An Overview of Alaska Pollock Markets

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by

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The University of Alaska Anchorage Institute of Social and Economic Research (ISER) has been studying markets for Alaska pollock. This research was initiated in 1999 with support from the Pollock Conservation Cooperative Research Center and has been continued with support from the North Pacific Fisheries Management Council.
Goals of this research are to expand our basic understanding of Alaska pollock markets and our ability to analyze markets.

- Collect market data
- Learn what different data sources mean
- Track market conditions over time
- Disseminate market information to fishery managers, government and academic researchers, and industry
- Preliminary analysis of factors affecting production and prices
- The research stops short of formal econometric modeling of pollock markets—but is intended to facilitate modeling efforts
This presentation provides a brief overview of trends in harvests, production, end-markets and prices for Alaska pollock.
Alaska pollock is a very large and important fishery. Alaska pollock accounts for more than one-third of total U.S. fisheries landings and about 7% of total U.S. ex-vessel value.
United States pollock harvests increased rapidly in the 1980s as pollock fishing in the US EEZ was “Americanized.”

Northeast Pacific Harvests of Alaska Pollock, by Country

Source: FAO "FAOSTAT+" database
Pollock harvests have been very strong for the past five years and are up significantly from the 1995-2000 period.

Harvests of pollock in Russian waters—and total world pollock harvests—have declined drastically since 1986. The decline in totally supply has strengthened prices for U.S. pollock products even as U.S. harvests have been increasing—a very favorable situation for U.S. producers!

**World Harvests of Alaska Pollock, by Country**

Source: FAO "FAOSTAT" database.
The most important products made from Alaska pollock are surimi, fillets, and roe.

In 2004, these three products accounted for 91% of product value.

Source: NMFS Economic Status Report, 2004, Table 25
Pollock roe is a high-priced product which accounts for a high share of value, but only a small share of product volume.

Minced fish, fish meal, and other low-priced products account for a relatively low share of value but a higher share of product volume.

Source: NMFS Economic Status Report, 2004, Table 25
Production of all pollock products has increased since the late 1990s due to higher catches and higher yields since cooperative fishing began in 1999 and 2000. Fillet production has increased particularly rapidly as processors have increased the share of harvests going to fillet production.
The share of fillets in total Alaska pollock production has increased while the share of surimi has declined.

The relative shares of different products vary for shore plants and catcher processors.
Pollock Fillet Markets

Pollock fillet processing

Photographs by Gunnar Knapp
Total Alaska pollock fillet production has more than doubled since the late 1990s, due to increased harvests, increased yields, and a shift from surimi to fillet production.
Fillet production volume as a share of total harvest volume has more than doubled—reflecting increased yields and a shift from surimi production to fillet production as fillet prices increased.

Fillet Production Volume as a Share of Total Alaska Pollock Harvests

Most of the growth in fillet production has been skinless/boneless fillets.
Most of the increase in pollock production has gone to exports. The estimated volume going to the U.S. market has stayed about the same.

Source: NMFS Fisheries Trade Data; NMFS Pollock Products Data
Most pollock fillet exports go to Europe. The most important export markets are Germany and the Netherlands.

Alaska Pollock Fillet End-Markets

Source: NMFS Fisheries Trade Data; NMFS Pollock Products Data
Alaska pollock producers face competition in the U.S. domestic market from imported “twice-frozen” pollock fillets and fillet blocks—almost entirely Russian pollock processed in China.

**Estimated U.S. Consumption of Pollock Fillets, by Source**

- **Imports, frozen fillets**
- **Imports, frozen fillet blocks**
- **Estimated U.S. production for domestic market**

Source: NMFS Fisheries Trade Data; NMFS Pollock Products Data
United States pollock fillets face competition in European markets from Russian pollock, much of which is processed in China.

**European Union Pollock Fillet Imports**

With federal funding from the Alaska Fisheries Marketing Board, Alaska pollock producers have begun a “Genuine Alaska Pollock Producers” marketing campaign to promote Alaska-harvested Alaska pollock as sustainably managed and superior to twice-frozen Russian pollock.

Source: http://gapp.us/
Alaska pollock also competes in world fillet markets with numerous other groundfish species.

World Groundfish Production

Source: FAO Globefish, Groundfish Commodity Report 2005
After peaking in 1999 and crashing in 2000, fillet prices have been relatively stable in recent years.

Average First Wholesale Prices of Alaska Pollock Fillets

In late 2005, market conditions for Alaska pollock fillets were relatively strong.

Average U.S. Monthly Export Prices: Frozen Fillets

Source: NMFS Fisheries Trade Data
Factors affecting pollock fillet markets

- Supply of pollock from harvests in Russian waters
- Supply of other wild whitefish
- Supply of farmed whitefish (tilapia and cod)
- Changing demand for whitefish fillet products
  - Declining demand for fish sticks
  - Increasing consumer health consciousness
- Marketing
  - Certification of Alaska pollock by Marine Stewardship Council
  - “Genuine Alaska Pollock Products” marketing campaign
- Shift in processing to China and other low-labor cost countries
Pollock Surimi Markets

Pollock Surimi Processing
Alaska pollock surimi production has risen only slightly since the late 1990s. Rising harvests and yields have been offset by a shift from surimi to fillet production.
U.S. surimi exports have increased since the late 1990s. Most U.S. pollock surimi production is exported.

**Alaska Pollock Surimi End-Markets**

- **Exports**
- **Estimated U.S. domestic market**

*U.S. domestic market estimated as total production minus exports*

Source: NMFS Fisheries Trade Data; NMFS Pollock Products Data
Most pollock surimi exports go to Japan and South Korea. Exports to South Korea are increasing.

Alaska Pollock Surimi End-Markets

Source: NMFS Fisheries Trade Data; NMFS Pollock Products Data
Pollock surimi competes in world markets with surimi made from other species. In the Japanese markets, threadfin bream surimi from Thailand and India accounts for an increasing share of supply.
Surimi wholesale prices declined between 1999 and 2001, but have since been relatively stable.

Average First Wholesale Prices of Alaska Pollock Surimi

Source: NMFS Economic Status Reports; NMFS Fisheries Trade Data
Market conditions for pollock surimi were relatively strong in 2005.

Average U.S. Monthly Export Prices: Pollock Surimi

Source: NMFS Fisheries Trade Data
Factors affecting pollock surimi prices

• Supply of surimi from other sources
  – Russian pollock
  – Other whitefish
  – Threadfin bream
• Changing Japanese demand for traditional surimi-based products
• Changing demand for surimi-based products in other markets
• Exchange rates
POLLOCK ROE MARKETS

Pollock roe before processing

Photograph by Gunnar Knapp
Alaska pollock roe production has increased by about 60% since the late 1990s.
Almost all United States pollock roe production is exported.

United States Pollock Roe Reported Production and Exports

Sources: NMFS Pacific Cod and Pollock Production data; NMFS trade data.
Note: 2005 data are through September (trade data) and early November (production data).
Most pollock roe exports go to Japan and South Korea. Exports to South Korea have increased dramatically in recent years.

United States Pollock Roe Exports by Country

Source: NMFS trade data. 2005 data are for January-September.
A large share of United States pollock roe production is sold at auctions held each year in Seattle.

There are numerous different grades of pollock roe, which command widely varying prices.

_Auction prices for Westward Seafoods pollock Roe at a March 2004 auction, as reported by a Japanese Seafood Industry Newspaper_

<table>
<thead>
<tr>
<th>VESSEL</th>
<th>GRADE</th>
<th>TONS</th>
<th>¥/KG</th>
<th>$/LB</th>
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<tr>
<td>Westward - #2</td>
<td>A</td>
<td>78.93</td>
<td>1,867</td>
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<td></td>
<td>B</td>
<td>78.93</td>
<td>1,828</td>
<td>7.95</td>
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<td></td>
<td>C</td>
<td>78.93</td>
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<td>52.04</td>
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<td></td>
<td>T</td>
<td>28.68</td>
<td>510</td>
<td>2.22</td>
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<tr>
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<td>1,866</td>
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<td></td>
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<td>1,740</td>
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<td></td>
<td>C</td>
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<tr>
<td></td>
<td>C</td>
<td>56.32</td>
<td>1,621</td>
<td>7.05</td>
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<td>Westward - #3-#4</td>
<td>T</td>
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<td>510</td>
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<td>Total Westward</td>
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</table>

U.S. pollock roe competes in Asian markets with Russian pollock roe. Although U.S. production has increased, total pollock roe supply has decreased because of declining Russian harvests.

Japanese Pollock Roe Imports (metric tons)

*Low supply in 2000 caused a price spike.*
Prices for pollock roe can vary widely from year to year—reflecting variation in production and inventories.

Low supply in 2000 caused a price spike.

Sources: NMFS Economic Status Reports; NMFS Japanese Fisheries Imports data
Historically, Japanese wholesale prices for pollock roe have been inversely related to total supply.

Source: BANR Japanese Fisheries Imports Annual Summaries; Supply estimates reported in BANR Issue 1117 (10/12/05).
Market conditions for pollock roe in 2005 were similar to 2004 and 2003.

Average U.S. Monthly Export Prices: Pollock Roe

Note: Figure excludes prices for months with total exports of less than 100 metric tons.
Factors affecting future pollock roe markets

- Supply of pollock roe from Russian harvests
- Yen-dollar exchange rate
- Japanese and Korean consumer tastes for traditional and new pollock roe products
CONCLUSIONS . . .

World pollock markets are complex. Many different products are sold in many different markets affected by many different factors. .

- U.S. pollock harvests
- Russian and other countries’ pollock harvests (mostly from Russian waters)
- Global harvests of other whitefish
- Global harvests of other species used for surimi production
- Chinese reprocessors
- Japan pollock roe market
- South Korean pollock roe market
- Japan surimi market
- U.S. surimi market
- Other surimi markets
- U.S. fillet and block market
- European fillet and block markets
CONCLUSIONS:
Overall, the pollock industry is doing well.
Strong catches and prices combined for a record wholesale value of $1.1 billion in 2004.
CONCLUSIONS

• Pollock markets are diversified
  – Having a variety of products helps to stabilize total value
  – Processors can shift production to products for which prices are more favorable
• Prices for different pollock products can vary widely over time
• Important factors affecting prices include:
  – Alaska pollock harvests and production
  – Russian pollock harvests and production
  – Other whitefish harvests and production
  – Potential for growing farmed whitefish supply
  – Non-pollock surimi supply
  – Changing demand conditions
  – Marketing
  – Exchange rates