

# U.S. WILD ALASKA POLLOCK PRODUCTION TRENDS AND MARKET DEVELOPMENT



NASF 2022

Rasmus Soerensen - EVP Global Sales

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# AMERICAN SEAFOODS

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## American Seafoods Company LLC

- Headquartered in Seattle, WA
- Largest At-Sea quota holder in the US
- Operate a fleet of 6 state-of-the-art Catcher/Processors
- Full on-board production
- Main species: Wild Alaska pollock – Wild Pacific hake (whiting)
- Annual catch: 350,000mt+
- Offices in China, Japan, Denmark and the US







# TODAY'S TOPICS

- Production trends 2015-2022
- Global market situation
- Next?

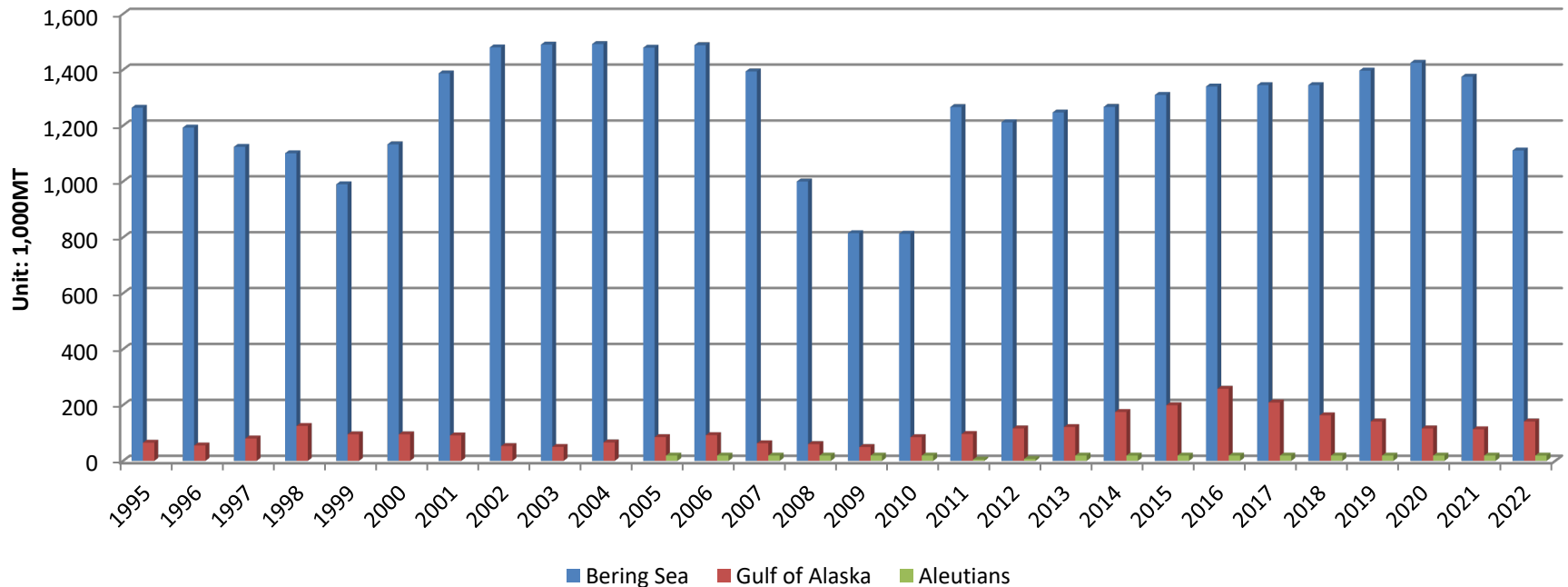


# WILD ALASKA POLLOCK TAC TABLE

The 2022 Bering Sea WAP TAC is 1,111 mill MT

- This is **19%** down from the 2021 TAC and **22%** down from the 2020 TAC
- The resource (biomass) is considered healthy and the TAC reduction in 2022 is mainly to be seen as a conservative reaction to lack of model data caused by the pandemic
- 20 year average TAC is 1,299 mill MT

1995 – 2022 Alaska Pollock TAC History <sup>1</sup>



# AK PRODUCTION OF CORE FROZEN WAP PRODUCTS 2015-2022A

- 2015-2017 surimi was the “winning” product format
- In 2018 block production came back strong after some market confusion created by the Pickenpack bankruptcy
- Deepskinned PBO production rose considerable in 2017 due to heavy promotional activity in all markets. DS WAP also became an alternative to cod in the important European markets + the US QSR chains started using WAP DS more
- Flesh production between 2021A and 2022A “only” represents about 10% difference whereas the TAC is down 19%. The difference is mainly due to an overall improvement in yields.

<i>UNIT: 1000MT</i>	2022 - A	2021 - A	2021	2020	2019	2018	2017
Roe	14.78	16.56	16.97	26.23	29.84	23.03	19.51
Surimi	<b>71.49</b>	<b>80.61</b>	<b>193.69</b>	<b>177.14</b>	<b>199.15</b>	<b>206.22</b>	<b>207.33</b>
PBO Fillets	<b>36.24</b>	<b>32.55</b>	<b>89.68</b>	<b>102.34</b>	<b>132.53</b>	<b>118.58</b>	<b>109.82</b>
PBI Fillets	0.48	1.09	2.42	4.47	4.46	3.79	3.69
Deepskin Fillets	<b>19.75</b>	<b>20.21</b>	<b>47.53</b>	<b>50.33</b>	<b>58.11</b>	<b>56.72</b>	<b>58.77</b>
Sum Fillets/Blocks	56.47	53.85	139.63	157.14	195.10	179.09	172.28
Mince	6.27	12.74	28.01	28.91	20.45	21.39	27.92
Sum Fillets/Blocks/Min	62.74	66.59	167.65	186.05	215.55	200.48	200.2
Fishmeal	19.14	30.74	67.70	69.39	69.85	67.68	65.07
H&G	17.99	15.57	22.76	29.44	32.10	56.34	44.17



# THE PANDEMIC IMPACTED PRODUCT MIX – BUT BLOCK PRODUCTION IS COMING BACK

	PBO	SURIMI	DS
			
<b>2019</b>	132,530mt	199,130mt	58,110mt
<b>2020</b>	102,340mt	177,140mt	50,330mt
<b>2021</b>	89,680mt	193,690mt	47,530mt
<b>2022</b> (thru May 7 <sup>th</sup> )	36,240mt	71,490mt	19,750mt
2021 thru May 8th	(32,550mt)	(80,600mt)	(20,210mt)





# POST PANDEMIC THE GLOBAL DEMAND REMAINS STRONG FOR CORE PRODUCTS

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Consumers are shifting behaviour again – retail is still strong but plateauing, and food service is coming back strong. People are out and about again

Consumer confidence still strong.

Wild Alaska Pollock is a “value” species that mostly ends up in retail products (approx. 75% retail / 25% foodservice), which has ensured continued strong demand through the pandemic.

Food service is coming back fast – inventories needs to be restocked. Wild Alaska Pollock is replacing short and expensive alternatives.

Social catering in Europe is returning to normal levels as well

QSR's continue to be very successful.

Wild Alaska Pollock is the go-to species for most due to its value, versatility and availability



# U.S. DOMESTIC DEMAND RISING

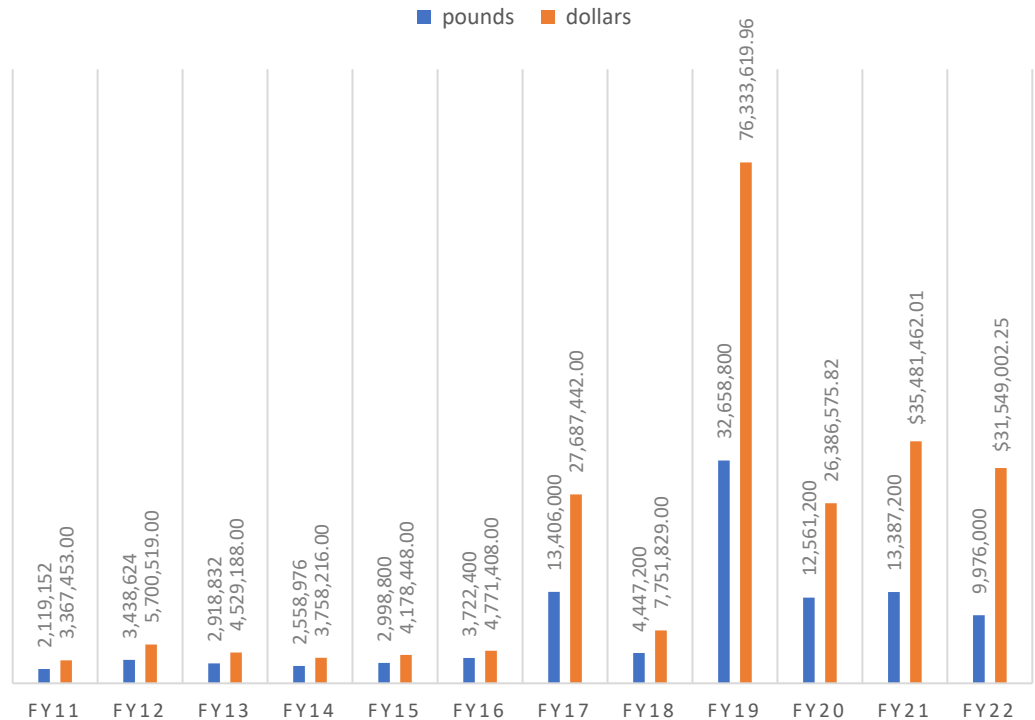
A strong retail market – a successful QSR segment – continued government focus on affordable protein has cemented a strong market presence for WAP in the US

In the retail market Wild Alaska Pollock is the go-to species for most due to its value, versatility and availability. This includes surimi seafood products in the “chilled” section.

Quick Service Restaurants (QSR) continue to be very successful. Drive thru and home delivery has been driving this success during the pandemic and as we emerge from the pandemic.

US Govt purchases of Wild Alaska Pollock remain strong. Adequate supply has been the hurdle.

## USDA PURCHASES OF WILD ALASKA POLLOCK





# LOW GLOBAL INVENTORIES

The inventory of Wild Alaska Pollock base draw material has been tight for a number of years. The pandemic, followed by a global shipping crisis and now a war in Ukraine has only worsened the situation

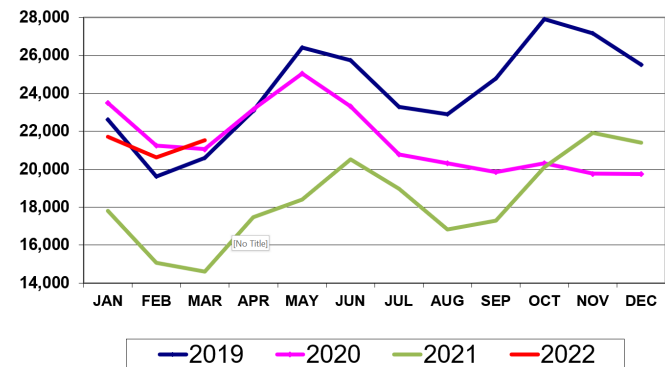
## EU APO imports through May 2019-2022

Date	MT left	MT used	% used		UK part	NET EU
31-05-2019	193.270.489,45	126.729.510,55	39,60	YTD %	11.686.000,00	115.043.510,55
29-05-2020	191.622.518,13	128.377.481,87	40,12	YTD %	12.657.000,00	115.720.481,87
01-06-2021	228.688.009,43	111.311.990,57	32,74	YTD %		111.311.990,57
01-06-2022	240.974.135,97	99.025.864,04	29,13	YTD %		99.025.864,04

## Surimi Seafood Production Japan (Q1)

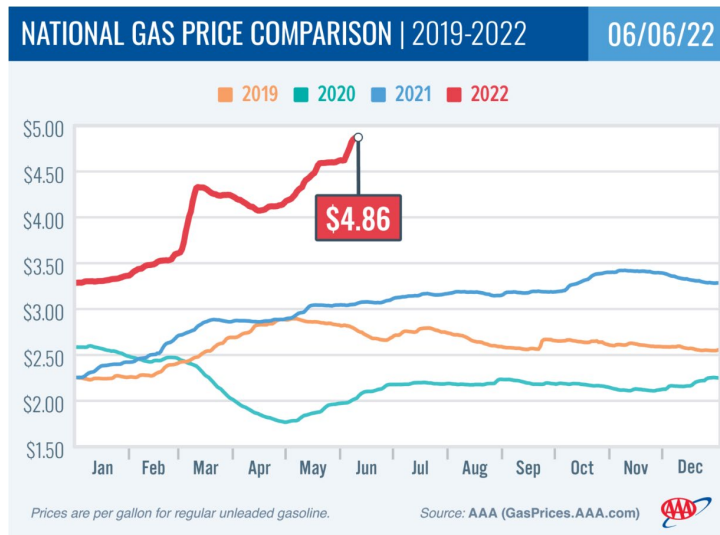
Neri products volume increased slightly in 2021. But from 2021 to 2022 we see a very sharp increase during early months of 2022 of **12.6%**. The increased production of chikuwa, itakama, Naruto and kanikama is especially good

## Total Japanese Surimi inventory



# BUT A NEW YEAR = NEW CHALLENGES

- 19% TAC reduction
- Sharply rising costs is affecting industry hard.
- Labor shortage continue to challenge industry. Attracting people to work on-board and in remote locations is increasingly difficult
- Fuel cost is impacting all side of the industry
- Freight cost continue to be a problem
- Currency fluctuations are increasingly unpredictable
- Inflation
- Profitability is under pressure as cost outpace price increases



# LABOR SHORTAGE – A MASSIVE ISSUE FOR INDUSTRY

The challenges that face our industry cannot be understated. Labor challenges will be with us for a while and will be hard to overcome.

HOME > TECH

**An Amazon employee got an 11% raise as part of a companywide pay hike, but says it's not enough: 'It's just not worth it to stay here any more'**

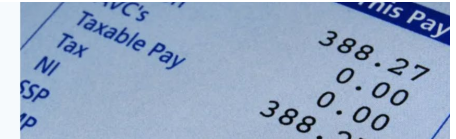
Sarah Jackson, Eugene Kim, Ashley Stewart, and Katherine Long Apr 27, 2022, 2:18 PM



Wages are rising at their fastest pace in 20 years

Lily Jamali | Jan 28, 2022

Heard on: MARKETPLACE



## Satya Nadella details Microsoft plan for 'significant additional investment' in employee compensation

BY TODD BISHOP on May 16, 2022 at 10:00 am

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BUSINESS

## Starbucks and Costco raise wages in the nationwide competition for workers

October 28, 2021 - 12:31 PM ET

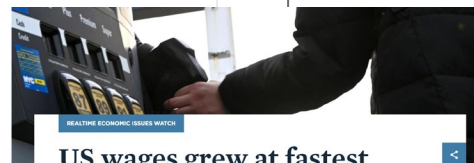
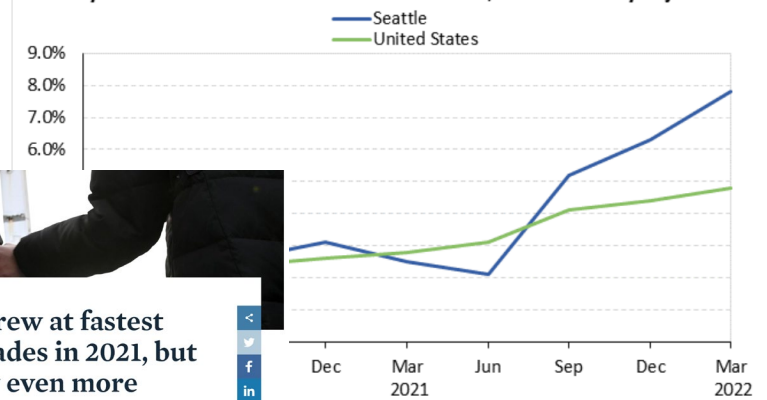
ALINA SELYUKH



## Changing Compensation Costs in the Seattle Metropolitan Area – March 2022

**Compensation costs** for private industry workers increased 7.8 percent in the Seattle-Tacoma, WA Combined Statistical Area (CSA) for the year ended March 2022, the U.S. Bureau of Labor Statistics reported today. Regional Commissioner Chris Rosenlund noted that one year ago, Seattle experienced an annual gain of 2.5 percent in **compensation costs**. (See [chart 1](#) and [table 1](#).) Locally, **wages and salaries**, the largest component of compensation costs, advanced at a 4.5-percent pace for the 12-month period ended March 2022. (See [chart 2](#).) Nationwide, **compensation costs** increased 4.8 percent and **wages and salaries** rose 5.0 percent over the same period.

**Chart 1. Twelve-month percent changes in total compensation for private industry workers in the United States and Seattle, not seasonally adjusted**



**US wages grew at fastest pace in decades in 2021, but prices grew even more**

Jason Furman (DHE) and Wilson Powell III (Harvard Kennedy School) January 28, 2022 10:45 AM

Image credit: Sipa USA/Anthony Blaker  
This blog post was updated February 11, 2022, to remove references to real wage growth by earnings level and an accompanying figure. The timing of the inflation adjustment used to adjust nominal wage growth was inconsistent with the



# GEOPOLITICS TAKE CENTER STAGE

The global supply of wild capture whitefish continues to be stressed now do to embargos and tariffs in addition to pandemic and freight cost increases

- Russian seafood has been eliminated from North American market.
- The situation remains fluid in other countries.
- Will the UK enact 35% tariffs on Russian seafood?
- The Ukraine conflict is adding to global inflation.
- China has continued “Covid” rejections and lockdowns.
- Aquaculture species production cannot increase fast enough combined with increased feed costs.



INFLATION





# SUPPLY CONSTRAINTS CONTINUE

## The global supply of whitefish is truly stressed

- China continue to be very unpredictable
- The global shipping crisis continue to severely impact/slow product flow
- Russia is changing product formats as fast as they can away from H/G to fillet's and surimi
- Alaska has struggled with young year classes and low yields
- Few real alternatives
- Global inventories continue to be very low



# WHAT'S NEXT?

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Change happens so fast these days, which makes it impossible to predict what to expect next.

## What we do know:

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- ✓ Supply is tight
- ✓ Demand is strong
- ✓ Inventories are low
- ✓ Inflation affects all food products, not just seafood

## What we don't know:

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- How will consumers react longer term?
- When will the supply normalize?
- When will inflation cool off?
- How will inflation impact demand?
- Will we be in a recession soon?





**THANK YOU**

