SALMON MARKET BULLETIN

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'A hell of a lot better than it's been.'

SOCKEYE MARKET STILL IMPROVING AS NEW SEASON KICKS OFF

The 1996 Alaska salmon season got underway May 16th on an optimistic note—at least for sockeye fishermen. The first three Copper River openings saw an average grounds price of about $1.75/lb. for kings and sockeyes. While that was lower than last year's opening grounds price, the fishing—and the weather—were excellent. Under sunny skies, gillnetters hauled in 47% of the total projected sockeye harvest of 1.2 million fish in just the first three openings. Making things even better was the fact that the sockeyes were big, running 6.4 pounds, compared to the normal weight of 5.5 pounds.

Even though this year's opening Copper River price was lower than last year's $2.25/lb., it was still higher than 1994's $1.40/lb. and better than a lot of industry people were predicting during last winter's generally dismal frozen salmon market.

Still, Copper River, which accounts for less than 2% of Alaska's total sockeye production, is not a totally reliable indicator of things to come. Strong demand for "first-of-the-season" fresh wild salmon in both Japan and the U.S. tends to push prices up to the special "niche" marketing level. Nevertheless, there are numerous signs the sockeye market has definitely turned around.

HOW SHORT ARE THEY?

"It's not that great, but it's a hell of a lot better than it's been," is the way Alaska's largest salmon processor described the soaring sockeye market in Japan in late May. Since last February, the Tokyo wholesale price of #1 4-6/lb. Bristol Bay fish has skyrocketed from 480 yen/kilo ($2.03/lb. at an exchange rate of 107 yen/$) to 720 yen/kilo ($3.05/lb.)—an increase of 50%.

Why such a rapid increase in prices? Although accurate sockeye inventory statistics are hard to come by in Japan (as a result, the frozen inventory at this time of this year is the source of endless speculation and jockeying by anyone who sells salmon), by most accounts there were about 20,000 tons of sockeye left in inventory at the end of March. If those numbers are accurate, there's a distinct possibility reprocessors could run out of sockeyes before the first large volumes of this season's Alaska fish arrive in Japan in late July.

A WORD OF CAUTION

While sockeye prices have soared, don't forget that since the frozen sockeye inventories in Japan are low, there's probably only a relatively small amount of fish being sold at the high reported wholesale prices this May. Don't expect large volumes of fish from this year's sockeye production to be sold at these high prices later this summer, caution Japanese importers and Alaska processors. In fact, if sockeye prices stay this high and processors pay too much for fish, the Japanese

Chilean coho producers have been fighting their own battle with the Japanese.

market could crash again this fall for the third year in a row, say importers.

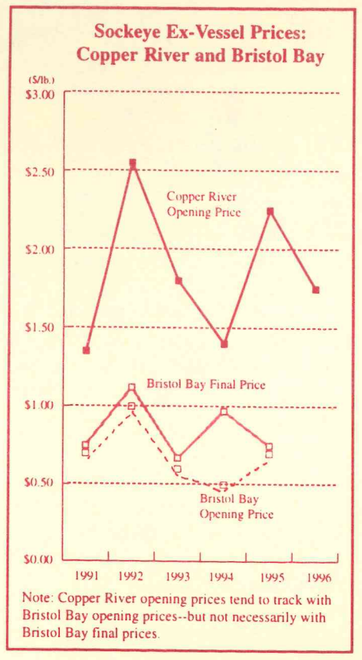
In spite of their cautionary tone, though, Alaska processors concede Japanese importers are a lot more interested in this season's sockeyes than they said they were last winter. "Their attitude has changed 180 degrees in the past three months," observed the operator of a large floater in mid-May. "They know there will be less fish this summer, and the buyers left in the business want to make sure they get as much product as they can."

This year's projected Bristol Bay harvest of 35 million sockeye would be a 28% decline from last year's record of 44 million fish. Although sockeye harvests from other Alaska fisheries are projected to rise 9% to 21 million fish, Alaska's total sockeye harvest is projected to be down 14%. With virtually no commercial fishery on Canada's Fraser River this summer, Canadian harvests should be less than 4 million sockeye. Overall, North American sockeye harvests are projected to be 15% lower than last year. The shortage of Fraser River and B.C. troll sockeyes is expected to increase demand for higher value "local" Alaska sockeye from Southeast, Kodiak, Copper River and Cook Inlet.

Adding to the general perception of a sockeye shortage is a continued strong canned red market , with prices holding at $62/case for talls and $40/case for halves (24-can basis). Even with lower projected sockeye harvests, packers will probably still be canning as much as they can, and carryover inventories will up to their normal levels. As a result, canned red salmon supplies are expected to be down only slightly from last year, and the canned red market should remain relatively stable.

CHILE'S CHALLENGE

While the sockeye market was a test of wills last fall between Alaska producers and Japanese importers, Chilean coho producers have been fighting their own battle with the Japanese this spring. Last winter, when the sockeye market was mired in the doldrums, Japanese importers were offering the Chileans just $3.50/kilo ($1.59/lb.) FOB Puerto Montt—below the cost of production for some Chilean producers.



Note: Copper River opening prices tend to track with Bristol Bay opening prices--but not necessarily with Bristol Bay final prices.

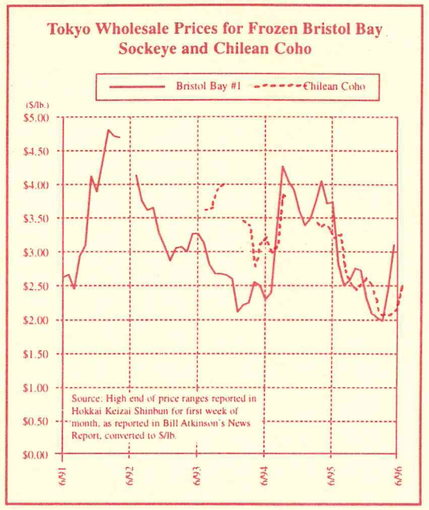
As a result, Chilean producers, who refused to sell large quantities of their fish at the low prices being offered by Japanese importers, began shipping fish to Japan on a consignment basis. But in order to give themselves some control over their fish, many Chilean companies retained the right to approve any sale.

While Chilean producers sold some fish at low prices, they stopped selling once they saw the sockeye market take off. The fact that Bay fish, which has sold for the same or lower prices than Chilean cohos for most of the past three years, was bringing about 150 yen/kilo ($.64/lb.) more than Chilean fish, hardened the Chileans' resolve to hold out for higher prices. By May, Japanese reprocessors were running out of fish and Chilean producers were still holding out for more money, with each side wondering who would blink first.

TROLLERS SHOULD BENEFIT FROM IMPROVING SOCKEYE MARKET

The rising sockeye market is good news for Alaska trollers who should expect to see more demand for their cohos this year as Japanese buyers scramble for red-fleshed salmon to fill their pipeline. In 1994, when Japanese buyers perceived a shortage of sockeyes, most troll fish was quickly snapped up in a rapidly rising market. As long as this year's Alaska sockeye production comes in at—or below—projections, look for a stronger market for troll cohos. Trollers received more good news in late May, when the Kake Tribal Corp. announced it was close to completing a deal to purchase the Pelican Seafoods Plant, which would ensure the plant would operate this season.

The price for troll kings, meanwhile, continues to be driven by the price of farmed fish. The West Coast troll season opened May 1 with trollers receiving $1.25 for smalls, $1.50/lb. for mediums and $1.75/lb. for large fish. At those prices, fresh troll kings were being offered to wholesalers at about $2.50/lb.—about the same price as farmed kings and Atlantics. Meanwhile, speaking of farmed fish, there's good news and bad news.



AN EBB IN THE FLOOD OF FARMED FISH

First, the good news. Reports from Norway indicate that the government-imposed mandate to starve fish is indeed slowing down the growing production from the world's leading farmed salmon producer (Norway harvests almost half of the world's total farmed salmon). This year's harvest from Norway is expected to be about 255,000 tons, down slightly from last year's harvest of about 260,000 tons. Furthermore, with more Europeans shunning meat because of the "Mad Cow" crisis, demand for alternatives such as salmon has grown. As a result, there's now concern that European salmon farmers will be unable to meet the growing demand for salmon, which has led to a gradual strengthening of prices this spring. Since last December, the U.S. wholesale price of farmed kings and Atlantics has jumped 25% from an average of about $2/lb. to $2.50/lb.—good news for farmers who face rising costs of production because of rapidly increasing feed costs.

The bad news? Any leveling off of farmed production will probably be only temporary at best. As farmed prices rise to profitable levels again, farmers will likely increase their production to meet the growing demand. Furthermore, south of the equator salmon are not starving. Exports from Chile, the world's second largest farmed salmon producer, jumped 28% in 1995 to 98,000 tons (41,000 tons Atlantics, 31,000 tons cohos and 26,000 tons saltwater trout). The Chileans are projecting another 30% increase in production in 1996 and an 82% increase by the year 2000—with most of the growth in Atlantics and trout.

FEDS MAKE A BUY, BUT PINKS STILL A PROBLEM

Every little bit helps. After a lot of lobbying by Alaska officials, the U.S. Department of Agriculture agreed to step up to the plate and buy $14 million worth of canned pinks—most of it from this upcoming season's harvest. Since kids turn their noses up at salmon croquettes and loaf, the Feds said most of the canned fish would end up in soup kitchens and other food assistance programs.

At current market prices of about $20/case (24-tall basis), the Feds could snap up about 700,000 cases of canned pinks—about 25% of this year's estimated inventory carryover. Or, figuring in product yield, that would be a new market for about 9 million pinks—about 9% of this year's projected harvest.

The Feds' planned buy was good news to a market that remains in desperate need of a shot in the arm. This July's carryover inventory is now estimated to be about 1.5 million cases (48-tall basis)—almost double last year's estimated carryover of 800,000 cases. While the record low prices have boosted domestic sales an estimated 9% between last August and this March, export markets for canned pinks have been a huge disappointment. Over the same period, canned pink exports have been down a whopping 32% over the previous year. "As long as prices keep dropping, importers are reluctant to take big positions," explained one pink marketer.

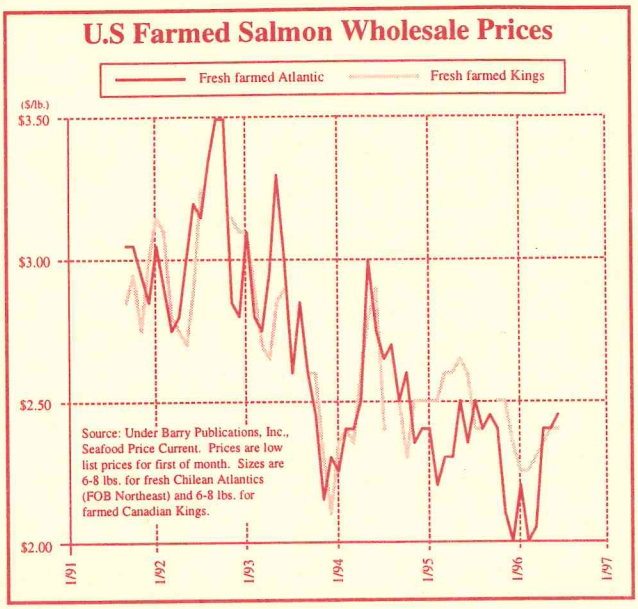
Meanwhile, the last of last year's frozen pinks were being cleaned out at fire sale prices of $.35-$.40/lb. FOB Seattle. With pinks still causing so much red ink, Alaska processors remained reluctant to predict how many fish they planned to buy this season. "At this point, the only thing packers know for certain is that they can't afford a repeat of last year. Beyond that, nobody is sure how this pink season will play out," said one packer.

IMPROVING EGG OUTLOOK MAY HELP CHUM MARKET

Bids for hatchery cost-recovery fish provided an early indicator of chum market conditions this year. Pete Esquiro, manager of the Northern Southeast Regional Aquaculture Association (NSRAA), reported this

Fresh chum prices are falling earlier every year.

year's winning cost-recovery bid from processors for Hidden Falls chums was down from $.75/lb. in 1995 to $.45/lb. this year.



After the drubbing processors took on chums last winter, the lower bids are not surprising. Still, Esquiro adds that cost-recovery bids do not always reflect what the fishermen's prices will be once the season gets underway. If a lot of buyers show up looking for fish, the competition could push prices up. Processors also cautioned that fresh chum prices, which used to fall after July 4th, are falling earlier every year. That's making it harder and harder for processors to find fresh markets for western Alaska chums after late June.

The brighter side of the chum market is the improving *ikura* market. Japanese wholesale prices for Alaska ikura have strengthened 10% over the past two months from about 3000 yen/kilo ($12.72/lb.) in March to 3300 yen/kilo ($13.98/lb.) this May. While that's an improvement, it's still well below last May's 4300 yen/kilo ($22.95/lb. at last year's exchange rate of 85 yen/$). With strong chum runs predicted in both Alaska and Japan, total ikura production is expected to be about the same as last year. Still, processors are hopeful that growing demand and low ikura inventories in Japan will lead to a stronger market this summer.

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