SALMON MARKET BULLETIN

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Tokyo wholesale prices for Bristol Bay fish have steadily increased.

DEFINITELY BETTER THAN A YEAR AGO

Is selling salmon a dynamic business? You bet. Last year at this time, processors were bleeding from losses in frozen pinks. This year, you're lucky to find a frozen pink and it's a seller's market. Last year, Japanese buyers and sellers were battling as the sockeye market started swooning. This year, salmon sales in Japan are so smooth everybody's smiling. Overall it's safe to say the salmon market is in much better shape than a year ago. Here's the latest look at the unfolding salmon situation.

MOST SOCKEYES ARE SOLD

Although some big fish from the late sockeye runs remain unsold in Seattle cold storages, for the most part sales of sockeyes in Japan have been the best in years. By September, most Bristol Bay fish was already in the hands of Japanese wholesalers and reprocessors. That's a big turnaround from the past few years when importers and processors had to hold inventory well into the fall.

Since August, Tokyo wholesale prices for Bristol Bay fish have steadily increased, as buyers filled a dry pipeline that resulted from very low inventories. By early October, the average price for 4-6 pound #1 fish had increased from 650 yen/kilo ($2.69/lb.) to 750 yen/kilo ($3.06/lb.).

"Sockeye sales have been a big relief," said one Japanese importer. "So far everybody's cooperated and everybody's made a little money. That's a nice change from the constant battling of the past few years." The strong market for sockeyes has also led to good sales of Alaska troll coho. Most processors report their troll cohos are long gone—at prices that averaged up to $2/lb. FOB Alaska for the preferred 4-6 pound size.

CAN THE COOPERATION CONTINUE?

How long will Japanese importers and their customers continue to cooperate in what is now a relatively sanguine salmon market? The answer to that question will become apparent over the next few months as boatloads of farmed Chilean coho begin arriving in Japan. The Japanese trade press is reporting unofficial estimates that Chilean production of farmed coho—95% of which goes to Japan—will rise 20% this year to 50,000 tons. (The Chilean Salmon Farmer's Association is projecting a smaller increase, to about 43,900 tons.) But in spite of the increased production, so far the market outlook looks good.

Last year, after losing money on Alaska sockeyes when the market slid from 600 yen/kilo in September to 470 yen/kilo in February, Japanese importers took a hard line with Chilean producers. As a result, the Chileans, who refused to sell when they were offered less than $3.30/kilo ($1.50/lb.) FOB Santiago, shipped their fish over to Japan on a consignment basis with minimum price guarantees. Most of that fish was sold later at Tokyo wholesale prices that started at about 450 yen/kilo in December,

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before climbing to 600 yen/kilo when sockeye prices jumped last spring.

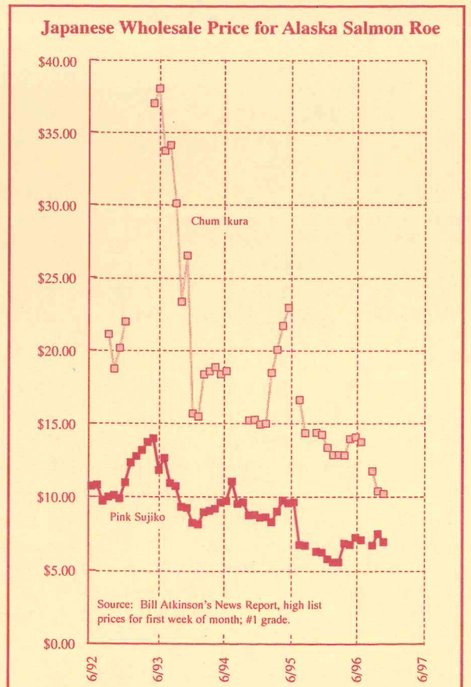
This year, things are starting out much better. The first shipments of Chilean cohos were reportedly sold for about $5.50/kilo ($2.50/lb.), which is expected to translate into a Tokyo wholesale price of about 750 yen/kilo ($3.10/lb.)

IS TROUT TROUBLE?

While things looked good on the Japanese salmon market in October, there are some potential problems looming. One of the biggest could be the rapidly growing harvests of trout that are pen-raised in salt water. The red meat from these big rainbows is very similar to salmon, and, in fact is often sold as sliced "salmon" sashimi to consumers that can't tell the difference. (Retailers and restaurateurs know the difference, though, since trout sells for about $.50-$.75/lb. less than salmon.)

And there's a lot more trout around these days. In 1995, Japan imported 30,000 tons of trout, mostly from Chile and Norway. In Chile, trout production is growing faster than coho and should reach 38,000 tons during this July-March season (according to the Chilean Salmon Farmers' Association)—with 86% of production headed for Japan. In Norway, which has imposed strict feed quotas to reduce salmon harvests, there are no restrictions on growing trout. During the first eight months of 1996, Norwegian trout production was up by 73% from 3.7 thousand tons to 6.5 thousand tons.

Although to date most of the saltwater trout have ended up in sushi bars, increasingly trout is competing directly with sockeyes and farmed cohos on supermarket shelves. Because of a soft sashimi market (a result of this summer's lingering e-coli scare in Japan), more trout is expected to end up being processed into tei-en fillets—which could have a dampening effect on sockeye and farmed coho prices. Chilean FOB prices for early trout shipments were $4.75/kilo ($2.16/lb.), with Japanese wholesale prices of 650-700 yen/kilo ($2.69-$2.89/lb.).



With 1996 pink salmon harvests down sharply in Alaska and Russia, pink and sockeye sujiko prices are rising. Chum ikura prices are depressed after a second year of big chum harvests in Alaska and Japan.

IS IT TIME TO CAN THE CAN?

That's been one of the hottest debates in the Alaska salmon industry in the past decade. Why keep relying on a product form that hasn't changed much since its inception more than 100 years ago?

As pink prices have plummeted, seafood processors have scrambled to come up with new products, many of them made from blocks of skinless, boneless fillets, which can then be shaped and cut into an endless variety of value-added products. And they've had some success. After years of effort by the Alaska Fisheries Development Foundation, the U.S. Dept. of Agriculture announced earlier this year that it would buy 3 million pounds of breaded nuggets made from pink blocks for its school lunch program.

European breaders have also purchased millions of pounds of Alaska pink blocks in the past few years and developed a number of successful product lines, especially in Germany. But just as the market for salmon products made from pink blocks is poised to take off, a funny thing happened: Alaska processors cut back their production of blocks. As a result, USDA had trouble finding enough blocks for its test purchase to feed the kids salmon nuggets. USDA bought all the breaded nuggets that processors offered to sell and still came up 1.1 million pounds short of its planned purchase.

THE BATTLE OVER BLOCKS

Say what? Although it may sound hard to believe, here's how it happened. Last summer, buoyed by growing demand for blocks and low ex-vessel prices, processors produced a record amount of pink blocks. And guess what happened? Even though demand for blocks was growing, it wasn't growing as fast as production.

Once word got out last fall that there was a ton of blocks produced, the market for pink blocks, which is comprised of a relatively small number of large users, quickly collapsed. Processors that needed $2.50/lb. to break even on blocks, bled when they were forced to dump inventory on a market where prices had plummeted below $2/lb. And block buyers that bought early at $2.50/lb. were furious when they learned they could have picked up product for less than $2/lb. if they had waited.

SELECTED SALMON MARKET DATA

Data	Most recent month(s)	Most recent figure	Previous month(s) figure	% change from previous month	Previous year figure	% change from previous year
US Cold Storage Holdings (000 pounds)						
Frozen chinook		2,276			3,321	-31%
Frozen sockeye		10,276			6,751	52%
Frozen coho	Aug 96	6,025			7,311	-18%
Frozen pink		5,376			13,678	-61%
Frozen chum		32,475			36,942	-12%
Cumulative US Imports (metric tons)						
Fresh Atlantics, all sources	July 96	5,659			5,156	10%
Fresh Kings, all sources	through	1,227			861	43%
Fresh Salmon fillets, all sources	Aug. 96	1,947			1,063	83%
US Wholesale Prices, high ($/lb.)						
Fresh Chilean Atlantics, 6-8 lb., FOB Northeast		2.10	2.40	-13%	2.50	-16%
Fresh Canadian Kings, 6-8 lb., FOB Seattle	Oct. 96	2.45	2.20	11%	2.60	-6%
Frozen chums, brites 6-9 lb., FOB Seattle		0.55	0.55	0%		
Cumulative Japanese Imports (metric tons)	June 96					
Frozen sockeye, all sources	through	63,822			43,606	46%
Frozen coho, all sources	Aug. 96	6,064			3,121	94%
Tokyo Wholesale Prices, high (yen/kilo)						
Frozen Bristol Bay sockeye, IQF, 4-6 lb.		730	720	1%	620	18%
Frozen Local Alaska sockeye, IQF, 4-6 lb.		750	750	0%	630	19%
Frozen Canadian net sockeye, IQF, 4-6 lb.	Oct. 96	1050	970	8%		
Frozen Chilean Coho, 4-6 lb.		750	700	7%	570	32%
Fresh Norwegian Atlantics, 3-4 kilo		900	800	13%	900	0%
Tokyo Roe Wholesale Prices, high (yen/kilo)						
Bristol Bay sockeye sujiko, #1 grade		3,000	2,800	7%	2,600	15%
Chum sujiko, #1 grade	Oct. 96	2,400	2,500	-4%	2,400	0%
Pink sujiko, #1 grade		1,700	1,800	-6%	1,600	6%
Ikura, imported, Alaska #1 grade		2,500	2,500	0%	3,000	-17%
Japanese Exchange Rate						
Value of 100 yen, in dollars	Oct. 96	0.90	0.91	-1%	0.99	-9%
Value of dollar, in yen		111.00	109.85	1%	100.84	10%
Reported US Canned Stocks (000 cases)						
Sockeye, 48-tall basis	July 96	143			35	309%
Pink, 48-tall basis		1,303			712	83%
Cumulative US Exports (metric tons)	July 96					
Canned sockeye	through	4,072			4,069	0%
Canned pink	Aug. 96	5,831			3,839	52%
Avg.Canned Wholesale Case Prices ($/case)	Oct. 95					
Sockeye, 48-talls	through	118.61			115.23	3%
Pink, 48-talls	Mar. 96	46.71			48.66	-4%
US Average Canned Retail Prices ($/can, talls)						
Sockeye (talls)	End	4.09	4.03	1%	4.10	0%
Pink (talls)	Aug. 96	1.55	1.55	1%	1.73	-10%

Notes: Figures for Exchange Rate, all Tokyo Prices, and US Wholesale Prices are for the first week of the month. All other figures are monthly totals.
One metric ton = 2,204.6 pounds. One kilo = 2.2046 pounds
Sources: NMFS; Japan Tariff Association; Bureau of Economic Analysis; Bill Atkinson's News Report; National Food Processors Assoc.; U.S. Bureau of Census; Alaska Dept. of Revenue; A.C Nielsen; Urner Barry. Data in table may differ slightly from data reported in text due to different sources and dates.
For more detailed information on sources and definitions, and other market data, contact SMIS at (907) 786-7750.

So what happened this summer? You guessed it, processors that got burned on blocks last summer shied away from blocks this summer, turning last year's glut into this year's shortage. Large buyers that usually make early commitments stayed on the sidelines, figuring that like last year there would be plenty of product. Not so.

Like his European counterparts, one large Canadian processor who has developed a breaded salmon product for the supermarket trade is now forced to travel to China in search of 500,000 pounds of pink blocks made from twice frozen Russian pinks. Hopefully, next summer Alaska producers and block buyers will get together before the season and sign contracts to restore order to the feast or famine scenario for Alaska salmon blocks.

CANNED PINKS STILL PILING UP

Meanwhile, the canned pink pack appears to be larger than originally estimated, as some processors were taking frozen pinks this fall and adding to the pile of canned inventory. "This is frustrating," said one canned salmon marketer. "All the hard efforts to produce to sales plans got thrown out." By most estimates, the canned pink pack this season will be about 2.9 million cases. While that's a lot of pinks, it's

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still 18% less than last year's pack of 3.4 million cases.

With more pinks piling up, the market price remains mired at the $20 level for a case of 24 talls. One leading label tried to raise prices to supermarkets in August, hoping that packers would follow suit and signal that the market had finally turned around after a long slow slide. Unfortunately, though, the price increase didn't stick. Still, canned pink prices haven't fallen for several months—which has processors hoping that the bottom has been reached.

CHUM SALES ARE BRISK

In spite of a record harvest, a good chum was hard to find. U.S. cold storage holdings of 32.4 million pounds at the end of August were 12% below last year and most of those fish were lower- grade pales and darks. At least one large Southeast processor said he was all out of fish by mid-October.

"If you had asked me in August if I would be out of chums in October, I would have said you're crazy," said one processor. "Everybody is buying. The Europeans, the Taiwanese, the Chinese." Given the fact that chum prices have been running below $.50/lb. for fair quality fish—and the fact there are virtually no frozen pinks around—it's not surprising that chums have been a relatively simple sale.

Still, even though sales have been good, processors aren't jumping up and down over the money they made on chums—or any other salmon this year. "In relative terms, this season was a smashing success compared to last year. In absolute terms, we would have made more money buying CD's [certificates of deposit]," said one processor.

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