

MARKET SNAPSHOT

Fisheries

January 24, 2024

Executive summary

AgWest Farm Credit's 12-month outlook sees fisheries as slightly profitable. Drivers include flat groundfish supply in Alaska, growing pollock supply out of Russia, tighter restrictions on Russian seafood imports, falling sablefish prices, reasonable financial returns from the Red King Crab fishery and escalating tensions in the Middle East.

12-Month Profitability Outlook

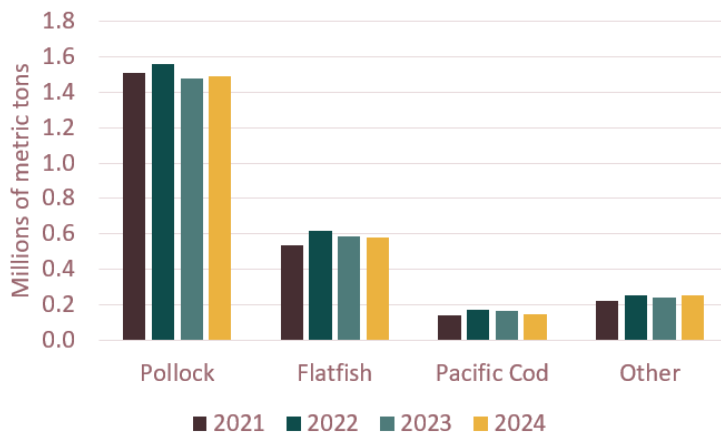


Industry drivers

Alaskan groundfish supply flat

Total Allowable Catches (TAC) for Alaskan groundfish fisheries were held relatively flat for 2024 (see chart below). The impact to prices will depend on consumer demand and international market dynamics, particularly around rising supplies from Russia (see driver below).

Total Allowable Catch for Groundfish Species in the Gulf of Alaska, Bering Sea and Aleutian Islands



Source: Alaska Groundfish Harvest Specifications, National Oceanic and Atmospheric Administration
Other: Atka mackerel, octopus, Pacific perch, rockfish, sablefish, shark and skate.

Russian pollock supply grows

Increasing supply of Russian pollock may decrease prices for domestic operators. Russia harvested 26.6% more pollock in 2023 than 2022. This may grow given the 24% increase in TAC for 2024. Much of this added supply has gone into Asian markets and international prices for products such as surimi (minced fish paste) have fallen. Lower prices in international markets could pressure margins for Alaskan producers who cannot pivot into U.S. markets.

Biden Administration tightens restrictions on Russian seafood exports to the U.S.

Tighter restrictions on seafood imports from Russia should support domestic prices while lowering those in international markets. Despite a formal ban in 2022, Russian seafood has continued to enter U.S. markets because it is generally routed first through China for secondary processing and then reexported to the U.S. The recent executive order signed by the Biden Administration closed that loophole. It remains unclear how this policy change will impact producer margins.

Sablefish prices down

Sablefish prices were down in December given excess supply of small-sized fish and weak demand, particularly from Japan (the primary market for small-sized sablefish). Low prices coupled with high operating costs may pressure producer margins. Some producers may delay harvest in 2024 until prices recover.

Red King Crab benefits producers

Many predict strong prices and producer margins on the 2023 Red King Crab harvest, which was smaller than historical averages but improved over 2022 when the Bristol Bay fishery was closed.

Escalating tensions in the Middle East impact trade

The Houthis rebel group in Yemen has attacked several shipping vessels in the Red Sea, forcing some commercial shipping vessels traveling to/from Asia and Europe to reroute around South Africa. While this may not directly impact trade between the U.S. and Asia, it may:

- Result in higher shipping costs and longer transportation times.
- Improve the competitiveness of U.S. seafood in European markets.

See our [Crop Inputs Snapshot](#) for more information on shipping.

High costs impact profitability

Operating costs, particularly for labor, remain high and this is impacting profitability given relatively soft demand and oversupply in many different fisheries. Following lower consumer price inflation readings (see [Quarterly Economic Update](#) for more information), many are optimistic that costs will subside and market conditions improve in 2024.

Profitability

Following a year where prices fell and operating costs remained high, many are optimistic that conditions will improve in 2024 to support profitability. The supply and demand balance for groundfish in domestic markets may improve due to flat 2024 TACs and tighter import restrictions for Russian seafood. However, international markets may soften as supply from Russia grows and is diverted away from the U.S. The prices for sablefish are down and this may impact producer margins. Producers benefited from the Red King Crab harvest this season. Escalating tensions in the Middle East may increase shipping costs and times, but may also provide an opportunity for producers to access European markets.

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Additional information

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