

2023: A perfect storm of economic circumstances hits Alaska seafood

Many coastal communities in Alaska depend on Alaska seafood for food security and for an economic foundation that sustains their economies. Often, the health of the Alaska seafood industry and the health of these communities are interdependent. In 2023, the culmination of multiple economic factors has created dire economic conditions, resulting in a free-fall of seafood prices, millions of dollars in losses and, in some cases, processors had to stop buying fish to reduce further losses.

Experts estimate the state and its coastal communities lost \$2 billion in 2023: \$1 billion in lost first wholesale revenues and \$1 billion in decreased spending on vessels and facilities. Fishermen and processors have borne the brunt of these impacts to date. With conditions <u>unlikely to notably improve in 2024</u>, the effects will continue to affect communities and more businesses and residents across the state. The Alaska seafood industry is facing economic conditions unlike any since the collapse of salmon value in the 1990s, except this time, it is across multiple species.

The higher standards in the U.S., for fisheries management, environmental and social considerations, and worker safety, mean it costs more to produce seafood compared to countries with lower standards. In Alaska, those costs are even higher due to the remote location of most of the fisheries and processing operations. These safeguards help keep our fisheries sustainable and ethical, yet, we face an uneven playing field from countries that harvest seafood without similar regulatory costs.

Today's problems are a result of the confluence of at least a dozen global and national economic factors occurring simultaneously, a few of which include:

1) Increased costs

- Total statewide wages for seafood processing workers increased 30% from 2021 to 2022.
 They had previously doubled from 2002 to 2020.
- Operational costs for fishermen and processors increased due to historically high inflation in 2021 and 2022.
- Shipping costs increased between 113% and 1000%, depending on route, 2020 to 2022.
- Supply chain of custody costs to ensure the sustainability and social responsibility of US fisheries mainly due to other 'bad actors', such as China
- Cost of compliance with U.S. environmental standards relative to other countries
- 2) **Excess inventories** of several abundant species harvested in Alaska and other countries in 2022 and 2023, including sockeye and pink salmon, sablefish, and pollock, which will likely continue into 2024.
- 3) Decreasing demand as consumers react to inflation and post-COVID conditions

- 4) **Russian war on Ukraine**, leading Russia to sell seafood on the global market at historically low prices in 2023 to secure cash, lowering seafood value overall
- 5) **Unfair trade policy**, including key trade relationships that reduce the value of Alaska seafood relative to other countries with lower tariffs. This includes Russia's 2014 ban on importing US seafood into Russia, while <u>Russia exports its seafood to the U.S. via China</u>

Clearly, there's much that must be done to stabilize Alaska's seafood industry, beginning with good information about the problems we are facing today. That's why the <u>Board of the Alaska Seafood</u> <u>Marketing Institute explained the "extraordinary circumstances"</u> from a market perspective, and the <u>United Fishermen of Alaska hosted and recorded a webinar</u> with seafood processors to discuss the current challenges of seafood markets. While many must take measures to survive, we need to look beyond today and toward a future in which everyone thrives. Alaskans need to create a public dialogue about the problem and the solutions in Alaska's fishing communities, Juneau, and Washington DC. At the federal government level, <u>PSPA has identified several changes</u> that would help:

1. Improve and expand existing agency functions that support US seafood, including:

- Improve coordination and collaboration across multiple federal agencies that affect the economic viability of Alaska seafood via the implementation plan for NOAA's National Seafood Strategy
- Include seafood in USDA Foreign Agricultural Service trade missions
- Increase government purchases of Alaska seafood
- Improve government policies to assist in recapitalization, vessel construction, tax structures, workforce accessibility, energy, and infrastructure
- Increase government funding for new product development, testing, promotion, and marketing of US produced seafood

2. Integrate US seafood production into national food policy strategies and USDA programs designed to support domestic food production, including:

- Create an Office of Seafood Policy and Program Integration within USDA to fully integrate US seafood into USDA policy strategies and programs
- Expand eligibility of USDA low-interest loans or loan guarantees to fishermen and processors
- Fully integrate seafood and seafood nutritional guidance into national strategies for improving public health and nutrition

3. Restore fairness and reciprocity for international trade in U.S. seafood products, including:

- Embed seafood expertise and leadership in the office of the U.S. Trade Representative to elevate seafood in trade agreements
- Improve trade policy via USTR and other agencies to create a more reciprocal tariff structure for seafood exports and imports
- Develop more effective tools, like harvest certificates, for monitoring supply chain traceability and deterring Illegal, Unreported, and Unregulated (IUU) fishing
- Resolve the unbalanced and unfair seafood trade relationship between Russia and the U.S., including support for the Alaska delegation's efforts to block imports of Russian seafood processed in China or other countries