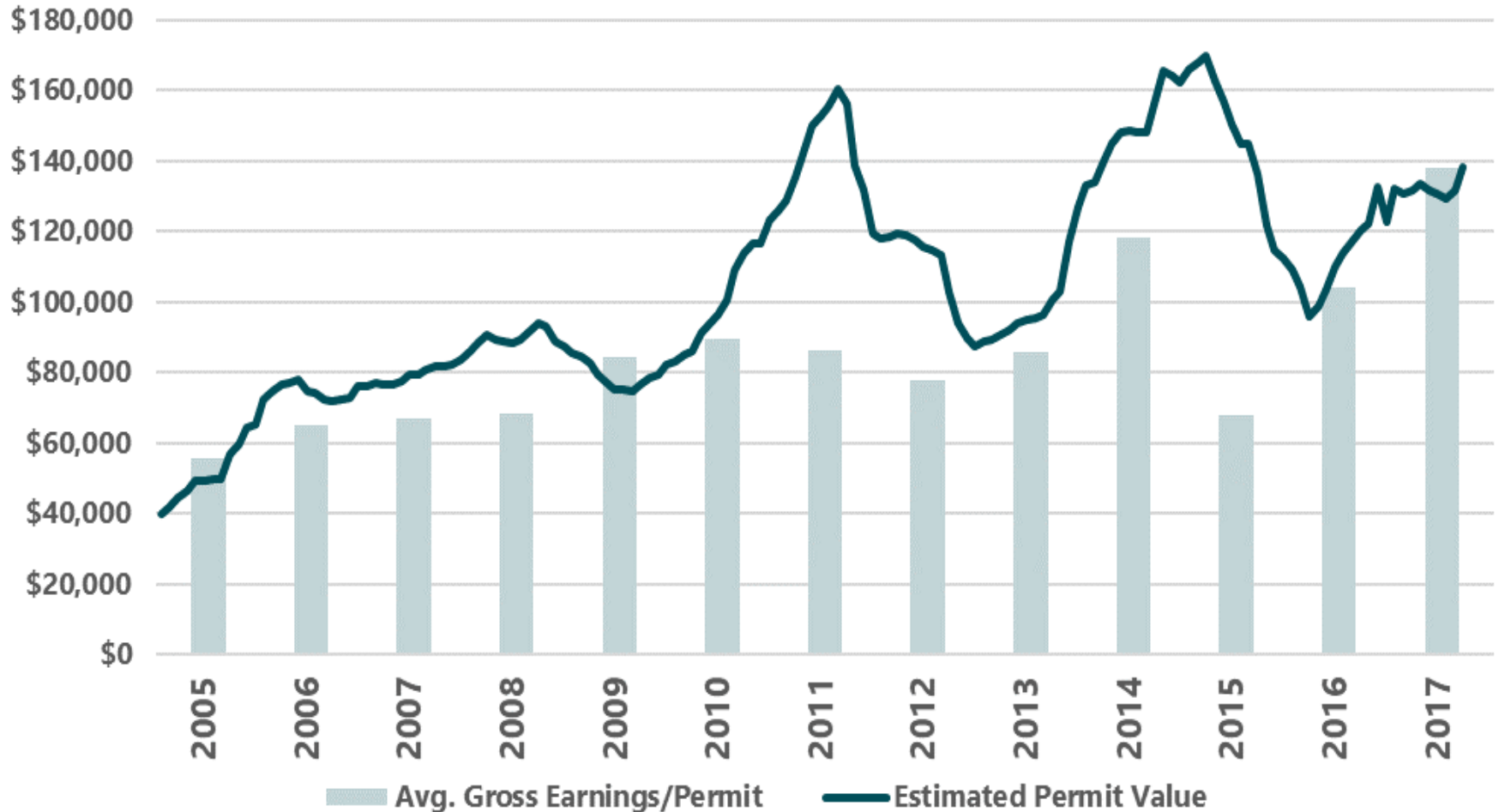
<u>Region</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017P</u>
PWS	\$34.0	\$47.5	\$35.5	\$24.2	\$20.6
Cook Inlet	\$37.4	\$32.8	\$22.9	\$22.6	\$23.1
Kodiak	\$26.9	\$31.1	\$13.9	\$13.8	\$17.7
AK Pen.	\$28.4	\$26.8	\$23.5	\$33.5	\$40.8
Bristol Bay	\$148.7	\$209.6	\$121.2	\$186.9	\$209.9

- Price spreads tighter in 2016-2017 compared to 2014-2015, but wider than 2011-2013. Larger Bay volume has more than offset difference in prices.

*Note: 2017 data is preliminary, does not include bonuses/supplements.*

*Source: ADF&G.*

# Bristol Bay Driftnet Permits



*Note: 2017 average gross earnings/permit is estimated.*

*Source: CFEC and McDowell Group estimates.*



# Key Findings & Outlook

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- Very successful 2017. Outlook is stable, but higher levels mean more downside risk
- Things to watch:
  - Farmed prices
  - Harvest forecast/actual in 2018
  - Fraser River 2018 season – quality & run size
  - Product form sales volumes (inventory)
  - Retail promotion and sales performance
  - Policy changes (labor/trade) & currencies
  - Continue quality/chilling progress

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