

SUPPLY CONCERNS MAY KEEP SALMON PRICES HIGH DESPITE GLOOMY ECONOMIC CLIMATE

As the summer salmon season approaches, wild salmon prices show no sign of relaxing. Fears of recession in the USA would suggest that seafood prices would soften after several years of inflation. But supply concerns will maintain the upward pressure.

Earlier in the year the Alaska Department of Fisheries and Game (ADF&G) released its forecast, showing 35% fewer salmon than last year. This created some upward price pressure, but looking deeper, the agency's forecasts predict a shortage of supply for only pink salmon – the most abundant and least valued of the Pacific salmon species – even as forecasts for the other species remained relatively constant:

ALASKA COMMERCIAL SALMON HARVEST BY SPECIES, 2005-2008					
<i>all figures in '000s of fish</i>					
Species	Harvest			Projection	Change
	2005	2006	2007	2008	2007-2008
Chinook	699	645	563	673	110
Sockeye	43,387	41,649	47,114	47,189	75
Coho	4,821	4,428	3,632	4,423	791
Pink	161,237	72,808	144,046	66,358	(77,688)
Chum	11,760	21,532	17,325	18,722	1,397
Total	221,904	141,062	212,680	137,365	(75,316)

Since ADF&G's predictions, the news seems to have consistently supported expectations of higher prices.

Chinook fisheries struggling

In early May the federal government declared the collapse of the West Coast chinook fishery a disaster. The disaster was evident without the government's declaration when, on April 11, the Pacific Fishery Management Council closed the fishery for the year, but this official announcement will allow the government to compensate affected fishers. Small, isolated fisheries will occur in Washington and Oregon during the summer, but since the endangered chinook from the Sacramento and other Californian rivers mix with other runs as they swim south, most of these fisheries will remain closed.

Chinook is the most important species of the west coast fishery's salmon production. It is the most valued of the Pacific salmon species and is often delivered fresh to high-end restaurants. The west coast chinook fishery is much closer than Alaska to major west coast cities such as Seattle, Portland and San Francisco, so it has an important market position delivering fresh chinook to those markets.

The loss of the west coast chinook supply is difficult even if all other factors remain equal. But other chinook fisheries on the coast are struggling to fill the void:

- This winter's chinook fisheries delivered poor catches.
- Fishing has so far been slow in the spring chinook fisheries from Washington north to Alaska.
- ADF&G has cut chinook quotas in half in southeast Alaska, another important source area for the fresh market in the lower 48.

Losses at Chilean salmon farms

Chile has one of the world's largest farmed salmon industries. Its producers export nearly 30% of their production to the USA as frozen fillets, competing in some markets with frozen products of wild Pacific salmon.

Last July Chilean producers began noticing a virus named infectious salmon anemia (ISA) in their fish. The virus is not harmful to humans but can be lethal to fish and, as the name suggests, is highly infectious. ISA has affected all major salmon farming areas in the world at some point. Critics say the virus results from overdependence on antibiotics in the Chilean industry. The farmers use antibiotics to

combat bacteria and diseases that result from crowding too many pens into developed areas and too many fish into pens. Antibiotics help combat the immediate threats but weaken the fish's natural immunity, leaving them vulnerable to ISA.

Regardless of the cause, ISA will cause a short term dip in the production of frozen salmon fillets for the US market. The lost fish will be of various ages, so the market will not feel the loss in one year, but with a four-year grow cycle, likely over the next three-four years.

Most recently a volcano eruption in Chile could threaten 6,000 metric tons (MT) of farmed salmon if lava or toxins reach pens in the nearby coastal waters. The story is still developing and the threatened salmon producers have started to move some of their fish to other locations, so there may be no effect on the industry. But even the moving operation could result in some lost fish.

Sources: Urner Barry, Seattle Times, New York Times, Dallas News, Huffington Post, Fishupdate.com

Implications for frozen seafood buyers:

- As consumers tighten their budgets amid fears of a recession, seafood in general stands to lose in both the foodservice and retail sectors. Wary consumers will likely cut their spending at restaurants, where most seafood is consumed, and may also cut discretionary food items such as seafood from their grocery lists.
- Some seafood companies have adjusted their marketing focus to the higher end markets that can afford to eat more expensive meals regardless of the general economic climate.
- For salmon, the price of chinook salmon in particular looks set to increase.
- Hard data suggests there is less inflationary pressure on sockeye, coho and chum salmon products, but if the general market mood is that salmon supplies are down, these prices will not fall by much.
- A large drop in pink salmon harvests would create some upward pressure on pink salmon prices.

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