

MARKET SNAPSHOT Fisheries

September 30, 2023

Executive summary

AgWest Farm Credit's 12-month outlook sees fisheries as slightly profitable. Drivers include weakening pollock and salmon markets, strong fishing for halibut and sablefish, potential for a small king crab season in 2023, a strengthening dollar, increased borrowing costs and falling steel prices.

12-Month Profitability Outlook

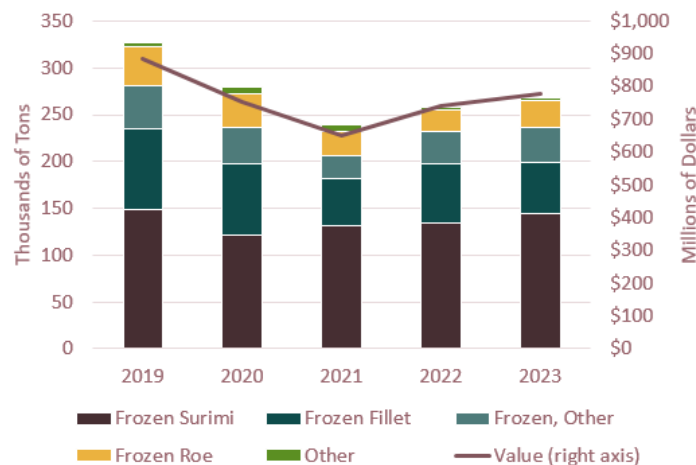


Industry drivers

Pollock fishery faces challenges

Pollock B season fishing is going well; however, processors are facing softer prices, slower product movement and delays in customers taking delivery. Large supplies from Russia of surimi (minced paste) and pin-bone-out block (partially deboned pollock stored in blocks), as well as worsening economic conditions in Europe, are lowering prices in Europe and Asia and increasing volatility in international markets. In response, Alaskan producers/processors may focus on processing deep skin fillet blocks (considered high value) for domestic markets. While it's unclear how much room there is for growth in these markets, they could help offset depressed margins from lower international demand.

Pollock Exports, Year-to-Date Quantity and Value



Despite additional Russian supply, pollock exports are strong heading into B Season fishing.

Year-to-date export prices for surimi have fallen 15% from 2022 to 2023, potentially due to high global supplies from Russia.

Source: U.S. Census Bureau. Year-to-Date: January – July.

Salmon fishery faces market pressures

Processors are discounting older inventories and producers are expected to receive final prices approximately 55% to 60% below the five-year average for the 2023 season's catch. With softening markets, secondary processors may hold lower inventories in the future, switching back from just-in-case management (carrying excess inventory to protect against supply disruptions) to just-in-time (only holding inventory expected to be used in the near term).

Halibut and sablefish fishing strong, but prices fall

Halibut and sablefish harvest is on track for this time of year. While prices increased over the summer as producers focused on salmon fishing, anecdotal reports suggest prices are now falling. Increased production post-salmon season could lead to further price decreases.

Bristol Bay red king crab could open in 2023 Q4

Stock assessments conducted by Alaska’s Department of Fish and Game and National Marine Fisheries Service suggest red King Crab populations, particularly mature females, have increased significantly in Bristol Bay and the eastern Bering Sea. Despite the optimism for 2023, the long-term health of King and Opilio crab is still in question as there are very few signs of juvenile crabs that will mature to commercial size in the coming years.

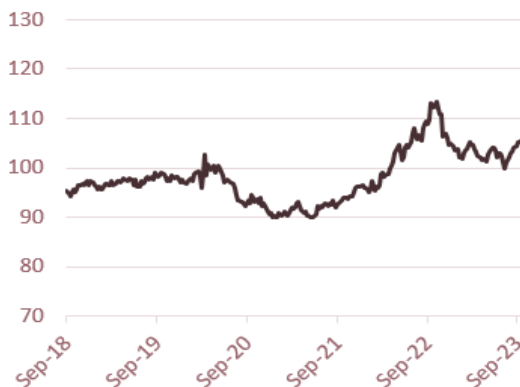
Elevated interest rates reduce margins

The cost to carry inventory and/or large amounts of inputs is rising, as is borrowing for capital expenses. Rising interest expenses reduce margins and thus profitability, especially for operations with more variable rate financing. Please refer to our [Quarterly Economic Update](#) for more information on interest rates.

Strong U.S. dollar reduces competitiveness in foreign markets

The U.S. dollar has strengthened since mid-July and is increasing the price of U.S. seafood in other countries. Higher prices reduce the competitiveness of U.S. producers in foreign markets.

Trade Weighted Dollar (DXY) Index



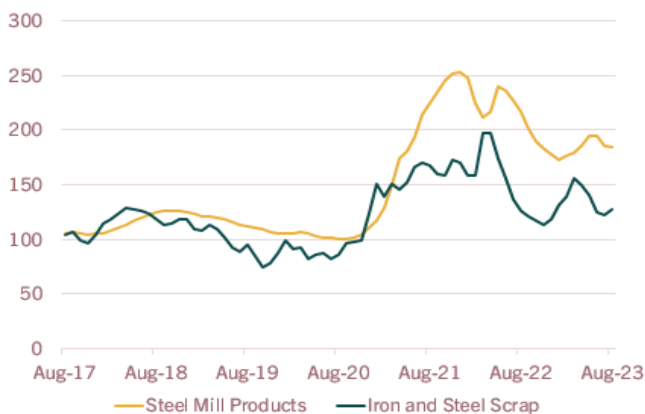
The U.S. dollar is about 7% stronger than its five-year average.

Source: Investing.com

Steel demand down

Steel prices have softened as China’s property markets and consumer demand, important demand drivers, are weaker than many analysts expected coming off COVID-19 lockdowns. Lower goods demand and manufacturing within the U.S. and Europe are also reducing steel demand. See our [Crop Inputs Snapshot](#) for more information on input costs.

Steel Mill Products and Iron and Steel Scrap Price Index



Falling steel prices should reduce the cost to repair and build shipping vessels.

Source: Bureau of Labor Statistics. Producer Price Index.

Profitability

Fisheries should be slightly profitable in 2023. Pollock, salmon and halibut/sablefish face market pressures and average to above-average supplies. Elevated interest rates are pressuring profitability and a strong dollar is reducing competitiveness in foreign markets. While stock assessments suggest improving crab populations, it remains too early to determine the long-term health of King and Opilio crab fisheries. Steel prices have softened on lower demand, which should reduce the cost to repair and build shipping vessels.

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