

SALMON

MARKET BULLETIN



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As part of ASMI's response to a sharp drop in funding due to lower salmon catches and prices this year, the budget for the Salmon Market Information Service (SMIS) was reduced by 50% effective July 1. As a result, SMIS will no longer be able to provide faxback market and ex-vessel price reports. In addition, we will reduce the number of issues of the *Salmon Market Bulletin* this year from eight to five, and the number of issues of *Currents: A Journal of Salmon Market Trends* from three to one.

MID-SEASON REPORT: SOCKEYE CATCHES WELL BELOW FORECASTS

Big runs. Balky buyers. Low prices. That's been the story of the Alaska salmon business for almost a decade. And that's how this summer started out.

Record-breaking early Copper River sockeye catches quickly depressed ex-vessel prices, which plunged from opening levels of \$1.55/lb. to just \$.80/lb two weeks later. As Japanese inventories of farmed coho and trout built up during the spring, Tokyo wholesale prices for reds slid below 600 yen/kilo. After the first few shipments of Copper River fish, Japanese buyers sat on the sidelines, saying they were in no hurry to buy in the middle of a sea of salmon.

Even with Bristol Bay harvests projected to be just 24.8 million fish—down from last year's harvest of 29.6 million—Japanese buyers argued that higher catches in Canada would more than make up for any reduction in the Alaska catch. And besides, there was a growing mountain of Chilean cohos and trout to move. As the Bristol Bay season started, a few sockeye dribbled out to Japan at \$2.00/lb. (#1 4/6 fish, FOB Alaska). From Southeast to Bristol Bay, processors posted record low opening ex-vessel prices for sockeye. The big worry was the market—not the fish. Same old story.

Not quite. The first sign that Mother Nature had some big surprises in store this summer came in June when Kodiak and Chignik sockeye catches came in well below projections. But the big shocker was Bristol Bay.

BRISTOL BAY "A DISASTER"

By any measure, this season's Bristol Bay fishery was devastating for both fishermen and processors—and no one knows for sure what happened to the run. At barely over 12 million fish, it will be the lowest catch since 1978—falling below the 14 million fish of 1988.

But the big difference between 1988 and now is that Bay fishermen were paid \$2.10/lb. in 1988. This summer, even cash buyers were paying only \$.60-\$.65/lb. for most of the season. Even if retro payments push prices higher, it won't begin to make up the difference—especially for Naknek-Kvichak fishermen, where the catch was one-tenth of the pre-season projection.

Another big difference from 1988 was that processors had geared up for a small harvest that summer, while this year processors geared up to process 25 million fish. With catches less than half that, many Bay processors were facing soaring average production costs. Several processors estimated their tendering costs alone at \$.30/lb. "It's a disaster," concluded one processor. "Everyone in Bristol Bay is underwater—fishermen *and* processors," remarked another processor. "The market is not going to make up for the loss in volume."

THE MARKET REACTS LIKE A ROCKET

It took awhile to sink in, but once cautious Japanese buyers were finally convinced that the Bay was, indeed, a bust, the frozen red market turned red hot. In late June and July, reported Tokyo wholesale prices for Alaska sockeye (#1 4/6 lbs.) rose by more than 200 yen/kilo—from less than 600 yen/kilo to almost 800 yen/kilo.

Adding fuel to the fire was the fact that a higher than normal percentage of the Bristol Bay pack ended up in cans. "Everyone just started canning, assuming there was plenty coming," reported one processor. The Japanese seafood papers were estimating that there would only be about 14,000 tons of frozen Bristol Bay sockeye available for the Japanese market from this year's catch, only one-third of the 42,000 tons of Bay fish that were frozen last summer.

It wasn't only the Bay. At the end of July, sockeye catches in Chignik, Kodiak and Cook Inlet were also running well below forecasts. As a result, this year's statewide Alaska sockeye catch could come in at less than 30 million fish—33% less than the projected harvest of 45.5 million fish. Preliminary Japanese projections were that total North American sockeye exports to Japan would drop to 51,770 tons in 1997, compared with 76,440 tons in 1996 and 88,200 tons in 1995.

With the tables turned and sockeye in very short supply, Japanese buyers scrambled to make offers by mid-July, but processors stopped selling and held out for higher prices.

AFTER PRICES JUMP, PROCESSORS START SELLING

The first large sales of sockeyes were made by the last week in July, when one large Alaska packer reportedly sold his entire Bristol Bay sockeye production for \$2.60/lb. FOB Alaska for #1 4/6-lb. fish—compared with price offers of \$1.90/lb. just a few weeks earlier. One processor predicted that more than half of the Bay frozen production would be sold by the beginning of August. Sales of Cook Inlet and Southeast sockeyes were also being made, reportedly at prices of \$2.70/lb. and \$2.80/lb., respectively, FOB Alaska for #1 4/6-lb. fish. While some processors were selling, other processors were reported to be holding out for \$3.00/lb for Bay fish.

The momentum towards higher prices was helped in late July, when the Japanese parent company of a large Bay packer announced their offer prices for 1997 #1 4/6 sockeyes was 820 yen/kilo. "That was a big vote of confidence for importers," explained one Bay processor. "It legitimized what packers are pushing for on this side."

WILL B.C. PRODUCE?

After Bristol Bay was a major disappointment, nervous salmon buyers began to worry about whether B.C. sockeye runs would deliver. In late July, one processor suggested the sockeye market still might adjust upwards or downwards, depending on whether the Fraser River catch, which peaks in mid-August, is below or above forecasts. What few fish were being frozen in late July were being offered at prices as high as \$3.10/lb. FOB Vancouver.

With the Alaska canned red pack down considerably, B.C. processors were expected to put more of their catch in cans. But if the already active Japanese buying turns into a heated frenzy for fish, the pendulum could swing more toward frozen. At any rate, whatever happens, canned salmon buyers were predicting a price increase for canned reds following the shortfall in this year's Alaska sockeye pack—despite higher carryover stocks. "I think for certain we'll see some increasing prices—especially for tails," said the buyer for a major North American label.

COHOS SHOULD BE SNAPPED UP

With Alaska sockeye catches off dramatically and the B.C. coho fishery severely reduced for conservation purposes, Alaska cohos were expected to be in strong demand this August. Although fishing had just started in early August, it was too early to tell if Southeast catches would match the projected harvest of 3.9 million fish. Trollers were receiving \$.75/lb. for cohos, but those prices could head up, especially if sockeye catches in B.C. are below projections. Earlier this summer, trollers landed about 143,000 kings, receiving about \$2/lb. for their kings.

A WINDFALL FOR CHILEAN PRODUCERS

"They're ecstatic," was how one Japanese importer described the reaction of Chilean coho producers after they heard about the sockeye shortfall. When the price of sockeyes took off, Chilean cohos went along for the ride, jumping from 550 yen/kilo in late June to 650 yen/kilo by the end of July. With Japanese reproducers expected

to be looking for whatever fish they could find, pen-raised trout prices also climbed from 500 to 550 yen/kilo.

Prior to the season, there had been about 10,000 tons of poor quality Chilean coho in Japanese cold stores, acting as a drag on the market. (In search of lower production costs, some Chilean farmers switched to extruded feeds this season; however, the extruded feeds resulted in some inconsistent flesh coloration.) With less fish to choose from, though, Japanese reproducers were expected to be far less picky.

On a more negative note for the Chileans, though, the U.S. International Trade Commission (ITC) agreed in July to investigate dumping charges against Chilean salmon farmers, which could lead to an anti-dumping tariff later this year if the ITC rules against the Chileans. One early casualty of the dispute was a U.S. generic marketing campaign by Salmon Marketers International, an organization funded primarily by Chilean salmon farmers—who will instead use their money for their legal defense.

CHUM RUNS LOWER; PRICES HIGHER

Sockeye weren't the only species that failed to show up as predicted. A very weak Kuskokwim chum run led the state to close that fishery after just one opening and declare an economic disaster for the region. And the Hidden Falls chum run in Southeast in late June was well under half of what it is has been the past few years. Although Southeast chum catches strengthened in July, by July 18 total Southeast chum catches were just 2 million fish, compared to 4.7 million fish at the same time last year. All together, by the end of July, state biologists were speculating that the total statewide chum harvest might come in under 13 million fish, compared with the pre-season forecast of 17.8 million.

Lower catches led to a stronger and more orderly chum market this summer. With no flood of chums in late June swamping the fresh market, Seattle wholesale prices held at \$1.10/lb. until mid-July, compared with last year when the price dipped to \$.75/lb. at the end of June. With fewer fish around, though, U.S. supermarkets, which had gotten hooked on a seemingly endless supply of cheap chums, had to scramble to fill 4th of July salmon specials.

Another reason for a stronger and more orderly fresh chum market: fewer players. "We haven't sold any yet," said one of the largest packers in Southeast in late July. "People have come out with a level they will sell at and they don't put fresh chums on the market unless they get that price."

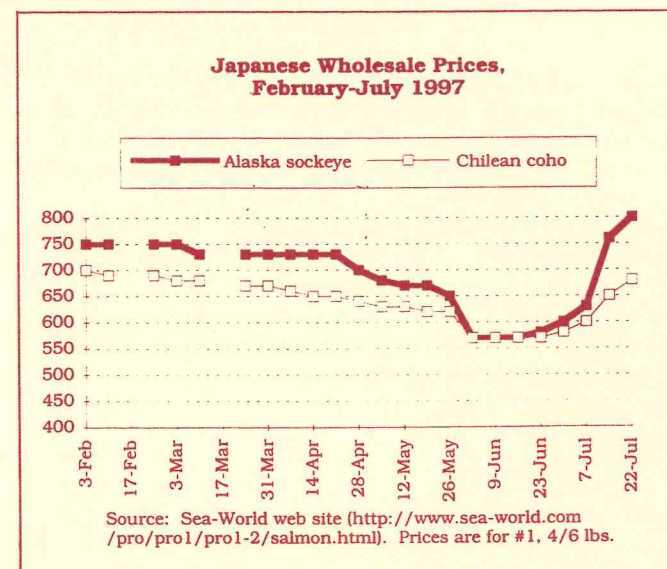
SELECTED SALMON MARKET DATA

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		1,182			1,172	1%
Frozen sockeye		1,632			717	128%
Frozen coho	Jun-97	562			1,420	-60%
Frozen pink		219			1,064	-79%
Frozen chum		1,158			5,884	-80%
Cumulative US Imports (metric tons)						
Fresh Atlantics, all sources	July-96 through	33,734			32,639	3%
Fresh Kings, all sources	Apr-97	4,308			5,715	-25%
Fresh Salmon filets, all sources		11,945			8,761	36%
US Wholesale Prices, high (\$/lb)						
Fresh Chilean Atlantics, 8-10 lb., FOB Miami	late Jul-97	2.25	2.05	-10%	2.10	7%
Fresh Canadian Kings, 6-8 lb., FOB Seattle		2.10	2.05	2%	2.25	-7%
Fresh chums, 4-6 lb., FOB Seattle		1.05	1.10	-5%	0.60	75%
Cumulative Japanese Imports (metric tons)						
Frozen sockeye, all sources	Jun-96 through	94,328			98,399	-4%
Frozen coho, all sources	May-97	49,172			43,315	14%
Tokyo Wholesale Prices, high (yen/kilo)*						
Frozen Bristol Bay sockeye, IQF, 4-6 lb.		600	670	-10%	610	-2%
Frozen Local Alaska sockeye, IQF, 4-6 lb.		700	700	0%	690	1%
Frozen Canadian net sockeye, IQF, 4-6 lb.		650	670	-3%	no data	
Frozen Chilean Coho, 4-6 lb.	July-97	630	720	-13%	630	0%
Fresh Norwegian Atlantics, 3-4 kilo		1000	1,000	0%	870	15%
Tokyo Roe Wholesale Prices, high (yen/kilo)						
Bristol Bay sockeye sujiko, #1 grade		no data	no data		no data	
Chum sujiko, #1 grade	July-97	3,000	no data		2,700	11%
Pink sujiko, #1 grade		1,500	1,500	0%	no data	
Ikura, imported, Alaska #1 grade		2,400	no data		2,800	-14%
Japanese Exchange Rate						
Value of 100 yen, in dollars	middle of July-97	\$0.88	\$0.87	1%	\$0.90	-3%
Value of dollar, in yen		114	115	-1%	111	3%
Reported US Canned Stocks (000 cases)						
Sockeye, 48-tall basis	Jun-97	331			188	76%
Pink, 48-tall basis		658			1,594	-59%
Cumulative US Exports (metric tons)						
Canned sockeye	July 96 through	16,119			19,584	-18%
Canned pink	April-97	18,641			13,946	34%
Avg. Canned Wholesale Case Prices (\$/case)						
Sockeye, 48-talls	Mar. 97	119.04			119.01	0%
Pink, 48-talls		41.20			44.06	-6%
US Average Canned Retail Prices (\$/can, tails)						
Sockeye (tails)	Feb.-97	4.10	3.98	-3%	3.79	8%
Pink (tails)		1.41	1.47	-4%	1.55	-9%

*Tokyo Wholesale prices are "list" or "offer" prices reported in the Hokkai Keizai Shinbun, as reprinted in Bill Atkinson's News Report. Actual sales prices may differ substantially from list prices, especially when prices are changing rapidly. Press accounts and discussions with processors indicate that Tokyo wholesale prices for sockeye and coho salmon rose sharply in July. Published list prices do not yet reflect this price increase.

**Case price data are from Alaska Department of Revenue Wholesale Case Price report published every six months. Discussions with industry sources indicate that prices for canned pink tails rose by about 10% in the spring of 1997, while prices for sockeye tails fell by about 4%.

Notes: Figures for Exchange Rate, all Tokyo Prices, and US Wholesale Prices are for the first week of the month except where otherwise noted. 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.



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Low frozen chum inventories at the beginning of the season, combined with a significantly lower run, are another reason packers have been more inclined to put chums in the freezer this summer. With lower total production, frozen chum prices this fall should be better than the rock-bottom prices paid by glutted markets the past few years. In late July, frozen chums were selling between \$.80-\$1/lb. FOB Seattle.

Partly offsetting better market conditions for fresh and frozen chums was an ikura market which remains depressed due to carryover inventories from last year's big chum harvests in Japan and Alaska. Still, ex-vessel prices were generally up from last year, with Southeast fishermen receiving \$.20-\$.30/lb. for chums in late July.

PINKS TOO EARLY TO CALL

By the end of July, it was beginning to appear that the Alaska pink harvest would fall short of the forecast. Although Southeast harvests were strong, low early Kodiak and Prince William Sound catches indicated the statewide harvest might be as much as 25% below the statewide projection of 100 million fish. Predicting pinks is risky before August 10, though, cautioned processors.

Still, with canned pink carryover inventories at their lowest levels in the past five years, it seems very likely that the total canned pink supply available to the market will be down substantially from the past two years—which should result in higher wholesale prices this fall. "If we catch the forecast, I don't think there's any reason the market will not firm up over the fall and winter," said one processor, who cautioned that a planned federal purchase of canned pinks remained critical to boosting the long-depressed market.

Nevertheless, processors were very cautious about posting higher ex-vessel prices until they actually saw higher wholesale prices. Ex-vessel prices remained stuck in the \$.05-\$.11/lb. range at the end of July, prompting seiners in several areas to stop fishing as part of an attempt to coax better prices out of processors.

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