ALASKA SEAFOOD MARKET
CHANGES AND CHALLENGES

Prepared by
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Alaska Fisheries Marketing Board
Anchorage, Alaska

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Outline of Presentation

• Changes in Alaska seafood markets
  – Globalization
  – Aquaculture
• Challenges in marketing Alaska seafood
  – Inherent challenges
  – Self-inflicted challenges
• Elements of effective marketing for Alaska seafood
Conclusions

- The global seafood industry is in a period of rapid and profound change.
- The key causes of change are:
  - Globalization of the world economy
  - The growth of aquaculture
- These changes are leading to increased pressure in every part of the global seafood industry to:
  - Respond to market demands
  - Increase efficiency
- To compete successfully in world markets, the Alaska seafood industry will have to become increasingly market driven and efficient.
- In marketing Alaska seafood, we face both inherent and self-inflicted challenges.
- Effective marketing of Alaska seafood will require
  - Coordination among marketing efforts
  - Marketing at many different levels in many different ways
  - Integrated effort addressing marketing, management and quality
  - Being smart about markets and marketing
  - Understanding the challenges we face
Globalization of the World Economy
Globalization is happening in all industries, including the seafood industry.

- Increasingly reliance on markets
- Reduction in trade barriers
- Technological revolution in communications and transportation
- World economic integration in markets for resources, goods, services, labor and capital
- Movement of production to low-cost producers
- Consolidation and integration resulting in larger, more powerful firms operating in many countries
Globalization is transforming seafood processing, distribution, and retailing.

- Shift in labor-intensive seafood processing to countries with low labor costs
- Rapid expansion of seafood trade
- Restructuring of seafood distribution networks
- International standards for food handling and safety
- Increasing consolidation and market power in the retail and food service industry
Increasingly, for large retail and food service seafood buyers, all of these factors will matter.

- Consistent and reliable supply of large volumes
- Low, stable and competitive prices
- Consistent quality
- Traceability
- Products which consumers view as
  - Good to eat
  - Convenient
  - Safe
  - Healthy
  - Environmentally and socially responsible

It is not enough just to have a product which is good to eat, or healthy, or environmentally and socially responsible.
For smaller niche markets, large volumes and low prices matter less. But niche markets also demand reliable supply and competitive prices.

- Reliable supply
- Competitive prices
- Consistent quality
- Traceability
- Products which consumers view as
  - Good to eat
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It is not enough just to have a product which is good to eat, or healthy, or environmentally and socially responsible.
Globalization means

- Expanding opportunities to market Alaska seafood products worldwide
- Expanding competition from seafood producers worldwide
- Increasingly rigorous market demands for Alaska seafood producers
The Growth of Aquaculture
Aquaculture accounts for a large and growing share of world seafood production.

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2000</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countries other than China</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aquaculture</td>
<td>8.9</td>
<td>13.3</td>
<td>49%</td>
</tr>
<tr>
<td>Capture</td>
<td>81.0</td>
<td>80.6</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>89.9</td>
<td>93.9</td>
<td></td>
</tr>
<tr>
<td>Aquaculture share</td>
<td>10%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aquaculture</td>
<td>8.0</td>
<td>32.4</td>
<td>308%</td>
</tr>
<tr>
<td>Capture</td>
<td>6.7</td>
<td>17.2</td>
<td>156%</td>
</tr>
<tr>
<td>Total</td>
<td>14.7</td>
<td>49.6</td>
<td></td>
</tr>
<tr>
<td>Aquaculture share</td>
<td>54%</td>
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<td></td>
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</tbody>
</table>


There is some uncertainty over the reliability of Chinese data for aquaculture and capture production.
Farmed salmon is only one of many species for which aquaculture production has grown very rapidly.

**World Aquaculture Production of Atlantic Salmon**

Source: FAO Fishstat+ database. Note: Graph excludes reported Chinese production.
Some other species for which farmed production has grown very rapidly include catfish . . .

World Aquaculture Production of Channel Catfish

Source: FAO Fishstat+ database. Note: Graph excludes reported Chinese production
Seabass and Seabream...

World Aquaculture Production of Seabass and Seabream

Source: FAO Fishstat+ database. Note: Graph excludes reported Chinese production
and Tilapia . . .

World Aquaculture Production of Nile Tilapia

Source: FAO Fishstat+ database
Farmed tilapia is one of the fastest growing U.S. seafood imports (along with farmed salmon).

**United States Imports of Tilapia, by Product**

![Graph showing United States Imports of Tilapia, by Product](Source: NMFS, U.S. Fisheries Trade Data Website)
Farmed shrimp, salmon and catfish are the fastest growing components of U.S. seafood consumption and rank first, third and fifth in total consumption.
There is very significant potential for growth in aquaculture production.

- The global aquaculture industry has very significant resources to invest in research, production and marketing.
- Technological innovation is occurring rapidly.
- Once technological hurdles are overcome, farming of new species can expand at a very rapid rate.
There are no obvious limits to growth in aquaculture production.

- **Feed**
  - Fish farmers can substitute vegetable-based feeds for fish-based feeds. This is already happening for salmon.
  - Many aquaculture species, such as catfish and tilapia, are grown almost entirely on vegetable-based feeds.
- **Environmental Effects**
  - Environmental effects can be reduced through regulation and changes in techniques and locations
- **Market Acceptance**
  - Rapid growth in consumption proves that buyers and consumers will accept farmed products
The past isn’t necessarily a guide to the future.

- Just because farming of a species isn’t profitable now doesn’t mean it won’t be in the future.
- Just because production of a species isn’t significant now doesn’t mean it won’t be in the future.
- Just because consumers don’t eat a fish today doesn’t mean they won’t in the future.
- Tomorrow’s major aquaculture species may not be the same as those of today.

*The past was not a guide to the future for farmed salmon, catfish or tilapia.*
Aquaculture has far-reaching implications for wild seafood markets.

- **Aquaculture competes with wild production**
  - Aquaculture expands supply which tends to lower prices
  - Aquaculture creates new standards for quality, consistency and availability
- **Aquaculture expands demand for fish**
  - Aquaculture makes fish more widely available
  - Aquaculture introduces consumers to fish species
  - Aquaculture creates new products
  - Aquaculture invests in marketing
  - By expanding total demand, aquaculture can expand demand for wild fish as a “natural” alternative to farmed fish—if wild fish is marketed effectively.
- **Aquaculture changes seafood market dynamics**
  - As wild production becomes a smaller part of total supply, prices don’t increase as much when wild catches fall
  - Aquaculture creates price cycles similar to those for meat and poultry
  - Over time, fish prices trend downwards as farming costs fall allowing farmed production to expand.
  - Large scale aquaculture production creates new distribution channels for seafood
  - Aquaculture changes the balance of economic and political power in the seafood industry
Unlike wild fisheries, there is potential for continuing demand-driven growth in aquaculture production. The historical experience of poultry may be a better indicator of the potential for aquaculture than that of wild-caught fish.

U.S. Per Capita Consumption of Meat, Poultry and Fish (edible weight)

Challenges for Alaska Seafood Marketing
In marketing Alaska seafood, we face both inherent challenges as well as self-inflicted challenges.

- We can’t do anything about the inherent challenges. We have to live with them.
- We can do something about the self-inflicted challenges.
Inconsistent and unpredictable supply makes it more difficult for wild salmon producers to meet buyers’ supply needs and to plan for marketing.

<table>
<thead>
<tr>
<th>Inherent marketing challenge</th>
<th>Wild Salmon</th>
<th>Farmed Salmon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Volume</td>
<td>Wild salmon production is inconsistent from year to year, difficult to predict, and cannot expand.</td>
<td>Salmon farmers can accurately forecast production and guarantee supply commitments. Farmers can expand production to meet growing demand.</td>
</tr>
</tbody>
</table>
Actual Alaska sockeye salmon harvests typically differ from pre-season projections by 30%.

This computer at a Norwegian salmon farm can tell the producer exactly how many fish of what size are in each pen (and in the pens of all the farms owned by this company on three continents).
Because it can choose when to process fish, the company doesn’t process salmon until it already has a buyer—and the fish are processed to that buyer’s specifications.
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<tr>
<td>Production timing</td>
<td>Wild salmon can only be harvested during a short summer run.</td>
<td>Farmed salmon production can occur year-round.</td>
</tr>
</tbody>
</table>

The fact that many Alaska fishing boats and processing plants are idle for much of the year is a huge cost disadvantage.

This BC plant processes farmed salmon year round.
Because it processes farmed salmon year round, this relatively small British Columbia facility processes as much salmon as the largest Alaska facilities.
Very large harvests in short time periods makes canning the only practical option in some wild salmon fisheries.

Steady production volumes and low-cost labor allows Chilean salmon farmers to produce fresh pinbone-out fillets.
### Inherent marketing challenge

<table>
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<tr>
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<th>Farmed Salmon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variation in fish size</td>
<td>There is wide variation in the size and quality of individual wild salmon</td>
<td>Farmed salmon is consistent in size and quality.</td>
</tr>
</tbody>
</table>

**Grades at a southeast Alaska processing plant**
<table>
<thead>
<tr>
<th>Self-inflicted marketing challenge</th>
<th>Wild Salmon</th>
<th>Farmed Salmon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political risk</td>
<td>Wild salmon producers do not have secure access to fish resources and face constant political risk of changes in management and allocations.</td>
<td>Salmon farmers own their fish.</td>
</tr>
</tbody>
</table>
Self-inflicted marketing challenges for Alaska seafood . . .

- We manage our fisheries in ways that add to costs and lower quality
- Our management system makes it very difficult to innovate to find new and better ways to meet market demands
This fishery is not focused on meeting market demands or keeping costs low.
Salmon harvesting in Alaska is labor intensive. Traditional fishing methods and the race to catch fish as quickly as possible do not result in careful handling.
Other self-inflicted challenges in marketing Alaska seafood

- Fishermen and processors do not have secure access to fish resources and face constant political risk of changes in management and allocations.
- Long-standing and divisive internal conflicts within the industry
  - between processors and fishermen over prices
  - between gear groups and regions over allocations
- Lack of understanding of seafood marketing among fishermen, politicians, and bureaucrats
- Declining funding for marketing due to declining political support for the seafood industry.
Effective marketing of Alaska seafood

- Effective marketing of Alaska seafood will require
  - Coordination among marketing efforts
  - Marketing at multiple levels in multiple ways
  - Integrated effort addressing marketing, management and quality
  - Understanding the reality of our markets and the challenges and opportunities we face
  - Being smart about markets and marketing
Effective marketing requires effective coordination among the multiple organizations engaged in marketing Alaska seafood.

- Alaska Fisheries Marketing Board
- Alaska Seafood Marketing Institute
- State of Alaska’s “Fisheries Revitalization Strategy”
- Regional Marketing Efforts
- Quality Initiatives
The Alaska Seafood Marketing Institute—and the generic marketing which is its mission—remains very important to the Alaska seafood industry.

- Generic marketing of “Alaska Seafood” remains very important.
- ASMI plays a critical role as a spokesman for the Alaska seafood industry:
  - Representing the industry in times of crisis (oil spills, food scares, etc.)
  - Representing the industry to the press
Risks of not coordinating our marketing efforts

- Duplication of effort and dissipation of limited marketing funding
- Confusing ourselves and our customers
- Forgetting what we have learned
- Losing our investment in past marketing efforts
- Sending conflicting messages
- Competing with each other for the same markets, rather than growing our total markets
An effective marketing strategy for Alaska seafood should be based on marketing at multiple levels in many ways. We need to get different kinds of messages to different consumers and buyers.

- Generic marketing of seafood: “Eat seafood!”
- Generic marketing of salmon: “Eat salmon!”
- Generic marketing of Alaska wild salmon: “Eat Alaska wild salmon!”
- Regional marketing: “Eat Bristol Bay sockeye salmon!”
- Marketing by individual producers
The biggest opportunity to increase demand for Alaska salmon may be in getting consumers to eat more FISH. We should be leaders in a US seafood industry effort to get Americans to eat more fish.

U.S. Per Capita Consumption of Meat, Poultry and Fish

Part of the opportunity to increase demand for Alaska salmon is to get more consumers to eat SALMON.

- The more salmon consumers there are, the more wild salmon consumers there will be.
- We should be seriously considering working together with salmon farmers for generic promotion of all salmon.
There are many opportunities for new kinds of marketing, including regional marketing and marketing by individual companies.

- This is one of the areas in which the Alaska Fisheries Marketing Board can play a critical role.
- It is important to coordinate regional marketing efforts so that they expand total demand for Alaska seafood, rather than competing with each other.
Effective marketing will require an integrated effort addressing marketing, management and quality

- We cannot market our way out of our problems.
- We have to address the fundamental, self-inflicted challenges which hamper effective marketing.
- We have to find ways to improve quality
- We have to find ways to reduce costs
- We have to find ways to make it easier for producers to innovate and to respond to market demands
Effective marketing of Alaska seafood requires understanding the reality of our markets and the challenges and opportunities we face. It requires being smart about markets and marketing.

- We cannot afford to be ignorant.
- We have to understand our markets.
- Everyone working on expanding markets for Alaska seafood has a responsibility to become knowledgeable about
  - Our markets
  - Marketing
- This includes
  - Talking to buyers and understanding their needs
  - Learning about the competition
  - Learning about what kind of marketing has worked for other industries
- We need to evaluate the effectiveness of our marketing efforts continuously.