



BRISTOL BAY

Regional Seafood Development Association

Summary: Explanation of Fishery Price and Options for Fleet Consideration

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This document summarizes more-detailed answers to a basic line of questioning we have heard from the fleet since last summer: *"What is going on and what can be done?"*. Most Bristol Bay fishermen appear to be dissatisfied with the 2020 price and the current state of affairs in the fishery. As the largest organization representing Bristol Bay fishermen whose mission is to maximize fishery value for the benefit of its members, ex-vessel price is obviously a key concern for the Bristol Bay Regional Seafood Development Association (BBRSDA).

This paper addresses *"what is going on"* by summarizing market conditions and offers a list of options for fleet consideration, so the fleet may decide *"what can be done"*. For more details about the items summarized below, please see the full document ([LINK](#)).

What is Going On – Summary of Fishery Market Conditions

The base ex-vessel price for Bristol Bay sockeye fell 65 cents/lb., from \$1.35/lb. in 2019 to \$0.70/lb. in 2020. This lower price equates to loss of \$130 million in total ex-vessel value compared to 2019, or roughly \$75,000 per driftnet vessel.

Demand for Bristol Bay sockeye is very high. Retail prices are at record levels. Anecdotally, wholesale prices are flat to up compared to last year - significantly so for once-frozen fillets. Competing supply of wild sockeye was lower than any other year since at least 1990. When consumer prices are high or increasing for a product, the underlying raw material price usually goes up, not way down. In short, 2020 should have been a terrific season for Bristol Bay fishermen and ex-vessel prices, but it wasn't (or at least it hasn't been thus far).

In our opinion, the lower 2020 price is a result of the following factors, in order of importance:

1. COVID increased business risk and the risk premium for operating in 2020, causing companies to be more conservative with initial price commitments. Bay processors were likely concerned about competing with low farmed Atlantic prices as well.
2. Aside from Bristol Bay salmon and Bering Sea pollock, things were awful for processors in 2020 and weren't good in 2019 either (even Bay margins were down in 2019). Last season was the lowest Alaska salmon harvest in non-Bristol Bay areas since 1979, halibut and black cod prices sank, and cod harvests are way down! Whether Bay fishermen like it or not, losses or poor performance in other business units must be offset somehow.
3. Regardless of whether market conditions are good or bad, most fishermen are not guaranteed anything with respect to price (aside from profit sharing arrangements such as Silver Bay Seafoods' fleet). Processors pay what they choose to pay based on what suits their short and long-term needs best.

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4. COVID has increased operating costs for processors. It's been estimated that Alaska processors spent \$50 million on COVID mitigation in 2020. We estimate the expenses in Bristol Bay equate to 7 to 12 cents per round pound of sockeye. Several companies have received government assistance to offset at least some costs, but most of this aid was likely provided after the Bristol Bay salmon season.
5. The extremely compressed run in 2020 likely led to lower production of higher value products, such as once-frozen fillets.

It's certainly possible that fishermen will be paid significant retros ahead of next season; however, let's be clear about two things: processing companies are not contractually obligated to 1) pay any more than they have already committed to or 2) share any more information about sales performance than they choose. Even if processors could pay a higher price, there is no contractual requirement to do so without Silver Bay-style profit sharing agreements.

None of this is to imply processors are being unfair. These are simply the key facts that we feel best explains the current market situation within the fishery, but we would truly welcome any transparent enlightenment from the processing sector if we are mistaken. Notwithstanding other explanations, the points made above articulate *why* it's important for fishermen to evaluate the situation and consider their options. Is this acceptable, or not?

What Can be Done – Options for Fleet Consideration

Bristol Bay fishermen have three basic choices, and a range of options are available for each choice. Every choice and potential action carries varying degrees of risk, reward, cost, and involvement. BBRSDA has compiled this list of options through months of fleet/industry engagement, data analysis, and internal discussion. We want to be clear that these are choices and options for the fleet, and may not necessarily entail direct BBRSDA involvement. The fleet has asked questions and we have prepared answers as best we can. See the full document ([LINK](#)) for a more detailed explanation about the options listed below.

CHOICE #1 – Accept and continue with the status quo

Continue to fish on open tickets and rely on the fishery's market structure to dictate demand and price for raw material, while obtaining as much independent market information as possible. Fishermen may continue to enhance consumer/wholesale demand through improving quality and marketing efforts by supporting the BBRSDA. If there is a potential for higher profits, new or existing processors may choose or be required to bid up the ex-vessel price at some point in the future in order to retain/expand their market position. Despite the currently high level of angst, it is possible that average fish prices and fishery value will improve.

CHOICE #2 – Negotiate and/or partner with existing processors

The vast majority of sockeye shipped out of Bristol Bay is bought and sold by 4-6 companies, who in turn sell products to hundreds of customers, before being consumed by millions of people around the world. Fishermen rely on these primary processing companies to access global markets, and in turn processing companies need raw material (fish).

Outside of choice #3 or investing in a company with profit sharing agreements, the only way fishermen can create a direct relationship between wholesale (or consumer) demand and ex-vessel price is to make a deal with the companies that have processing capacity and market access, whereby final ex-vessel price would be comprised of a base price and revenue or profit sharing.

- A. Option: Create pricing agreements between fleets and existing processors
- B. Option: Create a mechanism for fishermen to earn or purchase an equity stake in existing processors (fractional equity is already an option with Silver Bay Seafoods)

This seems like a good place to address the “s” word (strike). Nobody we’ve spoken with is advocating for a strike or believes it would do anything aside from create pain for those involved (processors and fishermen). Nor is this conclusion any sort of secret or revelation.

Given that processors need fishermen, and vice versa, it is not unreasonable to conceive of a situation where formal business partnerships are established. However, it takes two to tango, and it appears unlikely to us that existing Bristol Bay processors would be open to the options listed above. Which likely leaves only one alternative to the status quo.

CHOICE #3 – Expand, improve, or create new channels for market access

Fishermen who choose to reject the status quo may decide, either through preference or necessity, to build up their own market access channels. If a deal cannot be made, the only real alternative for change is to build your own road to the market. Obviously, this approach carries the most risk and requires an active role for many involved, but it is the only way that fishermen can choose to obtain a larger equity stake in the fishery’s performance than is currently available. It’s also worth pointing out that processing companies are precluded by Alaska law from owning salmon production, but fishermen are not precluded from vertically integrating down the supply chain.

- A. Option: Create a bulk purchasing program for direct marketers
- B. Option: Create a sales and/or logistics company to expand direct marketer capacity
- C. Option: Partner with a new processor offering a pricing agreement
- D. Option: Create a new cooperative processing & sales company

The Path Forward

In response to concerns of many fishermen, we’ve laid out possible options for the fleet to consider. While we work for the fleet, the BBRSDA cannot pursue most of these options without active engagement and clear, decisive direction from the fleet. This fishery has a bright future, and although it may feel as though the fishermen’s options are limited, you own something truly unique: access to world’s most abundant supply of premium wild salmon.

The BBRSDA has helped create a fertile market. Here’s the situation report and potential roadmaps. We can assist or connect you with others who can turn plans into reality, but you – the fishermen - are the drivers. So... where do you want to go? We are standing by, over.