

MARKET SNAPSHOT

Fisheries

March 31, 2023

Executive summary

AgWest Farm Credit's 12-month outlook sees fisheries as profitable. Drivers include softening prices, steady demand, China's removal of COVID-19 restrictions and rising steel prices.

Industry drivers

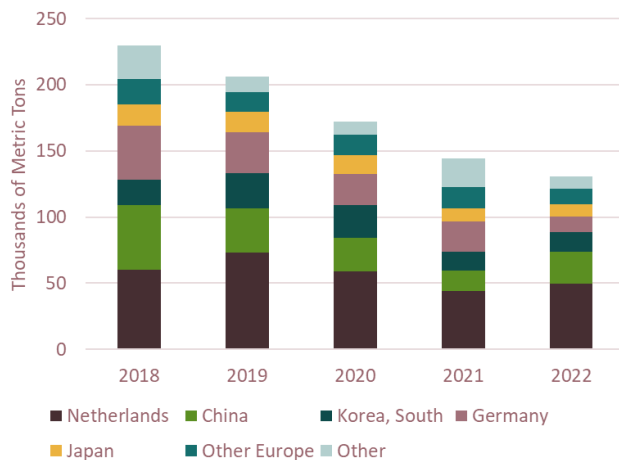
Pollock prices to soften

A potential economic downturn, inventory carryover from 2022, a strong dollar, lower surimi sales in Japan, increasing Russian supply to China (and potentially Europe) and the ongoing conflict in Ukraine could lower pollock prices. However, domestic consumer demand remains very strong, USDA continues to purchase large quantities for its school lunch program, and U.S. exports to China are increasing. Pollock pricing and nutritional content make it competitive relative to other fish options. Pollock's A season is currently underway, and fishing is reportedly going well with catch levels approaching the allowed limits.

12-Month Profitability Outlook



U.S. Pollock Exports, by Country



Europe made up 56% of Pollock exports in 2022.

Exports to China increased 57% in 2022 with the removal of trade restriction but remains 6.4% below its five-year average.

Source: Census Bureau.

Salmon supplies up

Strong demand should continue to support salmon prices and drive profitability, despite higher supplies. Russia is forecasting a Pacific salmon harvest of half-a-million tons, 83% of which will consist of pink salmon. This represents one of the largest amounts on record in recent years. With increased access to Chinese markets and secondary processors (see China section below), global supplies are set to increase. In the U.S., inventory carryover from the 2022 record sockeye harvest may overlap with the 2023 season.

Dungeness crab and Pacific cod prices down

West Coast Dungeness crab fisheries opened in January. Processors and fishermen settled on base prices that are significantly below last season. Processors have excess inventory and are working to move products quickly to limit losses. Pacific cod consumers in the U.S. and Japan are pushing back against record prices. Fishermen should fare well even with lower prices; however, trawl operators are more at risk of compressed margins than long-liners if energy and freight costs begin to rise again (see [Crop Inputs Snapshot](#) for more information).

Halibut and sablefish deliveries slow out the gate

The 2023 Pacific halibut and sablefish fisheries opened in March and anecdotal reports suggest deliveries were slow out the gate. Halibut catch limits in Alaska are down 11.3% year over year on average, with the largest decline in the Central Coast region. The decline is more the result of reallocations among catch methods rather than resource concerns.

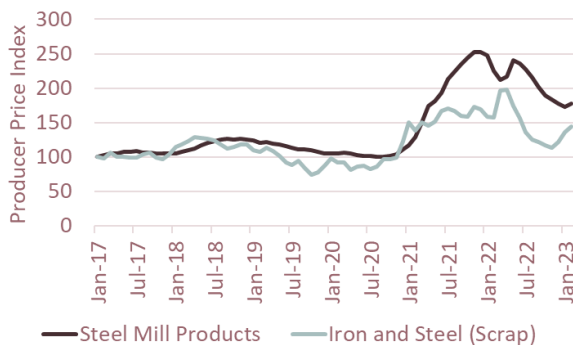
Global pollock and salmon supplies to increase

As China reverses its strict COVID-19 lockdown policies, it will begin importing, processing and reexporting Russian seafood. This may put downward pressure on global salmon and pollock prices by providing Russia access to foreign markets that implemented import restrictions in response to the war in Ukraine. Rising consumer demand in China will at least partially offset the impact to prices.

Steel prices rise

Steady demand along with falling supplies have increased steel prices (steel is a primary input for shipbuilding). Import and mill output levels are down, and warehouses are maintaining low inventories due to economic concerns. These appear to be short-term drivers and with new orders declining, many expect prices to stop increasing over the next several months.

Iron and Steel Producer Price Indices, Finished Product and Scrap



Source: Bureau of Labor Statistics.

Profitability

Fisheries should be profitable in 2023. While pollock and salmon fishermen may experience greater competition from Russia, strong demand should continue to support prices. Pacific cod markets remain favorable despite softening prices. Dungeness crab prices are significantly below 2022 levels but continue to support profitability. China's reversal of its COVID-19 policies will impact seafood markets in dynamic ways that will present both challenges and opportunities for Northwest producers. Steel prices rose in the first quarter, but this may not have lasting power if the economy slows.

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