ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1651 SJ BRISTOL BAY AFFAIRS - BRISTOL BAY HEARINGS

BRISTOL BAY HEARING REPORT

PURPOSE

For the purposes of this report, subjects have been consolidated and selected quotations used to illustrate the concerns and perceptions of individuals appearing before the committee. The report does not attempt to present the Task Force's views or comments during the hearing, but rather to let the individuals in Bristol Bay express their concerns in their own words.

This is not a final report. Additional hearings will be held in Juneau on March 16 on the same subject.

INTRODUCTION

On January 28, 1981, Senate President Jay Kerttula requested Senator Pat Rodey, the Judiciary Committee Chairman, to examine the public safety problems which occurred in Bristol Bay during the 1980 salmon season price dispute.

After a preliminary examination, it became clear that the public safety problems could not be divorced from the greater issues of price negotiation and resource utilization, and so the scope of inquiry was enlarged to adequately address the problem.

Senator Rodey was contacted by Avrum Gross, the Governor's appointed director of the Bristol Bay Task Force, about working together on the matter. Senator Rodey agreed to do so in order to speed the hearing process and to avoid unnecessary duplication of effort.

Senator Sturgulewski, Chair of Legislative Budget and Audit, was appointed chair of the Bristol Bay hearings, with Senator Hohman invited as the representative of the District.

Several members of the House representing fishing constituencies also expressed an interest in participating in the hearings, with the House delegation composed of Representatives Chuckwuk and Hurlbert.

The hearing board attending consisted of:

Senator Sturgulewski, Chair
Representative Hurlbert
Representative Chuckwuk

Representing the Governor's Task Force were:

Avrum Gross, Director
Commissioner Nix, Public Safety
Commissioner Skoog, Fish and Game
Commissioner Webber, Commerce & Economic Development
Commissioner Williams, Commercial Fisheries Entry Commission
Mike Whitehead, Governor's Office

HEARINGS

The initial hearing was held in Dillingham on February 28, from 6:30 p.m. to 10:30 p.m. The hearing was attended by approximately seventy individuals and reached a larger Bay audience by being broadcast over KDLG of Dillingham.

The committee heard testimony or questions from:

Joe McGill	Val Nick Angasan
Andy Golia	Lyman Smith
Joe Clark	Jim Bingman
Jerry Libof	Dave McClure
Fred T. Angasan	Mark Seger
Mitch Kink	Thomas Crandell
Kay E. Larson	Dorothy Hummer
Robin Samuelson	Leon Branswell
Jack McBride	Carl Larson
Laura Schroeder	Stan Small

The second hearing took place in Naknek on March 1, from 12:15 p.m. to 3:30 p.m., and was attended by approximately thirty individuals.

The committee heard testimony or questions from:

John Eckert	Mike Hakala
Mitch Kink	Anthony Balachi
George Gottschalk, Sr.	George Gottschalk, Jr.
Harvey Samuelson	Monty Handy
John Lundgren, Sr.	Allen Aspeland
Richard Johnson	Ralph Angasan

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RECEIVED

APR 13 1981

April 8, 1981

Senator Arliss Sturgulewski
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

Thank you for the copy of the report on Bristol Bay prepared by yourself and Senator Rodey. I have read the report and found recommendations 5 and 7 as the most crucial suggestions for solving Bristol Bay market problems.

Recommendation 5 is a very important program that needs to be implemented this year so that fishermen will be ready for next year. Fishermen need to reach out and contact buyers in the Lower 48, Europe and the Far East. I believe that such contact will make fishermen aware of how much demand there is for their product and allow buyers to see how much product there is available. I hope the Legislature develops this program post haste.

Recommendation 7 is the key to solving Bristol Bay marketing problems in the short and long term no matter how the nature of the fishing industry evolves. Seafood Industrial Parks in Naknek/King Salmon and Dillingham should be developed to attract local people to process salmon. These parks should provide all the necessary utilities, roads and access to airports for efficient transport of salmon from the fishing grounds to the market place.

I urge the Legislature to take immediate action to design Seafood Industrial Parks to expedite construction. Increased capacity to handle surplus fish needs to be created. I believe local cooperatives could be involved in every phase of Seafood Industrial Park development.

Fishermen and processors could be helped by seafood industrial parks. Large freezing facilities could be built, warehouses for holding canned salmon, storage for fishing boats, space for specialty processing could be planned into the entire park.

Finally, a longer runway in Dillingham is needed to accommodate large aircraft for hauling fish out. The present runway is too short to allow 747 type aircraft to operate. I would recommend that the present runway be extended if possible or build another runway in another location in Dillingham.

The State has to take affirmative action on harvesting all surplus salmon beyond escapement needs. If no meaningful action is taken, I believe that this will be interpreted by foreign interests to mean that they can request intercepting our salmon on the high seas once again. The State has to intervene in order to guarantee that our renewable resources are utilized to maximize benefits to its people. We can't continue to give our fish away.

Very sincerely,

Nels A. Anderson, Jr.

cc: Senator Kerttula
Senator Hohman
Rep. Chuckwuk
Gov. Jay Hammond
Sen. Rodey

DEAN PADDOCK – INDIVIDUAL – INDEPENDENT

A. 1) UNEMPLOYMENT GROUP – GROSS + NET FIGS
2) PEOPLE HAVE RIGHT TO EXPECT LEADERSHIP FROM GOVERNMENT.

B. 1.) UTILIZATION OF RESOURCE (INTERNATIONAL POLITICS)

2.) FAIR RETURN ON PRODUCT FOR FISHERMEN AND PROCESSORS

3.) CHANGES NEEDED IN NEGOCIATION PROCESS

4.) CONTROL OF PRODUCT UP TO FINAL MARKET. PROFIT TIED TO RISK

5.) SEAFOOD MARKETING PROMOTION (GENERIC)

6.) ~~VIOLENCE~~ DON'T WANT STATE INVOLVED IN PRIVATE BUSINESS

7.) DOESN'T THINK FISHERMEN WOULD FUND STUDY

8.) WAS VIOLENCE – IT WAS MINOR

9.) DEPT. OF LAW

JACK MCGOWAN –

WRITTEN STATEMENT

NEED QUICK STUDY ON MARKET (FACT SHEETS)

VAL ANGASAN – BASE PRICE CONCEPT
WANTS RANGE OF PRICES

PHIL DANIELS –
2 INTERESTS:
1) HARVEST RESOURCES
INTERNATIONAL ~~APPROVAL~~ SEAS RECOVERY
2) ORDERLY FASHION OF HARVEST

SYSTEM IS NOT WORKING – ALTERNATIVE APPROACHES REQUIRED – START NEGOCIATIONS SOONER – NEEDS STATE INTEREST IN NEGOCIATING PROCESS

1.) PRICE RANGES IN STUDY
2) DISTRIBUTION TO ALL PERMIT HOLDERS

← MARKETING ANALYSIS IMPORTANT
VERTICAL ~~COOPS~~ INTEGRATION (Co-ops)

HAMMERLOCK BY JAPANESE

PROCESSING SHORTFALL

COMMODITIES MARKETING
PRIMARY PROCESSING LAW-IF GOES DOWN
COMPETITION WILL INCREASE

CHUCKWICK – COMES OUT OF CLOSET ON FISHING STRIKES

CAPT.

Lockman: ~~It's a tough~~ situation, but, uh, I can't do 'er all at once here, uh, ya know, I'd just be satisfied if, huh, if we don't have a more serious problem right here. ~~Well, we're getting~~...they want us in the Nusigak, they want us in Egegik and they want us here and they want us outside in the anchorage...its just that time of year for us, I guess...OK.

P.S.

ARCHIE GOTTSCHALK

Something is greatly amiss when the residents of Bristol Bay, sitting on top of the world's richest resources, must turn to social programs to carry their families through the winter following one of the heavier salmon runs in history.

3:00 THURSDAY

1. MARKETING STUDY - STATEWIDE -
START W/ [illegible] (25-50K)

2. INCREASED PUBLIC SAFETY (250K)

3. ENFORCEMENT OF EXISTING LAW

120.
20.
60
160

DAILY NEWS

Hammond decries fish take

Gov. Jay Hammond says the number of king salmon taken by Japanese gillnetters in the Bering Sea last season was unacceptable. Although state fish experts still are analyzing the figures, Hammond said Saturday the reported catch of 704,000 kings was a matter of "very deep concern" to him.

2/15/81

Task force leader starts job

Feb 81

Former Alaska attorney general Avrum Gross visited Seattle in late January to meet with processors and fishermen in preparation for his new job as executive director of the cabinet-level Bristol Bay task force.

"This is for Av to meet the people he's going to be dealing with face to face," said Bob Waldrop, a special assistant to Gov. Jay Hammond.

Discussion topics were general with all parties sharing their ideas and mentioning options that should be considered. Substantive work will be done later.

The governor put the task force—consisting of the commissioners of the departments of Fish and Game, Labor and Public Safety—together last fall in the aftermath of a season that saw an overescapement of more than 20 million fish because of a bitter price dispute.

The group is charged with coming up with recommendations to avoid a repeat of the same situation this year.

Though Gross had accepted the job, contract details had not been finalized as of press time.

Catch by Japanese to be verified

By ANN CONY 2/10/81
Daily News reporter

A scientist from the National Marine Fisheries Service this week will attempt to verify reports that Japanese fishing vessels caught more than 700,000 king salmon last year off the Aleutian Islands and in the Bering Sea.

The Japanese reported to the International North Pacific Fisheries Commission that last year's king salmon catch was 704,000, compared to 129,000 in 1979.

It is presumed the figure is not an overestimation because the Japanese are aware of objections raised in Alaska about the volume of the foreign king salmon catch.

Although government officials have been reluctant to comment on the implications of the apparently huge catch, a representative of western Alaska fishermen last week said it could disrupt the king salmon fishery there for several years, bringing economic hardship to commercial fishermen.

Harold Spark of Nunam Kitlutsisti also said the Japanese harvest would have a disastrous impact on Native families who rely on king salmon for subsistence.

But at the North Pacific Fisheries and Management Council, executive director Jim Branson said Monday that comment on the matter would be purely speculative before the Japanese figures have been analyzed.

Michael Dahlberg, a scientist with the National Marine Fisheries Service in Juneau, said he is waiting for magnetic tapes, provided by the Japanese, to arrive from the international commission in Vancouver, B.C. He will decode the tapes to pinpoint the locations of the king salmon catch.

Dahlberg said he will compare the Japanese data to information collected by American observers who were aboard the foreign vessels within the 200-mile zone.

Dahlberg also will estimate how many of the king salmon came from western Alaska fisheries as opposed to Asian fisheries. Those estimates, he said, will be based on information compiled in the late 1960s through studies of fish scales.

Use of those studies was discontinued in the 1970s because the Japanese catch was not large enough to provoke concern, according to the biologist who developed those studies, Dick Major of the National Marine Fisheries Service.

Dahlberg's analysis of the Japanese catch will be presented to the North Pacific Fisheries and Management Council in Anchorage Feb. 26 and Feb. 27, when the council is scheduled to take final action on proposals to further restrict Japanese fishing ventures in both the Bering Sea and the Gulf of Alaska.

One proposal would make king salmon in virtually all of the Bering Sea off limits to the Japanese; the other proposal would drastically curb foreign bottomfishing off Southeast Alaska.

The council will make its recommendations to the secretary of commerce, who has the final decision on both matters.

Bristol fishermen fight in-state law

ANCHORAGE (AP) — Bristol Bay herring and salmon fishermen are challenging a state law requiring their catches be processed in Alaska before the fish are shipped elsewhere.

A suit filed this week in U.S. District Court alleges the requirement violates the commerce clause of the U.S. Constitution which says no state shall enact legislation interfering with interstate business.

Last month, a federal judge in Anchorage ruled that a state law requiring the primary processing of logs prior to export was unconstitutional on the same grounds.

ALASKA NEWS

But Shelley Higgins, the assistant attorney general who unsuccessfully argued the state's side in the timber case, said Friday "different considerations are involved."

The complaint was filed by the Bristol Bay Herring Marketing Cooperative, the Alaska Cooperative Marketing Association and two member fishermen from each of those Dillingham corporations.

Their attorney, Paul Kelly, calls the processing requirements "an attempt by the state of Alaska to promote local employment by discrimination against interstate and foreign commerce."

The suit alleges that the two herring fishermen lost more than $10,000 each last year because local canneries were too overloaded to take their catches.

Basil Rackford and Nels Franklin say they and other herring fishermen had to dump 7,500 metric tons of fish as a result.

The salmon fishermen, Harold Samuelson Jr. and Joe McGill, say they encountered similar problems with local canneries being "plugged." Each claims to have lost more than $10,000.

JUNEAU EMPIRE, February 23, 1981

Bristol fishermen fight in-state law

2/23/81

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A suit filed this week in U.S. District Court alleges the requirement violates the commerce clause of the U.S. Constitution which says no state shall enact legislation interfering with interstate business.

Last month, a federal judge in Anchorage ruled that a state law requiring the primary processing of logs prior to export was uncon-

ANCHORAGE DAILY NEWS. February 21, 1981

Fishing groups sue the state

2/21/81

Bristol Bay herring and salmon fishermen are suing the state of Alaska for allegedly violating the commerce clause of the U.S. Constitution.

The suit challenges state statutes and regulations that require processing of herring and salmon caught by Alaska fishermen before the fish are shipped out of the state.

A similar suit in the timber industry recently challenged a state statute requiring preliminary processing of timber as a condition of sale for export.

In that case, U.S. District Court Judge James von der Heydt ruled the state statute to be in violation of the commerce clause, and thus unconstitutional. The case, South Central Timber Development Inc. vs. LeResche, has been appealed by the state to the 9th Circuit Court of Appeals.

The Bristol Bay fishermen's suit has not been assigned to a lawyer in the state attorney general's office yet, but Shelley Higgins, the assistant attorney general who handled the South Central Timber case, said it would appear that "different considerations are involved" in the two cases.

She added, however, that she is not familiar with the state statute on fish processing.

The fishermen's suit was filed this week in U.S. District Court on behalf of Bristol Bay Herring Marketing Cooperative, Alaska Cooperative Marketing Association and two member fishermen from each of those Dillingham corporations.

The court is asked to declare both preliminary and permanent injunctions against the state to halt enforcement of the statutes. The suit also asks the court to declare those statutes invalid.

Paul Kelly, attorney of record for the plaintiffs, argues that the fish processing requirement "is an attempt by the state of Alaska to promote local employment by discrimination against interstate and foreign commerce in the utilization of natural resources found in the state. The primary processing requirements directly obstruct and discriminate against interstate and foreign commerce."

According to the suit, the herring fishermen lost more than $10,000 each last year because local canneries were too overloaded to process the fishermen's catch. Basil Backford, Nels Franklin and other co-op fishermen had to destroy 7,500 metric tons of herring as a result, the suit says.

The salmon fishermen, Harold Samuelson Jr. and Joe McGill, found themselves in a similar situation last season when the local canneries were "plugged" and the fishermen could not legally sell their catch directly to foreign processors. The suit claims that Samuelson and McGill also lost more than $10,000 each as a result.

The suit also petitions the court to overturn a state Board of Fisheries rejection of the herring co-op's request to sell herring during the 1981 season directly to the North Pacific Longline-Gillnet Association, a Japanese venture. The suit contends that the sale agreement is necessary to prevent a replay of last year's herring dumping.

Named as defendants in the suit are the state; Ronald Skoog, commissioner of the state Department of Fish and Game, and the Alaska Board of Fisheries, an advisory group to the Department of Fish and Game.

DAILY NEWS MINER - FAIRBANKS, April 8, 1981

Bristol Bay 'beef-up' plan hit

JUNEAU (AP)—Beefing up the law enforcement effort at the Bristol Bay fishery this summer could trigger rather than curb a threat of violence, the executive director of the largest fishermen's group in the state said last night.

Rodger Painter told the Senate State Affairs Committee that a bill (SB 323) which would dump $270,000 more into public safety at the peak of the Bristol Bay salmon run this season "would bring the potential of a strike a little closer. It would inflame the situation, and fishermen would be branded as criminals."

The expenditure was recommended by a task force appointed by the governor to investigate reports of violence stemming from a price dispute last summer between fishermen and processors. The Senate Judiciary Bristol Bay Hearing Committee said the request should be reviewed and funded if necessary.

Commissioner of Public Safety William Nix said the money would be spent to add 15 officers to the 35 stationed at Bristol Bay last summer, to charter five boats for surveillance, and for added helicopter patrol time.

Sen. Dick Eliason, R-Sitka, said a more secure environment is needed at Bristol Bay to protect "the rights of fishermen to pursue their livelihoods." Many Southeast Alaska fishermen worked during the price dispute, and were threatened.

ANCHORAGE TIMES, April 15, 1981

Panel drops Bristol Bay police plan

Associated Press

Juneau — A Senate panel dropped an administration recommendation Tuesday that the law enforcement effort in Bristol Bay be substantially beefed up as a hedge against violence this summer.

Instead, the Senate State Affairs Committee said $211,100 should be spent to enforce fish and wildlife protection laws in Western Alaska. Under the bill (CSSB323) approved by the panel, one boat would be purchased and a second would be leased to patrol Bristol Bay, Togiak and Sand Pe[illegible] fisheries.

A task force appointed by Gov. Jay Hammond asked that $270,000 be dumped into more public safety at the peak of the Bristol Bay salmon run this season. The money was to be spent to charter five boats to patrol the bay, station more troopers at Bristol Bay and add helicopter time.

Last summer, there were reports of violence at Bristol Bay when fishermen and processors deadlocked on a price for salmon, and millions of fish escaped upstream.

But in testimony before the committee, Rodger Painter, executive director of the United Fishermen of Alaska, said increasing law enforcement at the fishery could trigger rather than curb violence.

He initially suggested that the money be shifted from public safety to fish and wildlife protection.

Commissioner of Public Safety William Nix said he is pleased with the compromise proposal because "it would allow me to do the job almost as well." He said the two boats could be shifted from wildlife protection to law enforcement if necessary.

JUNEAU EMPIRE, April 14, 1981

Bristol patrol increas

By The Associated Press

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He said his department has been sharply criticized for failing to enforce fish and wildlife laws in western Alaska.

Sen. Arliss Sturgulewski, R-Anchorage, a member of a special Senate panel which investigated problems at the fishery, expresses some concern about the decision of the State Affairs Committee. She said it is important for the Department of Public Safety to be prepared if violence does erupt at Bristol Bay because the fish-

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guaranteeing every ind'vidu
right and ability to provide
self-defense.

Freedom is the Pri
Responsibility the price!

Dick Rando
Libertarian Legisl

Thanks

Editor:

I would like to thank the E

ANCHORAGE DAILY NEWS May 7, 1981

Japanese herring sales allowed

By ANN CONY
Daily News reporter

A federal judge Wednesday turned down a plea to block Bristol Bay herring fishermen from selling their catch directly to the Japanese as the herring season in the bay entered its fourth day.

Ten domestic seafood processors filed suit April 27, arguing that federal law prohibited foreigners from transporting or processing fish in state waters. After the federal district court judge ruled against them the following day, the processors sought reconsideration.

But Judge James Fitzgerald Wednesday denied the processors' second request for a temporary restraining order. "Enforcement of the Fisheries Conservation and Management Act of 1976 rests with federal officials and not with private litigants," Fitzgerald wrote in the opinion accompanying his denial.

"We're obviously disappointed. We believe the judge is incorrect," said James Reeves, attorney for the processors. "We're evaluating alternatives."

Fishermen in the Bristol Bay Herring Marketing Cooperative were meanwhile making history by selling their catch to the Pacific Longline Gillnet Association, a Japanese venture with a fleet of 10 vessels at its disposal.

Fitzgerald in late March gave the co-op the go-ahead to sell to the Japanese when he issued a temporary restraining order preventing the state from enforcing statutes requiring that primary processing of herring take place at domestic companies.

That ruling sent the processors into a tizzy and led to filing of the countersuit.

In the original suit, the herring fishermen, joined by a group of Bristol Bay salmon fishermen, argued the state's primary processing laws are unconstitutional. Fitzgerald is expected to hear arguments on the merits of that claim next month.

The herring fishermen brought their case to federal court after a heavy harvest last year, when fishermen hauled 25,000 metric tons of herring from Bristol Bay. The fishermen said some 5,000 metric tons was dumped because domestic processors did not have the capacity to handle the entire catch.

Alan Kingsbury, acting regional supervisor with the commercial fisheries division, said Wednesday that fishermen had caught about 5,000 metric tons of herring by Tuesday night.

Nefco a year after the collapse

2/21/81

By BRUCE RAMSEY
Daily News correspondent

SEATTLE — When the New England Fish Co. of Seattle collapsed into bankruptcy last year, it appeared to be a disaster for the North Pacific seafood industry and for Alaska. Nefco, after all, was the largest independent among the packers, with plants strung from Bristol Bay to Ketchikan to the coasts of British Columbia, Washington and Oregon.

Nefco's collapse could not have come at a worse time for the industry — two months before the huge red salmon run at Bristol Bay, which biologists forecasted would be the largest in several decades. The year before, packers had been swamped with fish; in 1980, there were to be millions more. The state was counting on Nefco's plants at Pederson Point and Uganik to freeze or can about 5 percent of the catch.

The bankruptcy meant the plants would be put on the block, at a time when few American seafood processors were financially strong enough or optimistic enough to buy them. And it opened the possibility of a coup by the Japanese companies, which had already bought a stake in the industry large enough to alarm many fishermen, politicians and small packers.

Ten months later, those fears have proven unwarranted. After a personal appeal by Gov. Jay Hammond at the Seattle bankruptcy court last May, the court approved an immediate lease of Nefco's freezing and canning plants in Alaska. The plants were activated quickly for the Bristol Bay reds (and the production pressure was off the industry, anyhow, because of a fishermen's strike). And today, all of the major Alaska plants are still operating — under Alaskan owners.

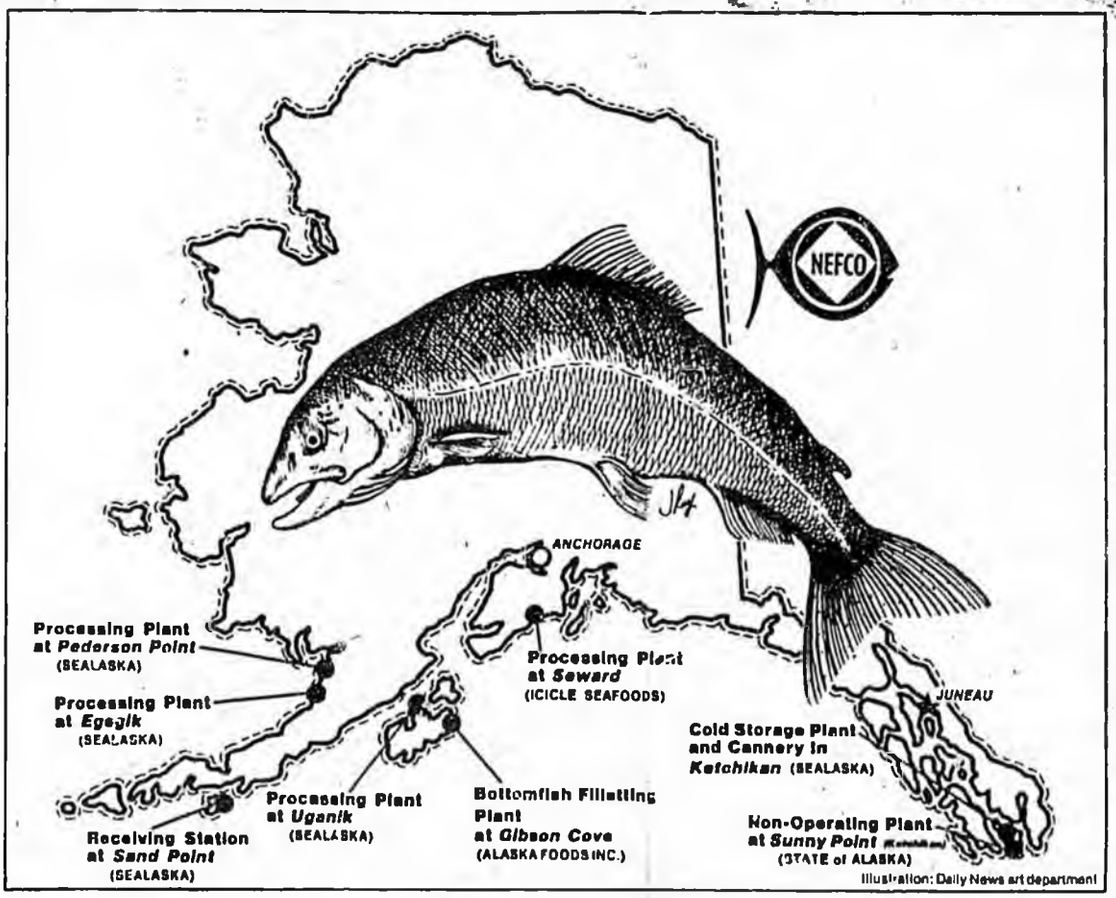

Illustration: Daily News art department

The chart shows the location of several fish processing plants in Alaska formerly operated by the New England Fish Co. that have been sold to new concerns since Nefco declared bankruptcy 10 months ago.

An avalanche of claims

When it filed for bankruptcy, Nefco owed $18 million to Seattle First National Bank, Crocker National Bank and Bank of America, which were charging interest at prime-rate-plus-three. Earlier this month, bankruptcy trustee Sam Rubinstein paid off the last of these loans. In addition, he has reduced the debt on a $10 million secured loan from Prudential Insurance to $4 million.

Of the remaining assets to be sold, the largest is stock in Nefco's British Columbia subsidiary, Canfisco, which is worth about $20 million. Of the other sizable assets, none are from Alaska.

Claims against the estate, however, have nearly doubled from the initial filings, despite the claims paid. Claims flooded into the bankruptcy court just before the mid-December cutoff. Not counting the claims by former Nefco subsidiaries and several contingent claims, the rest total $98 million, or roughly $55 million more than the remaining assets.

Many of these claims are likey to be thrown out by the court. Rubinstein, the trustee, has always maintained that the legitimate creditors will be paid, and he has been convincing. Says Frank Helton, credit manager of Hussmann Northwest Inc., Seattle, and a member of the (unsecured) creditors committee, "I've worked on many, many bankruptcies. I feel this one's going extremely well. They couldn't have got a better trustee. I feel everybody's going to get 100 cents on the dollar."

Last August, before the late claims were filed, Rubinstein rashly predicted that as much as $14 million might be left over for Nefco shareholders. That would be about $22 a share, compared to a bid price of $6 just before the bankruptcy. But John Bailey, a former Nefco administrative officer now employed by the trustee, says he cannot predict how shareholders will come out.

"The stock is still trading," Bailey says. "I've had bank loan officers contact me and ask if the stock has any value as loan collateral. The answer is that it's a pure speculation."

The stock, thinly traded on the inter-dealer market, was quoted at $10 bid, $10.50 asked last week by William P. Harper & Son & Co. of Seattle.

The collapse

A year ago, Nefco stock was quoted at the panicky price of $6 bid, $10 asked. The company had been burdened with debt for many years, and had lost $5.6 million in the fiscal years 1974-1978. It had lost another $11 million before taxes in the last three quarters of 1979, including $2 million because it had been stuck with Bristol Bay salmon that had spoiled. The Japanese market for salmon had broken dramatically, slashing the value of Nefco's inventory.

By 1979, the Japanese trading giant, Mitsubishi, had become a major financial backer of Nefco, and had reached an agreement to buy up to 10 percent of Nefco's shares. Nefco had spent $7 to $8 million modernizing its cold-storage plant at Ketchikan, says Bailey, on the understanding Mitsubishi would finance it. But Mitsubishi took severe losses in seafood that year, too, and backed out of any further commitments. Says Bailey, "The Ketchikan investment had to be financed out of working capital. The banks objected." (Mitsubishi a secured creditor, is still owed $3 million.)

The chief executive of Nefco was Reid Rogers, a member of the

See Page E-5, NEFCO

Nefco a year after the collapse of the fisheries giant

Continued from Page E-1

family that owned 17 percent of Nefco's shares. While Peter Rogers — no relation — ran the company, Reid Rogers had been trying desperately to sell off Nefco's assets, including assorted operating and non-operating cannery sites in Alaska. But Reid Rogers, who was not an old hand in the fish business, lacked the intricate network of business contacts Rubinstein would later call on. Rogers did sell several plants of Nefco's B.C. subsidiary, Canfisco, to British Columbia Packers for $14.5-million. That money was vital to Nefco, Bailey says, but the subsidiary's Canadian banks would not allow the money to be repatriated to the U.S. Canfisco needed it, too.

On April 23, 1980 Nefco filed for protection from creditors under Chapter 11, the "reorganization" provision of the federal bankruptcy laws. Among the banks, Crocker National of San Francisco had pulled the plug. But even in reorganization, Nefco needed at least a $10 million infusion of cash to operate on Bristol Bay. The banks could not agree, and on May 2, Nefco was forced into Chapter 7 — liquidation.

Rubinstein, a 63-year-old Seattle businessman, was hired as trustee to sell off the assets. Rubinstein had founded Whitney-Fidalgo Seafoods, Seattle, in 1936, and sold it to a Japanese company, Kyokuyo, in 1973. He knew the industry intimately and he knew how to make deals. "Making deals has been my life," he told The Fishermen's News. "I love it."

In six months, Rubinstein had spent $2 million, and raised $25 million.

The biggest plum in Alaska was a group of six processing plants: a cold-storage plant and a half-interest (with Whitney-Fidalgo) in a cannery at Ketchikan, a plant at Uganik on Kodiak Island, a receiving station at Sand Point on the Alaska Peninsula, a plant at Egegik and the Bristol Bay plant at Pederson Point. These were offered to all buyers, including Japanese. But Bailey discovered, "The Japanese appear no longer interested in expanding their stake in the industry. We haven't sold anything of substance to Japanese, including (Japanese-owned) Whitney and Peter Pan."

The prospective buyer was the Sealaska Corp. of Juneau, one of the Alaska Native corporations created and bankrolled by Congress. Sealaska had recently entered the seafood processing industry by buying Ocean Beauty Seafoods, a conservative, family-owned Seattle packer doing about $85-million in business a year. Ocean Beauty had plants in Hydaburg, Cordova, Kodiak and Juneau, but it was not big enough for Sealaska.

"We wanted a stronger presence within Alaska," noted Byron Mallott, the 38-year-old Sealaska chairman. "We were not strong in Southeast. We were not on Bristol Bay and we wanted to get in Bristol Bay as a No. 1 priority. We wanted a stronger presence in the Alaska Peninsula — Kodiak area. Those Nefco plants fit nicely."

Says Bailey, "It was very fortunate that Ocean Beauty (Sealaska) was in an expansion mode, because the other companies in the industry were in financial difficulty."

The sale to Ocean Beauty-Sealaska for $11,825,000 has been approved by the bankruptcy court but is held up pending settlement of an eight-year-old lawsuit against Nefco for alleged racial discrimination. The suit prevents transfer of the assets to Sealaska with a clean title. Bailey says Nefco attorneys are trying to settle the matter out of court.

Rubinstein's next-largest deal was the sale of a bottomfish plant at Gibson Cove, Kodiak Island, for $3.5 million. The buyer was Alaska Foods Inc., a local group.

Nefco also owned a half-interest in a plant at Seward along with Icicle Seafoods of Petersburg and Seattle. Nefco's collapse stuck this subsidiary, and thus Icicle, with an unsecured claim of $2.3-million. Negotiations are underway to sell the remainder of the subsidiary, Seward Fisheries, to Icicle.

A non-operating plant at Sunny Point, Ketchikan, was sold to the state of Alaska for $2.6 million.

In many of these cases, former Nefco employees have followed the assets. Pete Harris, Nefco's bottomfish visionary, signed on with Alaska Foods. In Washington and Oregon, the four fresh-fish plants on the Pacific Coast were bought by William J. Kelliher, the former manager of Nefco's fresh-fish operations, and by Wayne H. Johnson, who managed Nefco's two plants at Newport, Ore.

Ivan Fox, Nefco's former vice president for Alaska operations, was one of several Nefco managers hired by Ocean Beauty when it leased Nefco's six Alaska plants. "The same personnel who ran these plants for Nefco all moved over here," says Fox.

One exception is Peter Rogers, who was chief operational officer in Nefco's last year and chief executive officer in its final days. Rogers, who came to the business via Mars Candy Co., Curtis Candy Co. and Standard Brands Inc., went back to New York to work for Standard Brands. He was most recently quoted in the national press explaining the nationwide shortage of peanut butter.

Fishermen say Japanese wiped out salmon

2/7/81

By ANN CONY
Daily News reporter

Japanese fishing vessels may have caught more than 700,000 king salmon last year in the Bering Sea and waters around the Aleutian Islands — seriously disrupting Western Alaska's king salmon fishery.

Reports of the huge Japanese catch — more than five times the estimated 1979 harvest — were made this week by Nunam Kitlutsisti, a Bethel-based organization that represents Weste.n Alaska fishermen.

Harold Spark, the group's director, said the Japanese high seas fishing has "wiped us out for '81 and '82."

Officials at the state Department of Fish and Game said Friday they believe Spark's figures are accurate, though they have been disputed by others in the industry.

The precise estimate — 704,000 king salmon — was made by Michael Dahlberg, a scientist with the National Marine Fisheries Service in Juneau, Spark said. Dahlberg could not be reached for comment Friday.

Fish and Game officials said the 704,000 figure compares to estimates of 129,000 king salmon caught by the Japanese in 1979.

"We are leery of the (ramifications of the 1980) harvest," said Fred Gaffney of the Fish and Game Department.

But Clarence Potski, deputy director of the North Pacific Fisheries and Management Council, downplayed the estimated Japanese haul, calling it a grapevine number.

"We haven't found any valid basis for it and we can't track down any data to support it," he said Friday.

According to Spark, the reported Japanese catch could have disastrous implications for the 1,700 commercial fishing permit-holders his group represents and for thousands of Native families who rely on the Western Alaska king salmon fishery for subsistence.

If estimates of the Japanese king salmon catch are accurate, the result — for the Western Alaska fishery — could be a replay of the dismal seasons in the early 1970s after Japanese fleets took an average of 400,000 fish a year from 1968 to 1970, Spark said. The king salmon fishery there didn't get back on its feet until 1976, when the state enacted the Fisheries Conservation and Management Act, he said.

See Back Page. SALMON

ANCHORAGE TIMES, February 19, 1981

Panel wants restrictions on fish loans

Associated Press 2/19/81

Juneau — A bill by Gov. Jay Hammond to provide $100 million for short-term loans to fish processors should be restricted so the loans are used only to pay fishermen for their catches, a Senate subcommittee decided Wednesday.

Sen. Don Gilman, R-Kenai, said "I want to make sure this is an inventory loan and not an operational loan."

Under Hammond's proposed legislation (SB140 and SB141), $100 million would be appropriated to set up an Alaska Fishery Product Revolving Loan Fund to make one-year loans at reduced interest rates to processors operating in-state.

Hammond said the loans would allow processors to pay operating costs and also pay fishermen for their catches until the processors sell the fish.

Commissioner of Revenue Tom Williams said Hammond's proposal is designed to help Alaska fishermen by "filling the gap" left by major Seattle banks that have become less willing to foot processors' bills.

Although members of the Senate subcommittee on fisheries questioned the plan to make loans to all processors operating in the state, including plants owned by non-Alaskans, Williams said the bill shouldn't be restricted to Alaska-owned processing facilities.

"It hurts the Alaska fisherman just as much if it's an Alaskan fish processor or a Seattle fish processor who cannot buy their catch."

Subcommittee Chairman Bob Mulcahy, R-Kodiak, said the bill may be revised to cover floating processors.

The bill sets loan interest rates at 3.75 percent above the average rate on U.S. Treasury Bills. Currently, the loan interest rate would be about 17 percent.

The subcommittee plans to continue hearings on the legislation, which then must go before the entire Resources Committee.

Salmon fishing 'disrupted' by Japanese

Continued from Page A-1

"Our fishery dissolved in the early '70s. It looked like a roller coaster — one year you'd have them (the fish), the next year you wouldn't.

The king salmon apparently were intercepted legally, both inside and outside the 200-mile limit.

According to Spark, much of the catch was made by the Japanese mother fleet, a huge floating processor supplied by about 40 fishing boats, each of which lets out about nine miles of monofilament gillnet a night.

"Alaskans here are on welfare because the fishery has been wiped out by Japanese interception," he said. "There's nothing else to do here. We've been screaming about the situation for years.

Spark said he believes the apparent huge Japanese catch was an act of retaliation for his organization's lobbying efforts to limit Japanese king salmon ventures in the Bering Sea.

In addition to seeking help from Alaska Sen. Ted Stevens and Rep. Don Young, Spark's organization went to court in December in an effort to stymie the Japanese.

But the merits of the case were not heard.

"It was a long shot and we got hung up procedurally."

Besides questions from the North Pacific Fisheries and Management Council about the validity of the 704,000 estimate, the council's deputy director, Polski, said there was no scientific way to determine the origin of the king salmon caught by the Japanese.

The fish, he said, could have come from Soviet, Japanese or Canadian fisheries as well as that of Western Alaska.

Spark, however, maintained that 93 percent of the king salmon caught in the Bering Sea and approximately 65 percent caught off the Aleutians historically has come from Western Alaska fisheries.

The estimate of last year's Japanese catch was reportedly made by extrapolation based on historical data and on counts supplied by the Japanese for king salmon caught outside the 200-mile zone.

Official American observers aboard Japanese boats inside the designated Fisheries Conservation Zone count the average number of fish hauled in per mile of net and multiply that number by the total length of net launched and the number of days fished to estimate the total catch.

ANCHORAGE DAILY NEWS, February 28, 1981

Japanese pledge to cut salmon catch

By ANN CONY
Daily News reporter

Japanese fishermen will voluntarily reduce their king salmon catch in the Bering Sea this year, following a crescendo of protest from western Alaska fishermen.

That was the message an attorney for the Japanese government delivered Friday to the North Pacific Fisheries Management Council.

Stephen Johnson, a Seattle attorney, said the Japanese government intends to restrict the catches of its Mother Ship Fleet, which last year shattered records by catching more than 700,000 kings.

He did not provide the council with a precise limit for future catches or other details of the plan, saying that those matters would be discussed when Japan sends a delegation to meet with Alaska fishery representatives sometime before the next council meeting in mid-March.

Representatives of western Alaska fishermen were delighted by the announcement, although council members were more subdued in their reaction.

"They didn't give us any hard figures," Jim Branson, the council's executive director, emphasized.

But, he added, "It does seem to indicate that the Japanese are very concerned and want to work something out."

The 11th-hour overture helped stave off council action on a fishermen's proposal to close virtually all of the Bering Sea to foreign trawlers from the first of October through the end of March. The council postponed final action on that matter until its meeting next month.

Two weeks ago, the National Marine Fisheries Service in Juneau confirmed reports that the Japanese Mother Fleet last year gillnetted more 700,000 king salmon in the Bering Sea and off the Aleutian Islands — in waters inside and outside the council's jurisdiction.

By comparison, the Japanese catch for 1979 was estimated to be fewer than 130,000 kings.

The 1980 figures enraged

See Back Page, SALMON

Salmon catch cutback pledged by Japanese officials

ANCH. DAILY NEWS 2/28/81

Continued from Page A-1

western Alaska fishermen, and their representatives said the huge Japanese catch would seriously disrupt western Alaska's king salmon fishery.

A scientist for the National Marine Fisheries Service estimated that fewer than 400,000 of the kings taken by the Japanese originated in western Alaska fisheries, but some fishermen representatives questioned that estimate and others said that, even if correct, the number was unacceptably high.

Johnson, the attorney for the Japanese, told the council that Japan's government intends to restrict the mother ship's king salmon catch to the average of catches from 1977, 1978 and 1979, roughly 100,000 kings.

"We are pleased that the Japanese government and fishing industry are moving quickly to resolve the mother ship's interception problem with western Alaska king salmon," said Henry Mitchell, executive director of the Bering Sea Fishermen's Association, and one of the 100 or so people present at the council meeting in the Westward Hilton.

"It's a move toward satisfying the complaints of western Alaska fishermen," said Harold Sparck, director of Nunam Kitlutsisti, the fishermen's group that proposed the Bering Sea closure for foreign trawlers.

Sparck said he was optimistic that the controversy would be resolved soon because the announcement was made publicly and "the Japanese don't like to lose face."

During its two-day meeting that ended Friday, the council also took action on proposals to amend its Gulf of Alaska fishery management plans.

The council's actions were designed to alleviate a few bones of contention in the gulf, including a "species conservation problem" with Pacific Ocean perch and complaints from Southeast fishermen that foreign trawlers were running over and damaging their longlines.

Although catch allocations for this year have already been set, the council moved to reduce the catch of perch in future years by slashing the "allowable biological catch" from 14,400 metric tons to 875 metric tons.

The council also voted to restrict foreign fishermen from the gulf off southeast Alaska and to adopt measures aimed at decreasing incidental catches of species such as halibut.

The council's actions will be submitted to the U.S. secretary of commerce for final approval.

ANCHORAGE DAILY NEWS April 28, 1981

Suit asks to halt herring sale to Japanese

By ANN CONY
Daily News reporter

Ten Alaska seafood processors filed suit Monday in an effort to prevent a group of Bristol Bay herring fishermen from selling their catch to the Japanese and bypassing domestic processors.

The suit was filed a month to the day after U.S. District Court Judge James Fitzgerald issued a restraining order preventing the state from enforcing primary processing laws in the case of the Bristol Bay Herring Marketing Cooperative. The marketing cooperative has arranged to sell its catch this year to the North Pacific Longline-Gillnet Association, a Japanese business.

With the herring season in Bristol Bay expected to open any day, the new suit asks for a temporary restraining order barring the Japanese fleet from handling unprocessed fish from U.S. fishermen until the court decides on the merits of the plaintiffs' request for a preliminary injunction.

The herring fishermen claimed in the original suit that direct sales to foreign processors through a joint venture were necessary because domestic processors did not have the capacity to handle their catch last year, resulting in the dumping of some 5,000 metric tons of herring.

In the counter suit, processors argue that the joint venture would violate federal law.

In addition, the president of the Pacific Seafood Processors Association, John G. Peterson, says, "U.S. processors have both the capacity and the intent to receive and process all of the herring which is available for harvest" this year.

The herring co-op was joined in the original suit by a group of Western Alaska salmon fishermen, and both parties argued that the state's primary processing laws violate the commerce clause of the U.S. Constitution. That claim will be fought by the state when the suit is tried in June. But in the meantime, Fitzgerald issued

See Back Page, SUIT

Suit seeks to halt Bristol Bay he

Continued from Page A-1

the restraining order on behalf of the herring fishermen because the season in Bristol Bay will be over by June.

Under the joint venture contract, the Japanese longline association would bring into the bay ten vessels — each with a daily freezing capacity of 30 metric tons — to buy the herring, freeze it on ship and transport it to processing facilities in Japan.

James N. Reeves, attorney for the processors, argues that the joint venture would violate federal law as laid down by the Fisheries Conservation and Management Act of 1976 and that federal law supersedes state law in this case.

In addition to such industry heavyweights as Whitney-Fidalgo, Icicle and Pan Alaska, the processing companies were joined in the suit filed in U.S. District Court by the Alaska Fishermen's Union, which represents more than 3,000 cannery employees and other industry workers, and the Cordova Acquatic Marketing Association Inc., which repre-

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In the thick of the sockeye salmon run in Bristol Bay, the action can be fast, the payoff large.

Anchorage Daily News/Fran Durner

BRISTOL BAY SOCKEYE SALMON FISHERY, 1971-80

YEAR	RUN (millions)	CATCH (millions)	PRICE TO FISHERMEN (cents per pound)	WHOLESALE PRICE (per case / Th. cost)
1980 (July 3*)	62.3	23.7	57 (canned)/ 40 (frozen)	$110-$115
1979 (June 27*)	40.4	22.0	80 (canned)/$1.25 (frozen)	$104-$112
1978 (June 27*)	19.0	9.9	66 (canned and frozen)	$92-$96
1977 (June 26*)	9.6	4.9	56	$90-$96
1976 (June 28*)	11.5	5.6	52	$82-$86
1975 (June 16*)	24.2	4.9	37 (sliding scale base price)	$76-$80
1974 (none*)	10.9	1.4	49 (not negotiated)	$100
1973 (June 14*)	2.4	0.6	35	$110-$112
1972 (June 16*)	5.4	2.4	27	$56-$57
1971 (June 16*)	15.8	9.6	26	$46
SOURCE: Alaska Independent Fishermen's Marketing Assoc.	SOURCE: Dept. of Fish and Game	SOURCE: Dept. of Fish and Game	SOURCE: Alaska Independent Fishermen's Marketing Assoc.	SOURCE: National Marine Fisheries Service

chart, Daily News art department

Will the bay boil in '81?

By ANN CONY
Daily News reporter

With lingering memories of the costly, tension-filled fishermen's strike of 1980, Bristol Bay's salmon fishermen and processing companies have begun negotiating a new price formula that could be potentially more equitable to both parties.

Some participants and many observers believe that both sides are strongly motivated to avoid a replay of last summer's debacle, when fishermen sat out a good portion of the peak season, allowing roughly 40 million red salmon to slip by the fishing grounds.

"They don't want to see what happened last year happen again and neither do we," said Mitch Kink, general manager for the Alaska Independent Fishermen's Marketing Association (AIFMA), one of two Bristol Bay fishermen's bargaining groups.

But despite cautious optimism expressed on both sides, negotiations promise to be arduous. And even if fishermen and processors agree on a price — or price formula — before an estimated 26.7 illion sockeye (red) salmon shoot across the bay to their spawning grounds this summer, the

See Page E-6, BRISTOL

ANCHORAGE DAILY NEWS, April 18, 1981

Bristol Bay fisherman already negotiating, hoping to avoid strike

Continued from Page C-2

last year's bitterness is not likely to dissipate.

At the heart of the continuing tensions in one of the world's richest salmon fisheries is a gradual transition in the relationship between the two groups.

Fishermen, once employees of the canneries, increasingly are becoming independent businessmen. And the processors no longer have unilateral control over the industry.

Gone are the days when fishermen worked on processors' boats for prices they had no control over. Fishermen work now from their own boats, for negotiated prices.

But the transition is far from complete. With no established markets outside the bay, fishermen depend on their former bosses to buy the salmon. They also rely on the processors for boat storage, mechanics, gear and other necessities.

Since the demise of company-owned fishing fleets, fishermen and processors have been saddled with a cumbersome bargaining process that stems in large part from laws that prevent fishermen from forming unions and prevent processors from discussing prices with each other.

The clumsy negotiations are exacerbated by a lack of empathy between the two parties. The common fisherman, it is said, does not truly understand the processor's costs, risks and recent financial problems that have been aggravated by high-interest rates and a volatile Japanese market for frozen salmon. By the same token, it is said, processors are not particularly sensitive to the fisherman's burgeoning fuel costs, boat expenses and desire for a cut of the profits in years that the processors do well.

But despite deep-seated hostilities between the two groups, early indicators suggest improvements this year in the atmosphere between fishermen and processing companies.

The antagonists are now discussing a sliding-scale price formula that would take some of the market risks off the shoulders of processors and give fishermen what they feel is a potentially more equitable share of the wholesale price fetched by the processors.

Under a sliding-scale system, fishermen would be guaranteed a floor price that could rise to a set percentage of the wholesale price.

AIFMA has sent contract proposals to eight or nine major processing firms and the companies have demonstrated a willingness to negotiate, said Mitch Kink, AIFMA's chief negotiator.

By contrast, in 1980 "half of them weren't willing to talk," he said, adding that the atmosphere now is "a lot better than it was last year."

There is a third party that doesn't want to see a replay of the 1980 scene that found fishermen sitting on the beach while the salmon swam upstream to spawn. That party is the state of Alaska, which "owns" the salmon.

In the hopes of heading off another strike, Gov. Jay Hammond, a former Bristol Bay commercial fisherman himself, commissioned a task force to study the Bristol Bay problems and propose remedies in December.

The task force has been roundly criticized in some camps on several counts, including its recommendation for increased police protection in the area this summer. Some critics have said the recommendation was an overreaction, despite the fact some fishermen tried — frequently with success — to keep others from working last summer by threats that included the firing of semi-automatic weapons.

Critics have charged that the task force was unduly preoccupied with the violence issue, and, in effect, recommended a Band-Aid treatment for a hemorrhaging patient.

The Bristol Bay Task Force made just two substantive recommendations.

The state, it said, should:

- Spend up to $50,000 on a study of salmon markets, and
- Spend up to $320,000 to send more state troopers to the fishing grounds this summer.

Fishermen have been eager for the third-party marketing study, which got under way two weeks ago. Although the study will not reveal processors' precise operating costs or profit margins, it should give strong indications of wholesale price trends and fishermen view it as a springboard for informed negotiations.

Processors, apparently, are not opposed to the study, although they may not accept its results as gospel when the fishermen bring it to the bargaining table.

"Any market study has to have a fatal time lag in it. The information is already old by the time negotiations are critical," said Rick Lauber, Juneau lobbyist for the Pacific Seafood Processors Association.

"I get the feeling they want to know what the (processors') profit is going to be and no one can tell them that. There are just too many factors involved and the prices change from day to day. But I wish them well on the marketing study. It may help . . . I certainly don't think it can do any harm," he said.

Rodger Painter, United Fishermen of Alaska's executive director, criticized the task force for not moving more quickly on the marketing study, saying that one month doesn't offer the consulting firm enough time to do a thorough job, particularly on the complex, highly anticipatory Japanese market for frozen salmon.

Painter was more critical of the law enforcement proposal and the spending priority it was given.

The violence issue has "really been overplayed," he said.

Because of the high-charged atmosphere guaranteed to accompany any future boycotts, the stepped-up police presence could backfire, Painter warned.

Many fishermen, he said, were enraged by a Bristol Bay law enforcement plan drawn up by Col. T.R. Anderson, director of the state troopers. Fishermen were especially piqued by a provision for "mass arrests" and other aspects of the plan.

"Anderson's report may be a worst-case scenario, but that's not how it reads," Painter said. "It looks like the place is going to be crawling with cops."

The report left many fishermen with the distinct impression that the state was applying far more pressure on them than on processors, according to Painter.

"(Law enforcement) shouldn't have consumed so much of the task force's attention," he said.

On Tuesday the Senate State Affairs Committee proposed a scaled-down version of Anderson's plan.

"I think the administration is well intentioned, but the situation hasn't been handled too well. I think there was a lack of effort in trying to deal with the real problem," Painter said.

While critical of the Bristol Bay Task Force, Painter was far more satisfied with the recommendations of a state Senate Judiciary Hearing Committee that also took up the problem.

"While the original concerns of the hearing committee were the state's role in the negotiating process and in maintaining public safety, it quickly became apparent that a broader approach to meeting Bristol Bay's needs was required to be effective," the committee report said.

It went on to make nine recommendations, focusing on a number of long-range solutions designed, essentially, to help the industry through its growing pains.

"There appears to be a general feeling that much of the tension in the Bristol Bay fishery is actually due to this change in the structure of the industry. One component of this change is the desire by many local fishermen to develop a new, locally controlled means of marketing their fish as an alternative to the established processing plants," the report said.

It recommended the marketing study as part of an ongoing analysis with potential application for all of Alaska's fisheries.

In addition, the committee suggested the state take an active role in helping fishermen develop their own markets by making financing programs available to new fish-packing operations and by supporting capital improvements of docks, transportation routes and other infrastructure needs in the bay area.

But the role of the state in helping factions of the private sector resolve long-standing differences is quite open to debate.

"Some people wanted the state to put pressure on the processors, to get them in one room and knock their heads together," said Avrum Gross, former state attorney general and a top Hammond administration troubleshooter who headed the Bristol Bay Task Force. Such an approach, he pointed out, is prohibited by anti-trust laws.

"I feel very strongly, and I think the governor does too, that just because they have problems . . . does not mean that the state should start to play a role in the bargaining process, in determining fair price or a formula," he continued.

The proper role of the state, as Gross sees it, is to "give them the kind of tools they need to work out the problem — if they ask for them — and let them work it out."

Noting that the economic structure of the fishery is indeed evolving, "it has to be allowed to develop," Gross said.

"It'll take time," said Melvin Monsen, a fisherman and staff biologist for the Bering Sea Fishermen's Association.

"You can't solve things like this overnight."

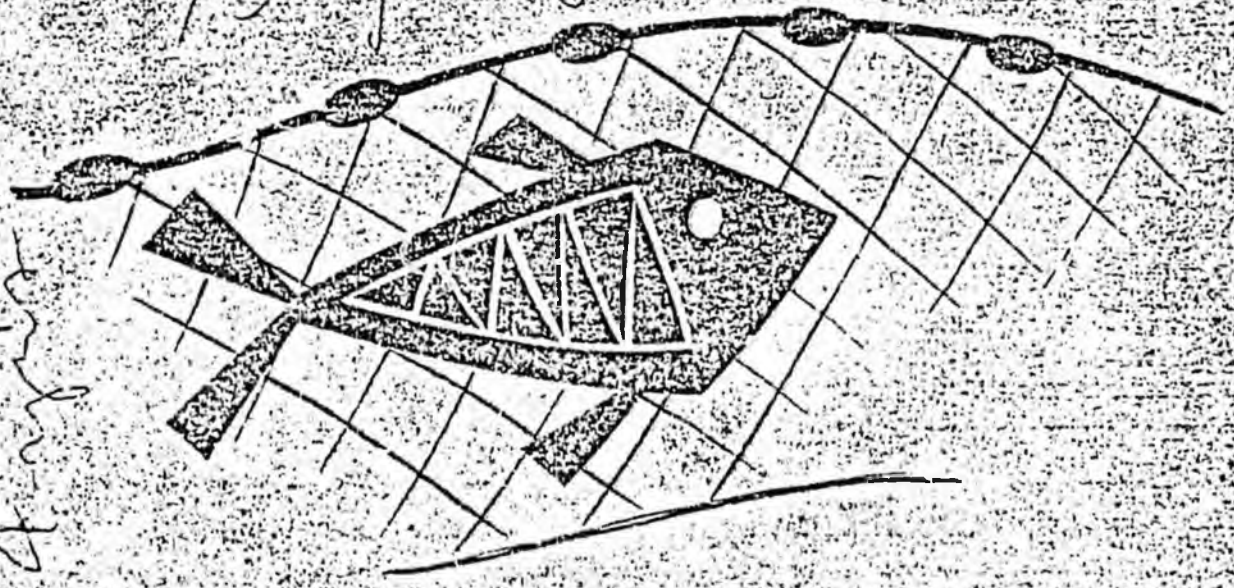
BRISTOL BAY HEARINGS

Bristol Bay Sockeye Salmon
Cost & Price Analysis

A Report To

The Alaska Independent Fishermen's Marketing Association
(AIFMA)

April, 1980



Prepared By

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RICHARD G. WILSON
& ASSOCIATES

(907) 276-7742

April, 1980

Mr. David R. Milholland
President
Alaska Independent Fishermen's Marketing Association
6333 Sugar Maple St. S.E.
Olympia, Washington 98503

RE: Bristol Bay Sockeye Cost & Price Study

Dear Mr. Milholland:

I am pleased to transmit to the Board and Members of the Alaska Independent Fishermen's Marketing Association the Marketing and Economic Study--Phase One, Costs and Price Analysis.

Our research team worked hard to meet AIFMA's immediate needs with respect to cost and price aspects of 1980 negotiations. We believe this information will be useful, and we are prepared to develop the market potential issues should you decide to pursue markets further.

Sincerely yours,

Richard G. Wilson

Richard G. Wilson
Fisheries Consultant

LIST OF FIGURES

LIST OF TABLES

INTRODUCTION

As the 1980 salmon season approaches, there is increasing anxiety among Bristol Bay gill net fishermen concerning the possible effects on raw fish prices of:

- the Bay's record high projected commercial sockeye catch of 37.1 million fish[1];
- the poor condition of fresh/frozen sockeye markets; and
- current financial problems in the Alaska salmon processing industry.

The Alaska Independent Fishermen's Marketing Association, representing approximately one-half of the active drift fishermen in Bristol Bay, has received several industry offers which reflect a substantial price reduction from last year's settlement. In addition, restrictions on method and timing of fish deliveries have also been proposed which would have the effect of reducing the volume of fish that could be delivered. For the fishermen, it is often difficult (1) to understand why these changes are necessary and (2) determine whether the reported industry problems are, in fact, true, particularly when information comes from the other side of the negotiating table. Fear has been expressed that, in order to accommodate poor markets in the current year, the fishermen will be asked to absorb the entire burden of cost cutting in production. Certainly, both processors and fishermen are interested in making a profit. However, unless a settlement is reached at an early date, both sectors will suffer unnecessary financial setbacks. The main problem lies in the difficulty of fishermen and processors reaching an agreement on what is a reasonable return for all parties in the existing climate of uncertain economic conditions.

The purpose of this report is to examine the economic factors which are affecting fishermen, processors and markets for this year's Bristol Bay sockeye and to discuss the influences each factor may have on raw fish prices.

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[1]Alaska Department of Fish and Game, 1979. Preliminary Forecasts and Projections for 1980: Alaska Salmon Fisheries. Division of Commercial Fisheries.

THE SETTING: BRISTOL BAY

Historic Background

From the 1880's until the late 1940's, there were so few canneries operating in Bristol Bay that the industry exhibited the characteristics of an oligopoly. Prices to the fishermen reflected the lack of competition among processors for raw fish. Every spring, the price which was offered to the fishermen was posted on the cannery wall, and fishermen could either "take it or leave it." This was acceptable to most fishermen because of the many forms of assistance and accommodations provided to them, which were similar to those provided to cannery workers. Few fishermen owned their own boats or gear, as most boats were the property of the cannery. In 1934, the U.S. Fish Commissioner described the industry control in Bristol Bay as follows:

> The great red salmon fishery of Bristol Bay is practically controlled by about three large companies and might well be considered by some as on the borderline of monopoly.[2]

At several times during this historic period, the Bristol Bay fishermen have formed associations to represent their collective interests in the fishery. In the 1940's, the Alaska Fishermen's Union (AFU) represented fishermen's interests in the Bay. During the past fourteen years, the Alaska Independent Fishermen's Marketing Association has grown into this role and has generally represented Bristol Bay fishermen in negotiations on raw fish prices with processors. The Western Alaska Cooperative Fishermen's Association and other fish cooperatives have also participated on behalf of fishermen. While different economic conditions affect the negotiated price each year, there are certain unique features of the Bristol Bay fishery which have consistently affected the price determination throughout its history. These features, including the Bay's remote location, the limited support facilities available and the nature of the sockeye run itself, are discussed in this section. The specific economic factors which are unique to the 1980 season are discussed in later sections of this report.

Location

Unlike fish landings in the Los Angeles area or any other major population center, salmon landings in Bristol Bay are made a great distance from major markets (see Figure 1). The initial distribution point for nearly all of the canned product from the Bay is Seattle, which is more than eighteen hundred miles by sea from the fish landing area. Much of the fresh and fresh/frozen product travels several

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[2]Frank T. Bell, U.S. Fish Commissioner, April 30, 1934. From Alaska Historical Library, Alaska Packers Association Library. P. 21.

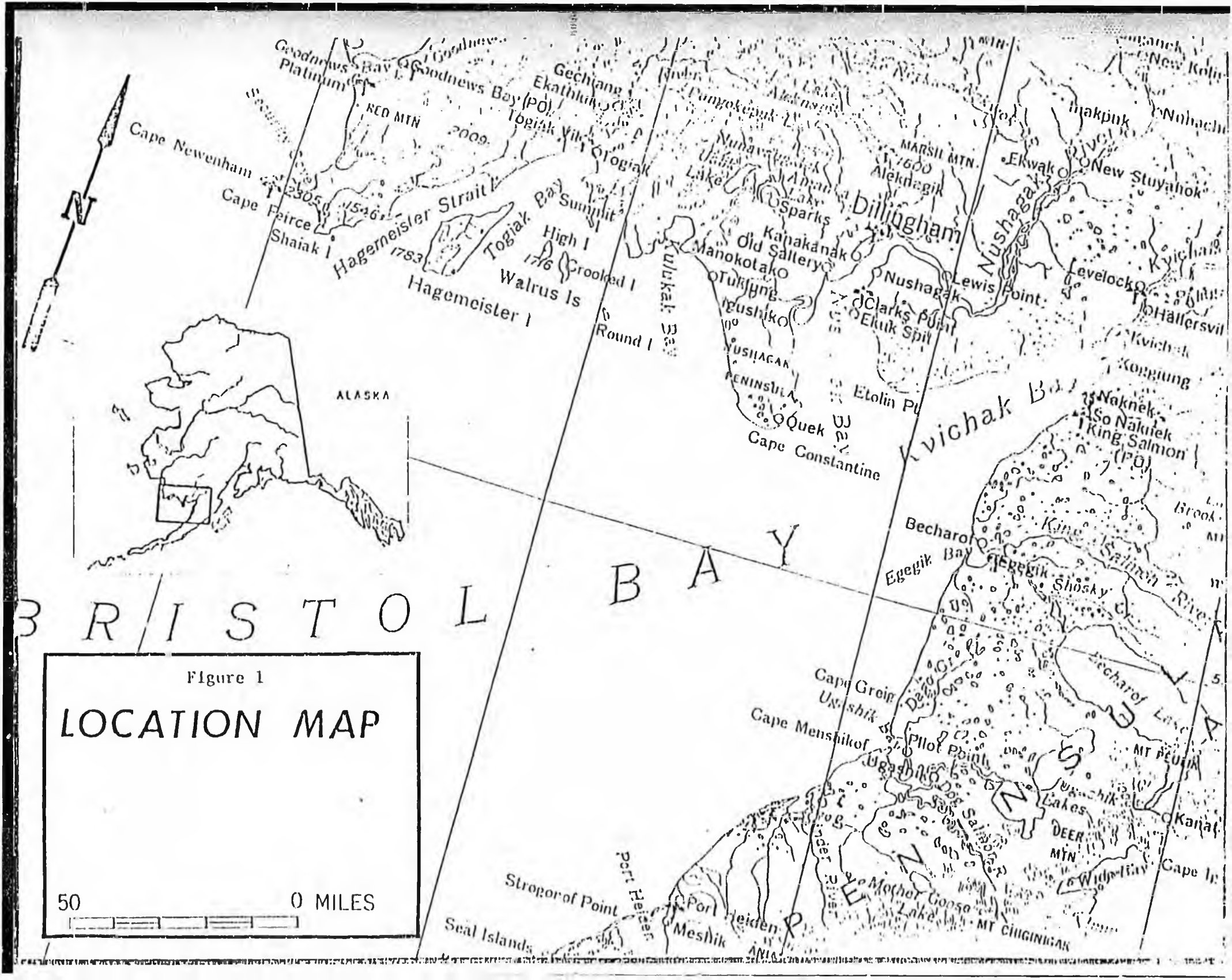

Figure 1

LOCATION MAP

thousand miles further to its initial distribution point, the Tsukiji market in Tokyo.

This transportation is expensive and time consuming and, thus, Bristol Bay salmon is saddled with a variable but significant added cost when compared with product landed closer to major markets. Due partly to the high transportation costs incurred by the Bay's remote location, prices paid to fisherman have generally been lower for salmon landed in Bristol Bay than for salmon landed at other locations in Alaska. The annual costs of operating as a fisherman and as a processor/buyer are increased as well by the Bay's remote location. These higher costs result primarily from the lack of inexpensive transportation to and from headquarter cities. In addition, the Bay's support facilities are limited, further increasing the costs of industry support services.

Support Facilities

Because there is no land transportation linking Bristol Bay to other regions of Alaska, most goods are imported by air or sea. This tends to make the construction of support facilities both expensive and difficult, due to the limited barge schedule and the high cost of air freight transportation. There is no public dock, although one is planned by the Bristol Bay Borough. Until a public dock is functioning, the fishery and other local industries are dependent upon the use of private dock facilities. In the past, this has generally restricted dock use to activity authorized by established processing firms which maintain private docks in the area.

The short ice-free season also inhibits construction of shore facilities. Following a late break-up in May, there is little time to complete any major construction before the early June king salmon season or even the late June sockeye harvest. Both the short duration of the construction season and the variable nature of barge and freighter schedules combine to create a situation where deadlines are often missed or considerably delayed, resulting in extremely high construction costs.

The airport facilities in King Salmon are excellent. This airport has all the navigational aids of Los Angeles International Airport and the capability to handle most aircraft, including loaded 747's. Dillingham airport can handle smaller jets and Hercules C-130 aircraft; however, South Naknek, Egegik, Clark's Point, the west side of the Kvichak River, Ugashik and other landing areas have limited or no navigational aids. Nevertheless, were it not for air transportation facilities in the region, the fishery would be considerably less accessible than it is.

The Nature of the Run

The nature of the sockeye run is also a major factor influencing the Bristol Bay fishery. The run is concentrated in a relatively brief

twenty-three day period, and two-thirds of the harvest is landed in a frenetic twelve day peak period.[3] This factor alone creates unique problems for both fishermen and processors, but the enormous size of the run during that brief period compounds the situation. The Bristol Bay sockeye run is projected to comprise 88.3 percent of the Alaska sockeye production and 36.2 percent of all Alaska salmon production in 1980. For processors, as well as fishermen, a brief shutdown during the peak period can make the difference between profitable and unprofitable operations for the season. The brief but concentrated nature of the run, then, considerably increases the risk of doing business in the Bay as compared with other salmon fisheries. The extreme variation between high and low sockeye salmon cycles adds yet another risk factor which fishermen, processor-buyers and broker-distributors must accommodate.

Recent Developments

During the past decade, a considerable share of the processing sector operating in Bristol Bay has been financed or purchased outright by foreign capital. However, another major change has occurred as well. Several independent processors have been attracted to the Bay to purchase sockeye salmon at relatively high prices to meet the unusually great demand of the Japanese market for frozen salmon. During the period of high demand, it was profitable for independents to fly or tender out, build freezing facilities on-site, or use floating freezer plants to process frozen salmon. Therefore, competiton for raw fish in the Bay increased dramatically. Knowledge of the high value of frozen sockeye in the Japanese marketplace filtered back to Bristol Bay fishermen, who generally felt that the prices they were being offered by processors were less than their fair share of the high retail and wholesale market value.

A strident bargaining attitude developed among fishermen in the Bay in the spring of 1979 and, combined with strong differences of opinion on the part of processors, resulted in a harvester strike. This strike lasted for several days before a settlement was reached on June 27. Reluctantly, processors accepted the two-tiered system based on $.80 per pound for product to be canned and $1.25 per pound for product to be sold fresh or frozen. The unexpectedly high 1979 fish returns upset many processor's plans in terms of the canning/freezing ratio, thus forcing them (in spite of stricter fishing limits) to freeze a larger proportion of the volume than expected - at the higher price to the fishermen. Later in 1979, the frozen market collapsed, forcing many processors to sell a portion of their product at a price level that permitted little mark-up over the price paid for the raw fish. It is this setting in which considerable attention has been directed from all quarters on market conditions, processing capacity and raw fish prices in 1980.

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[3]Alaska Department of Fish and Game, 1979. Report to the Board of Fisheries. December. Twenty-two year average.

FISHING AS A LIVING: THE COST OF DOING BUSINESS

During the past decade, the cost of doing business as a Bristol Bay gillnetter has changed radically. Many fishermen now have new, efficient boats, electronic aids and mechanical improvements, all of which contribute to higher operational costs. While the set net business has also changed considerably, this discussion is focused on the drift gillnet fleet.

Increased Risks

With the advent of at least fifteen independent buyers in the Bay in the late 1970's, and the implementation of the Alaska limited entry program, which put a ceiling on the number of fishermen with Bay permits, there was real competition for landed fish for the first time in the history of the Bristol Bay sockeye fishery. Prices paid for raw fish increased dramatically. This situation permitted many fishermen to move away from the security (and control) of established processors and consider buyers/processors as customers. The construction of independent boat storage facilities is a reflection of the new independence the fishermen began to establish during this period. It is now apparent that over-inflated salmon markets generated this period of exaggerated competition for fishermen's catches, making raw fish only temporarily more valuable.

For fishermen who left the cannery fold during this period of competition, the decision was a serious one. It involved taking a major business risk, as they were no longer assured a customer for their fish. Thus, the risk associated with the capital investment required to do business as an independent fisherman has increased dramatically for many Bay fishermen in the past few years.

Sample Fishing Costs

Tables 1 through 3 show sample fishing costs for Bristol Bay sockeye in 1980, based primarily on costs for the 1979 season, but adjusted to the 1980 permit, boat and interest costs. High, medium and low range examples are given to illustrate the varied cost structures of Bay fishermen, based on the cost of the individual's boat and permit and his current rate of payments. All estimates are made for a catch of 56,700 pounds of sockeye, the average catch in 1979.

The high range cost estimate, based on the purchase of a new boat at $90,000 and permit at $106,000, is $66,410; the medium range example, based on the purchase of a $50,000 boat and the same permit cost, is $50,960; and the low range estimate, based on a $27,000 boat which has been paid off, and a permit, which has also been paid off, is $27,940. It should be noted that the average of these three examples is not necessarily reflective of actual Bay-wide average costs, as there is no

Table 1. 1980 COST OF FISHING SOCKEYE: HIGH RANGE EXAMPLE

Based on purchase of new boat at $90,000 and permit at 106,000. Averge catch estimated at 56,700 pounds.

			Percent of Total Cost
A.	Fixed Expenses		
	Opportunity Cost of Entry Permit	$12,720.*	
	Boat Payment-Opportunity Cost of Investment	9,800.**	
	Shipment of Boat	4,000.	
	Insurance	1,800.	
	Fish License	150.	
	Assoc. Dues	250.	
	Depreciation (7 years)	12,800.	
	Subtotal A	$41,520.	62%
B.	Variables		
	Fish Tax - 3%	1,500.	
	Food and Meals	800.	
	Fuel and Oil (Fuel $.86)	750.	
	Labor Costs	400.	
	Transportation	950.	
	Materials and Supplies (including gear)	6,000.	
	Close of Season	220.	
	Telephone	150.	
	Miscellaneous	450.	
	Dry Dock Rent	1,200.	
	Subtotal B	$12,420.	19%
C.	Crew Share	12,470.	
	Subtotal C	12,470.	19%
	Total Expense	$66,410.	100%

* Based on current prices. CFEC, 1980.

**Includes amortized interim financing at time of purchase

Table 2. 1980 COST OF FISHING SOCKEYE: MEDIUM RANGE EXAMPLE

Based on purchase of $50,000 boat and permit at $106,000.
Averge catch estimated at 56,700 pounds.

			Percent of Total Cost
A.	Fixed Expenses		
	Opportunity Cost of Entry Permit	$12,720.*	
	Boat Payment-Opportunity Cost of Investment	4,800.**	
	Shipment of Boat	2,000.	
	Insurance	1,000.	
	Fish License	150.	
	Assoc. Dues	250.	
	Depreciation (7 years)	7,150.	
	Subtotal A	$28,070.	55%
B.	Variables		
	Fish Tax - 3%	1,500.	
	Food and Meals	800.	
	Fuel and Oil (Fuel $.86)	750.	
	Labor Costs	400.	
	Transportation	950.	
	Materials and Supplies (including gear)	4,000.	
	Close of Season	220.	
	Telephone	150.	
	Miscellaneous	450.	
	Dry Dock Rent	1,200.	
	Subtotal B	$10,420.	20%
C.	Crew Share	12,470.	
	Subtotal C	12,470.	25%
	Total Expense	$50,960.	100%

* Based on current prices. CFEC, 1980.

**Includes amortized interim financing at time of purchase

Table 3. 1979 COST OF FISHING SOCKEYE
LOW RANGE EXAMPLE

Based on paid off $27,000 boat and paid off permit.
Averge catch estimated at 56,700 pounds.

			Percent of Total Cost
A.	Fixed Expenses		
	Insurance	500.	
	Fish License	150.	
	Assoc. Dues	250.	
	Depreciation (7 years)	3,850.	
	Subtotal A	4,750.	17%
B.	Variables		
	Fish Tax - 3%	1,500.	
	Food and Meals	800.	
	Fuel and Oil (Fuel $.86)	750.	
	Labor and Maintenance	700.	
	Transportation	950.	
	Materials and Supplies (including gear)	4,000.	
	Close of Season	220.	
	Telephone	150.	
	Miscellaneous	450.	
	Dry Dock Rent	1,200.	
	Subtotal B	$10,720.	38%
C.	Crew Share	12,470.	
	Subtotal C	12,470.	45%
	Total Expense	27,940.	100%

estimate made for skiff fishermen, and it is not possible to determine how many fishermen are represented in each category. However, the data is useful in illustrating the various cost structures and the variation in total costs among Bay fishermen, as well as to give an indication of the relatively high costs associated with fishing sockeye in Bristol Bay in recent years. The examples given are considered to be representative of approximately seventy-five percent of the fleet.[4]

Cost Analysis: 1976 and 1980

Table 4 gives the cost breakdown for the average Bristol Bay drift gillnet fisherman in 1976[5] and projects 1980 costs on the basis of the increase in the Wholesale Price Index (WPI) during the 1976-1980 period. It should be noted that the cost information in this table was developed for the Bristol Bay drift gillnet fishery for all five species of salmon, based on the 1976 salmon season. The sources used by CFEC in developing this information were responses to a mail survey and CFEC file data on the average gross earnings of the drift gillnet fleet in 1976.

As can be seen in the table, average fixed costs comprise at least twenty-two percent of total annual costs and may be as high as twenty-seven or twenty-eight percent, depending upon distribution of such expenses as dues and moorage, administration and various equipment and vessel repairs. Average fixed costs represent annual expenses irrespective of the decision to fish or not to fish during the season and irrespective of the prices paid for fish (except fish tax).

Variable costs are the most relevant costs to the Bristol Bay drift gillnetter in making his decision whether or not it is worthwhile to fish in a given season, in view of catch and price predictions. The total average variable costs in 1976 amounted to seventy-eight percent of total average costs. It is appropriate to separate crew share costs, because these are structured differently than other variable costs. Cost variation occurs for different reasons. Expenses such as vessel repair, fuel, galley expenses and some equipment repairs occur as a function of vessel running time. Thus, a significant change in the amount of running time necessary to catch a given volume of fish can cause substantial changes from the "average" cost profile presented in the table. Likewise, the dramatic increases in the cost of fuel in recent years has significantly altered the 1976 "average" profile, as can be seen from the 1980 fuel cost estimates given in Tables 1 through 3.

One other major change in the cost structure of Bristol Bay drift gillnetters has been caused by the explosive increase in the opportunity cost of the entry permit. The current opportunity cost is estimated to

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[4]Mel Brown, AIFMA, 1980. Personal communication.

[5]Baker, June and Muse, Ben, Summary of Cost and Net Return Information for the Bristol Bay Drift Gill-Net Fishery, Commercial Fisheries Entry Commission, February, 1979.

VARIABLE COSTS OF A BRISTOL BAY DRIFT GILLNET OPERATION IN 1976 AND PROJECTION FOR 1980, BASED ON THE 1976-1980 INCREASE IN THE WHOLESALE PRICE INDEX (WPI)

Fixed Costs	1976	1980	Percent of Total Average Costs 1976	1980
Insurance	$ 170.00	$ 237.00		
Depreciation	567.00	789.00[1/]		
OCI	1,228.00	1,710.00[1/]		
OCEP	304.00	12,720.00[2/]		
	$2,269.00	$15,456.00	22%	58%
WPI[3/]	182.9	254.7	Net change	39.26%
Variable Costs				
Dues & Moorage	103.00	143.00[4/]		
Administration	187.00	260.00		
Vessel Repairs	954.00*	1,329.00*		
License Fees	66.00	92.00		
Fuel	380.00*	529.00*		
Galley Expense	335.00*	466.52*		
Equipment Repair	510.00*	710.00*		
Borough Fish Tax	102.00	142.00		
Travel & Flight	294.00	409.00		
Clothing	133.00	185.00		
Rental & Leasing	282.00	393.00		
	$3,346.00	$4,658.52	32%	17%
Crew Share				
	4,815.00	6,705.00	46%	25%
	$10,430.00	$26,819.52	100%	100%

*Varies as a function of operating time

1/ Probably low due to greater proportion of new boats recently.
2/ The opportunity costs of a limited entry permit is estimated to be 12 percent of face value, e.g. $106,000 @ 12% = $12,720.00. (Rogers and Kreinheder, 1980)
3/ U.S. Dept. of Labor, WPI-1976 = 182.9, 1980 = 254.7 (39.26% change)
4/ Probably low due to higher proportion of fishermen storing boats at their own expense.

Source for 1976 data: Commercial Fisheries Entry Commission, Juneau, 1979

be twelve percent of transfer value (refer to Table 4), or $12,720, compared with an estimated $304 in 1976. This represents one of the largest cost factors in the 1980 breakdown and has the effect of significantly increasing the minimum gross earnings necessary for a fisherman to "break even" for the season.

Table 5 summarizes the fishing cost estimates given in Tables 1 through 4. This summary indicates that the cost of fishing rose faster than the WPI between 1976 and 1980, as indicated by the higer cost estimates for 1980 obtained on the basis of 1979 experience. The comparison of 1980 costs and projected 1976 costs also shows that purchases of new boats and expenses for independent boat storage and/or annual boat freight to home port are also causing significant increases in fishermen's operating costs and changes in cost structure.

Price or Volume: The Issue in 1980

In summary, changes in the cost structure of Bristol Bay drift gillnet fishermen have resulted primarily from the following changes in the fishery in recent years:

- A higher proportion of fisherman-owned boats
- A higher proportion of new boats
- A higher proportion of fishermen who are paying for independent winter boat storage and shore support facilities
- The higher cost of obtaining an entry permit —
- Higher interest rates
- Higher fuel costs

In order to continue the trend of improvements in fishing technology and fleet condition which have been inititated in the late 1970's (see Table 6) and in order for the fishermen to maintain their financial ability to operate in this fishery, the high cost of doing business as a fisherman in Bristol Bay must be offset by either higher prices or a greater volume of raw fish, or a combination of the two, which will net the fishermen a reasonable return on his capital investment. Figure 2 illustrates the net increase in volume (or price) required to cover cost increases from 1976 to 1980.

Another way to view the 1980 income requirement of Bay fishermen in order to maintain the same cost/revenue position as 1976 is illustrated in Tables 7 through 10. The tables give the projected fishing receipts/losses in 1980 for various raw fish prices and volumes for each of the sample cost levels presented in Tables 1 through 4. The tables indicate that for fishermen with average costs as projected from the 1976 cost estimate, a price level between $.40 and $.50 per pound at average 1979 catch levels (56,700 pounds) is the "break even" point. For fishermen

Table 5. COST OF FISHING: 1980 SUMMARY

	Estimated 1980 Cost Based on 1976 Experience (1976 + WPI 76-80)	Illustrative Models for 1980 Based on 1976 Experience		
		High	Mid	Low
Fixed	$15,456	$41,520	$28,070	$ 4,750
Variable	4,658	12,420	10,420	10,720
Crew Share (25%)	6,705	12,470	12,470	12,470
Total	$26,819	$66,410	$50,960	$27,940

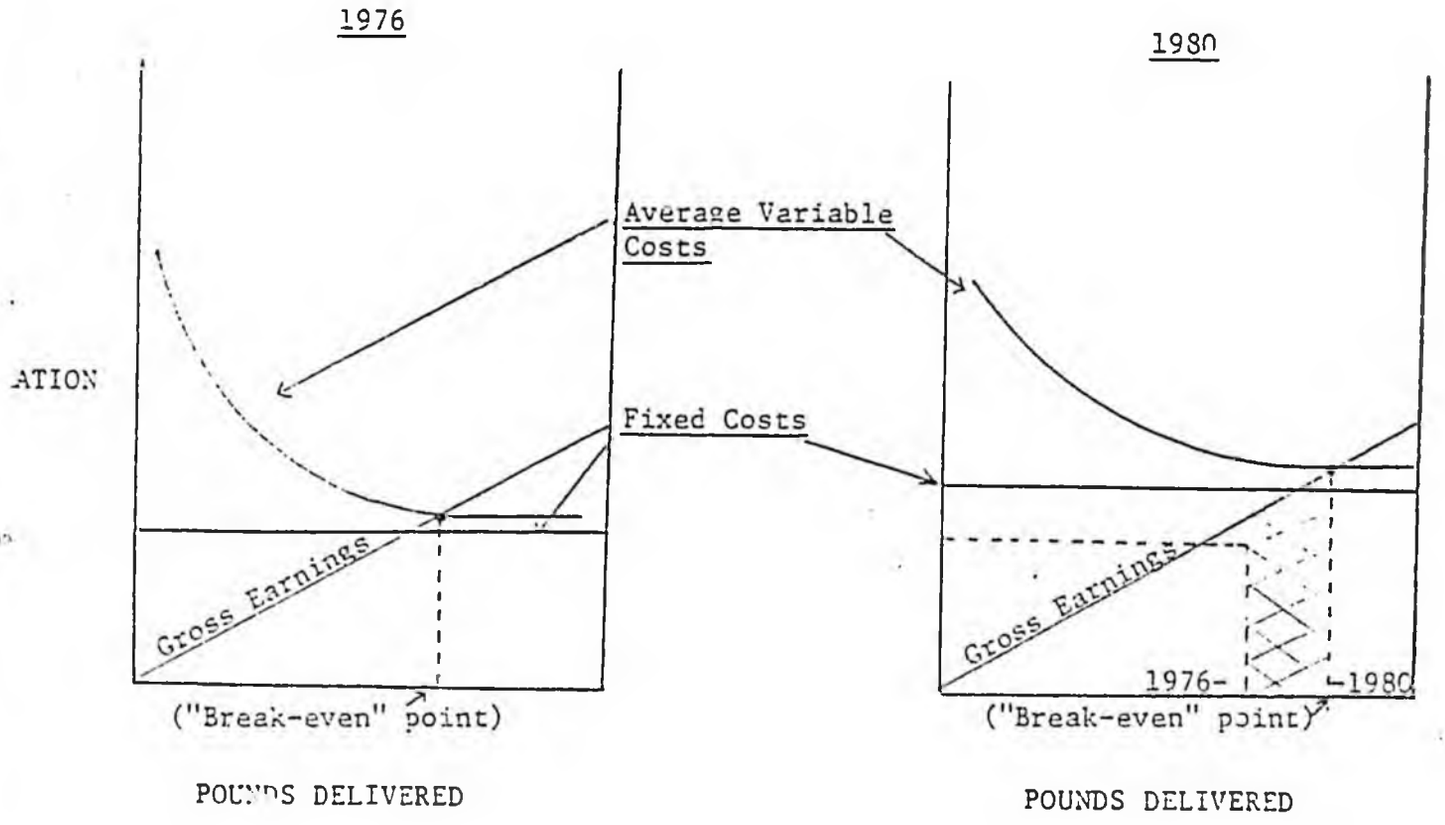
Table 6. NUMBER AND AVERAGE PRICE OF BOATS BUILT & SOLD TO BRISTOL BAY FISHERMEN 1978-March 15, 1980

Manufacturer	1978	1979	1980	Average Price of Boat - 1980
Company A			20	$100,000
Company B			19	$ 95,000-100,000
Company C	3	4	4	$100,000-110,000
Company D		6	21	$ 70,000-78,000
Company E	3	10	2	$ 62,000-80,000
Company F		3	44	$105,000
Company G	25	50	90	$100,000
Company H			*20	$ 85,000
Company I			*25	$ 75,000
Company J			*30	$ 60,000

*Surveyor's estimate; information confidential or unavailable

Source: Telephone survey by Richard G. Wilson & Assoc., March 1980

Figure 2. ILLUSTRATION OF EFFECTS OF HIGHER FISHING COSTS ON THE MINIMUM VOLUME REQUIRED TO "BREAK-EVEN" 1976-1980



Indicates differences in volume required to cover cost increases from 1976 to 1980.

Table 7. PROJECTED FISHING RECEIPTS/LOSSES FOR 1976 + WPI INCREASE, 1976-1980, AT VARIOUS RAW FISH PRICE LEVELS - 1980

Cost: $26.819	1976 Plus WPI Increase (1976-1980)					
Receipts Above/Below Cost of Fishing At:	.40	.50	.60	.70	.80	.90
1976 Catch Level (22,000 pounds)	-18,019	-15,819	-13,619	-11,419	- 9,219	- 7,019
1979 Catch Level (56,700 pounds)	- 4,139	+ 1,513	+ 7,201	+12,871	+18,541	+24,211
2 X 1979 Catch Level (113,400)	+18,541	+29,881	+41,221	+52,561	+63,901	+75,241

Table 8. PROJECTED FISHING RECEIPTS/LOSSES FOR HIGH COST RANGE EXAMPLE AT VARIOUS RAW FISH PRICE LEVELS - 1980

High Cost Range Example

Cost: $66,410

Receipts Above/Below Cost of Fishing At:	$/Pound .40	.50	.60	.70	.80	.90	1.00
1976 Catch Level (22,000 pounds)	-57,610	-55,410	-53,210	-51,010	-48,810	-46,610	-44,410
1979 Catch Level (56,700 pounds)	-43,730	-38,060	-32,390	-26,270	-21,050	-15,380	- 9,710
2 X 1979 Catch Level (113,400 pounds)	-21,050	- 9,710	+ 1,630	+12,970	+24,310	+35,650	+46,990

Table 9. PROJECTED FISHING RECEIPTS/LOSSES
FOR MEDIUM COST RANGE EXAMPLE
AT VARIOUS RAW FISH PRICE LEVELS - 1980

Cost: $50,960	Medium Cost Range Example						
Receipts Above/Below Cost of Fishing At:	----------$/Pound----------						
	.40	.50	.60	.70	.80	.90	1.(
1976 Catch Level (22,000 pounds)	-42,160	-39,960	-37,760	-35,560	-33,360	-31,160	-28
1979 Catch Level (56,700 pounds)	-28,280	-22,610	-16,940	-11,270	- 5,600	+ 70	+ 5
2 X 1979 Catch Level (113,400 pounds)	- 5,600	+ 5,740	+17,080	+28,420	+39,760	+51,100	+62

Table 10. PROJECTED FISHING RECEIPTS/LOSSES
FOR LOW COST RANGE EXAMPLE
AT VARIOUS RAW FISH PRICE LEVELS -1980

Cost: $27,940	Low Cost Range Example						
Receipts Above/Below Cost of Fishing At:	$/Pound						
	.40	.50	.60	.70	.80	.90	1.00
1976 Catch Level (22,000 pounds)	-19,140	-16,940	-14,740	-12,540	-10,340	- 8,140	- 5,94
1979 Catch Level (56,700 pounds)	- 5,2	- 410	+ 6,080	+11,750	+17,420	+23,090	+28,76
2 X 1979 Catch Level	+17,420	+28,760	+40,100	+51,440	+62,780	+74,120	+85,46

in the high cost range, based on 1979 estimates, the "break even" point is between $.50 and $.60 for a catch of twice the 1979 average (113,400 pounds); for fishermen in the medium cost range, it is approximately $.90 per pound for a catch of 56,700 pounds (or between $.40 and $.50 per pound for 113,400 pounds); and, for fishermen in the low cost range, it is approximately $.50 per pound for 56,700 pounds of delivered fish.

BRISTOL BAY SOCKEYE PROCESSING INDUSTRY: THE COST OF DOING BUSINESS IN 1980

In order to assist in the determination of what is a reasonable ex-vessel price for the fisherman, this section describes the costs associated with processing Bristol Bay sockeyes in 1980.

Sample Processing Costs For Various Methods of Processing

If all sockeye harvested in Bristol Bay were processed in a single form, the job of determining "average" processing costs would be greatly facilitated; however, this is not the case. Due partly to the large anticipated sockeye run in 1980, Bristol Bay salmon will be handled and processed in numerous different ways before it reaches the wholesale market. The prices paid to fishermen must therefore reflect the processing costs associated with this considerable variety of handling and processing methods.

Sample salmon processing costs for fresh, fresh/frozen and canned production for both shore-based and floating processing plants located in Bristol Bay, other Alaska processing centers and British Columbia, Canada are given in Tables 11 through 18. Tables 19 and 20 give sample costs for fresh and fresh/frozen production of fish that are shipped round to Seattle or any other major U.S. "market city" and then processed the destination city. Cost estimates have been included for a wide range of ex-vessel prices to account for the expectations of both processors and fishermen for the 1980 season. The first wholesale price figures shown in the tables represent the resulting price when estimated processing costs at each level of production are added to the given range of ex-vessel values. They should not necessarily be interpreted as the current market prices, which are discussed in another section of this report.

The processing cost figures are estimates for the 1980 season, based on personal communication with processors as well as actual experience working with several processing operations in Bristol Bay and elsewhere in Alaska. The estimates are based on reasonably high volume operations and, subsequently, any smaller volume operations can be expected to have significantly higher costs. Shipping costs are based on tariff rates quoted by Sea-Land on March 10, 1980. While the cost figures reflect our expectations for the summer 1980 salmon season, they are generally conservative estimates and it is conceivable that the rise in fuel costs and interest rates may be even higher than currently projected, thus resulting in significantly higher costs of processing, shipping and mark-up. It should also be noted that the actual costs for every individual processing operation may vary radically from the estimates given due to several factors, including different tendering practices, unloading technology and delivery limits. In addition, the inherent efficiency of each operation varies considerably because all have

Table 11 SAMPLE SALMON PROCESSING COSTS
FRESH/FROZEN PRODUCTION, HEAD-ON
FROZEN IN ANCHORAGE/KENAI

Costs are separated into two categories: The costs in Category I are expressed in $/lb., round weight, purchased and delivered to the processing plant; costs in Category II are expressed in $/lb., recovered or finished product weight.

Cost Category	Ex-Vessel Price Range, Bakuek											
I. Primary Costs, $/lb. Round Weight												
A. Raw Fish Cost	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
B. Bristol Bay Borough Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
C. Alaska Raw Fish Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
D. Tendering/Handling/Flying	.56	.56	.56	.56	.56	.56	.56	.56	.56	.56	.56	.56
COST/LB., ROUND WEIGHT, DELIVERED	.93	.98	1.04	1.09	1.14	1.20	1.25	1.30	1.36	1.41	1.46	1.51
II. Category II Costs												
A. Recovery, 85%	.16	.17	.18	.19	.20	.21	.22	.23	.24	.25	.26	.27
B. Processing/Freezing/Packaging[1]	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
C. Shipping to Seattle[2]	.043	.043	.043	.043	.043	.043	.043	.043	.043	.043	.043	.043
PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.53	1.59	1.66	1.72	1.78	1.85	1.91	1.97	2.04	2.10	2.16	2.22
LESS REVENUE FROM EGG SALES[3]	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
NET PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.47	1.54	1.60	1.66	1.72	1.79	1.85	1.91	1.98	2.04	2.10	2.16
PROCESSOR MARK-UP (20%)[4]	.30	.31	.32	.33	.35	.36	.37	.38	.40	.41	.42	.43
WHOLESALE PRICE, fob SEATTLE	1.77	1.84	1.92	1.99	2.07	2.15	2.22	2.29	2.38	2.45	2.52	2.59

[1]Includes direct processing costs, such as labor and plant overhead.

[2]Shipping costs have been converted to round weight equivalents to allow for compatibility with primary costs as follows: .05 shipping cost - .85(.05) = .043.

[3]Roe recovery is figured at 1.9% and price/lb. at $3.40, resulting in: (.019) x (3.40) = .06.

[4]Includes indirect costs, such as general and administrative, interest, brokering and marketing. This is a conservative figure; first wholesale mark-ups in excess of 20% must be considered, with the ever-increasing cost of working capital.

Table 12 SAMPLE SALMON PROCESSING COSTS
FRESH/FROZEN PRODUCTION, HEAD-OFF
FROZEN IN ANCHORAGE/KENAI

Costs are separated into two categories: The costs in Category I are expressed in $/lb., round weight, purchased and delivered to the processing plant; costs in Category II are expressed in $/lb., recovered or finished product weight.

Cost Category	Ex-Vessel Price Range, Bakuck											
I. Primary Costs, $/lb. Round Weight												
A. Raw Fish Cost	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
B. Bristol Bay Borough Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
C. Alaska Raw Fish Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
D. Tendering/Handling/Flying	.56	.56	.56	.56	.56	.56	.56	.56	.56	.56	.56	.56
COST/LB., ROUND WEIGHT, DELIVERED	.93	.98	1.04	1.09	1.14	1.20	1.25	1.30	1.36	1.41	1.46	1.51
II. Category II Costs												
A. Recovery, 75%	.31	.33	.35	.36	.38	.40	.42	.43	.45	.47	.49	.50
B. Processing/Freezing/Packaging[1]	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
C. Shipping to Seattle[2]	.038	.038	.038	.038	.038	.038	.038	.038	.038	.038	.038	.038
PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.68	1.75	1.83	1.89	1.96	2.04	2.11	2.17	2.25	2.32	2.39	2.45
LESS REVENUE FROM EGG SALES[3]	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
NET PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.62	1.69	1.77	1.83	1.90	1.98	2.05	2.11	2.19	2.26	2.33	2.39
PROCESSOR MARK-UP (20%)[4]	.32	.34	.35	.37	.38	.40	.41	.42	.44	.45	.47	.48
WHOLESALE PRICE, fob SEATTLE	1.94	2.03	2.12	2.20	2.28	2.38	2.46	2.53	2.63	2.71	2.80	2.87

[1]Includes direct processing costs, such as labor and plant overhead.

[2]Shipping costs have been converted to round weight equivalents to allow for compatibility with primary costs as follows: .05 shipping cost - .75(.05) = .038.

[3]Roe recovery is figured at 1.9% and price/lb. at $3.40, resulting in: (.019) x (3.40) = .06.

[4]Includes indirect costs, such as general and administrative, interest, brokering and marketing. This is a conservative figure; first wholesale mark-ups in excess of 20% must be considered, with the ever-increasing cost of working capital.

Table 13 SAMPLE SALMON PROCESSING COSTS
FRESH/FROZEN PRODUCTION, HEAD-ON
FROZEN IN BRISTOL BAY ON FLOATING PROCESSORS

Costs are separated into two categories: The costs in Category I are expressed in $/lb., round weight, purchased and delivered to the processing plant; costs in Category II are expressed in $/lb., recovered or finished product weight.

Cost Category	Ex-Vessel Price Range, Naknek											
I. Primary Costs, $/lb. Round Weight												
A. Raw Fish Cost	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
B. Bristol Bay Borough Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
C. Alaska Raw Fish Tax (5%)	.018	.020	.023	.025	.028	.030	.033	.035	.038	.040	.043	.045
D. Tendering/Handling	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10
COST/LB., ROUND WEIGHT, DELIVERED	.479	.532	.587	.640	.695	.748	.803	.856	.911	.964	1.02	1.07
II. Category II Costs												
A. Recovery, 85%	.08	.09	.10	.11	.12	.13	.14	.15	.16	.17	.18	.19
B. Processing/Freezing/Packaging[1]	.70	.70	.70	.70	.70	.70	.70	.70	.70	.70	.70	.70
C. Shipping to Seattle[2]	.08	.08	.08	.08	.08	.08	.08	.08	.08	.08	.08	.08
PRODUCTION COST, $/LB., PRODUCT WEIGHT	1.34	1.40	1.47	1.53	1.59	1.66	1.72	1.78	1.85	1.91	1.98	2.04
LESS REVENUE FROM EGG SALES[3]	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
NET PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.28	1.34	1.41	1.47	1.53	1.60	1.66	1.72	1.79	1.85	1.92	1.98
PROCESSOR MARK-UP (20%)[4]	.26	.27	.28	.29	.30	.32	.33	.34	.36	.37	.38	.40
WHOLESALE PRICE, fob SEATTLE	1.54	1.61	1.69	1.76	1.83	1.92	1.99	2.06	2.13	2.22	2.30	2.38

[1]Includes direct processing costs, such as labor and plant overhead. Due to the extreme variability in floating processors, this cost may vary by ± .10.

[2]Shipping costs have been converted to round weight equivalents to allow for compatibility with primary costs as follows: .09 shipping costs - .85(.09) = .08.

[3]Roe recovery is figured at 1.9% and price/lb. at $1.40, resulting in: (.019) x (3.40) = .06.

[4]Includes indirect costs, such as general and administrative, interest, brokering and marketing. This is a conservative figure; first wholesale mark-ups in excess of 20% must be considered, with the ever-increasing cost of working capital.

Table 14 SAMPLE SALMON PROCESSING COSTS
FRESH/FROZEN PRODUCTION, HEAD-OFF
FROZEN IN BRIS OL BAY OR FLOATING PROCESSORS

Costs are separated into two categories: The costs in Category I are expressed in $/lb., round weight, purchased and delivered to the processing plant; costs in Category II are expressed in $/lb., recovered or finished product weight.

Cost Category	Ex-Vessel Price Range, Naknek											
I. Primary Costs, $/lb. Round Weight												
A. Raw Fish Cost	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
B. Bristol Bay Borough Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
C. Alaska Raw Fish Tax (5%)	.018	.020	.023	.025	.028	.030	.033	.035	.038	.040	.043	.045
D. Tendering/Handling	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10
COST/LB., ROUND WEIGHT, DELIVERED	.479	.532	.587	.640	.695	.748	.803	.856	.911	.964	1.02	1.07
II. Category II Costs												
A. Recovery, 75%	.16	.18	.20	.21	.23	.25	.27	.29	.30	.32	.34	.36
B. Processing/Freezing/Packaging[1]	.70	.70	.70	.70	.70	.70	.70	.70	.70	.70	.70	.70
C. Shipping to Seattle[2]	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07	.07
PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.41	1.48	1.56	1.62	1.70	1.77	1.84	1.92	1.98	2.05	2.13	2.20
LESS REVENUE FROM EGG SALES[3]	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
NET PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.35	1.42	1.50	1.56	1.64	1.71	1.78	1.86	1.92	1.99	2.07	2.14
PROCESSOR MARK-UP (20%)[4]	.27	.28	.30	.31	.33	.34	.36	.37	.38	.40	.41	.43
WHOLESALE PRICE, fob SEATTLE	1.62	1.70	1.80	1.87	1.97	2.05	2.14	2.23	2.30	2.39	2.48	2.57

[1]Includes direct processing costs, such as labor and plant overhead. Due to the extreme variability in floating processors, this cost may vary by ± .10.

[2]Shipping costs have been converted to round weight equivalents to allow for compatibility with primary costs as follows: .09 shipping costs = .75(.09) = .67.

[3]Roe recovery is figured at 1.9% and price/lb. at $3.40, resulting in: (.019) x (3.40) = .06.

[4]Includes indirect costs, such as general and administrative, interest, brokering and marketing. This is a conservative figure; first wholesale mark-ups in excess of 20% must be considered, with the ever-increasing cost of working capital.

Table 15 SAMPLE SALMON PROCESSING COSTS
CANNED PRODUCTION
CANNED IN BRISTOL BAY

Costs are separated into two categories: The costs in Category I are expressed in $/lb., round weight, purchased and delivered to the processing plant; costs in Category II are expressed in $/lb., recovered or finished product weight.

Cost Category	Ex-Vessel Price Range, Naknek											
I. Primary Costs, $/lb. Round Weight												
A. Raw Fish Cost	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
B. Bristol Bay Borough Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
C. Alaska Raw Fish Tax (4.5%)	.016	.018	.020	.023	.025	.027	.029	.032	.034	.036	.038	.040
D. Tendering/Handling	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10
COST/LB., ROUND WEIGHT, DELIVERED	.477	.530	.584	.638	.692	.745	.799	.853	.907	.960	1.01	1.07
II. Category II Costs												
A. Recovery, 66%	.25	.27	.30	.33	.36	.38	.41	.44	.47	.49	.52	.55
B. Processing/Canning/Packaging[1]	.514	.514	.514	.514	.514	.514	.514	.514	.514	.514	.514	.514
C. Shipping to Seattle[2]	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.29	1.36	1.45	1.52	1.62	1.69	1.77	1.86	1.94	2.01	2.09	2.18
LESS REVENUE FROM EGG SALES[3]	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
NET PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.23	1.30	1.39	1.46	1.56	1.63	1.71	1.81	1.88	1.95	2.03	2.12
PROCESSOR MARK-UP (20%)[4]	.25	.26	.28	.29	.31	.33	.34	.36	.38	.39	.41	.42
WHOLESALE PRICE, fob SEATTLE	1.48	1.56	1.67	1.75	1.87	1.96	2.05	2.17	2.26	2.34	2.44	2.54

[1]Includes direct processing costs, such as labor and plant overhead. Based on ADF&G projections of 20 one pound and 18 one-half pound lines operational in Bristol Bay in 1980 and processing costs of $.40/lb. for one pound lines and $.77/lb. for one-half pound lines, the weighted average cost equals .689(.40 + .31(.77) = .514.

[2]Shipping costs have been converted to round weight equivalents to allow for compatibility with primary costs as follows: .07 shipping costs - .66(.07) = .05.

[3]Roe recovery is figured at 1.9% and price/lb. at $3.40, resulting in: (.019) x (3.40) = .06.

[4]Includes indirect costs, such as general and administrative, interest, brokering and marketing. This is a conservative figure; first wholesale mark-ups in excess of 20% must be considered, with the ever-increasing cost of working capital.

Table 16 SAMPLE SALMON PROCESSING COSTS
CANNED PRODUCTION
CANNED IN SOUTHEAST ALASKA AND
BRITISH COLUMBIA, CANADA

Costs are separated into two categories: The costs in Category I are expressed in $/lb., round weight, purchased and delivered to the processing plant; costs in Category II are expressed in $/lb., recovered or finished product weight.

Cost Category	Ex-Vessel Price Range, Naknek											
I. Primary Costs, $/lb. Round Weight												
A. Raw Fish Cost	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
B. Bristol Bay Borough Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.026
C. Alaska Raw Fish Tax (4.5%)	.016	.018	.020	.023	.025	.027	.029	.032	.034	.036	.038	.040
D. Tendering/Handling	.185	.185	.185	.185	.185	.185	.185	.185	.185	.185	.185	.185
COST/LB., ROUND WEIGHT, DELIVERED	.56	.62	.67	.72	.78	.83	.88	.94	.99	1.05	1.10	1.15
II. Category II Costs												
A. Recovery, 66%[1]	.29	.32	.36	.37	.40	.43	.46	.48	.51	.54	.57	.59
B. Processing/Canning/Packaging[2]	.47	.47	.47	.47	.47	.47	.47	.47	.47	.47	.47	.47
C. Shipping to Seattle[3]	.023	.023	.023	.023	.023	.023	.023	.023	.023	.023	.023	.023
PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.345	1.433	1.50	1.58	1.67	1.75	1.83	1.91	1.99	2.08	2.16	2.23
LESS REVENUE FROM EGG SALES[4]	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
NET PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.29	1.37	1.44	1.52	1.61	1.69	1.77	1.85	1.93	2.02	2.10	2.17
PROCESSOR MARK-UP (20%)[5]	.26	.28	.29	.30	.32	.33	.35	.37	.39	.40	.42	.43
WHOLESALE PRICE, fob SEATTLE	1.55	1.65	1.73	1.82	1.93	2.02	2.12	2.22	2.32	2.42	2.52	2.60

[1]A recovery rate of less than 66% may result from increased transport distance; therefore, this cost factor may be conservative.

[2]Includes direct processing costs, such as labor and plant overhead. Based on projections of 50% one pound and 50% one-half pound lines, with processing costs of $.38/lb. for one pound lines and $.95/lb. for one-half pound lines, the weighted average cost equals .75(.38 + .25(.75)) = .472.

[3]Shipping costs have been converted to round weight equivalents to allow for compatibility with primary costs as follows: .035 shipping costs x .66(.035) = .023.

[4]Roe recovery is figured at 1.9% and price/lb. at $3.40, resulting in: (.019) x (3.40) = .06.

[5]Includes indirect costs, such as general and administrative, interest, brokering and marketing. This is a conservative figure; first wholesale mark-ups in excess of 20% must be considered, with the ever-increasing cost of working capital.

Table 17 SAMPLE SALMON PROCESSING COSTS
FRESH PRODUCTION, HEAD-OFF
PROCESSED IN ANCHORAGE AND AIR
FREIGHTED TO MAJOR U.S. CITIES
OR COMMERCIAL AIRLINES

Costs are separated into two categories: The costs in Category I are expressed in $/lb., round weight, purchased and delivered to the processing plant; costs in Category II are expressed in $/lb., recovered or finished product weight.

Cost Category	Ex-Vessel Price Range, Naknek											
I. Primary Costs, $/lb. Round Weight												
A. Raw Fish Cost	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
B. Bristol Bay Borough Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
C. Alaska Raw Fish Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
D. Tendering/Handling/Flying	.56	.56	.56	.56	.56	.56	.56	.56	.56	.56	.56	.56
COST/LB., ROUND WEIGHT, DELIVERED	.93	.98	1.04	1.09	1.14	1.20	1.25	1.30	1.36	1.41	1.46	1.51
II. Category II Costs												
A. Recovery, 75%	.31	.33	.35	.36	.38	.40	.42	.43	.45	.47	.49	.50
B. Processing/Chilling/Packaging[1]	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25
C. Shipping to Seattle[2]	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24
PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.66	1.80	1.88	1.94	2.01	2.09	2.16	2.22	2.30	2.37	2.44	2.50
LESS REVENUE FROM EGG SALES[3]	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
NET PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.60	1.74	1.82	1.88	1.95	2.03	2.10	2.16	2.24	2.31	2.38	2.44
PROCESSOR MARK-UP (20%)[4]	.32	.35	.36	.38	.39	.41	.42	.43	.45	.46	.48	.49
WHOLESALE PRICE, fob MARKET CITY	1.92	2.09	2.18	2.26	2.34	2.44	2.52	2.59	2.69	2.77	2.86	2.93

[1]Includes direct processing costs, such as labor and plant overhead.

[2]Shipping costs have been converted to round weight equivalents to allow for compatibility with primary costs as follows: $.32 shipping costs - .75(.32) = .24.

[3]Roe recovery is figured at 1.9% and price/lb. at $3.40, resulting in: (.019) x (3.40) = .06.

[4]Includes indirect costs, such as general and administrative, interest, brokering and marketing. This is a conservative figure; first wholesale mark-ups in excess of 20% must be considered, with the ever-increasing cost of working capital.

Table 18 SAMPLE SALMON PROCESSING COSTS
FRESH PRODUCTION, HEAD-OFF
PROCESSED IN BRISTOL BAY AND
FLOWN TO MAJOR U.S. MARKETS
ON CHARTER AIRCRAFT - FISH
ARE SHIPPED BUTCHERED

Costs are separated into two categories: The costs in Category I are expressed in $/lb., round weight, purchased and delivered to the processing plant; costs in Category II are expressed in $/lb., recovered or finished product weight.

Cost Category	Ex-Vessel Price Range, Nakuek											
I. Primary Costs, $/lb. Round Weight												
A. Raw Fish Cost	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
B. Bristol Bay Borough Tax (2%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
C. Alaska Raw Fish Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
D. Tendering	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10
COST/LB., ROUND WEIGHT, DELIVERED	.47	.52	.58	.63	.68	.74	.79	.84	.87	.95	1.00	1.05
II. Category II Costs												
A. Recovery, 75%	.16	.17	.19	.21	.23	.25	.26	.28	.29	.32	.33	.35
B. Processing/Chilling/Packaging[1]	.29	.29	.29	.29	.29	.29	.29	.29	.29	.29	.29	.29
C. Shipping to Seattle[2]	.38	.38	.38	.38	.38	.38	.38	.33	.38	.38	.38	.38
PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.30	1.36	1.46	1.51	1.58	1.66	1.72	1.79	1.83	1.96	2.00	2.07
LESS REVENUE FROM EGG SALES[3]	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
NET PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.24	1.30	1.38	1.45	1.52	1.60	1.66	1.73	1.77	1.88	1.94	2.01
PROCESSOR MARK-UP (20%)[4]	.25	.26	2.8	.29	.30	.32	.33	.35	.35	.38	.39	.40
WHOLESALE PRICE, fob MARKET CITY[5]	1.49	1.56	1.66	1.74	1.82	1.92	1.99	2.08	2.12	2.26	2.33	2.41

[1]Includes direct processing costs, such as labor and plant overhead.

[2]Shipping costs have been converted to round weight equivalents to allow for compatibility with primary costs as follows: $.51 shipping costs - .75(.51) = .38.

[3]Roe recovery is figured at 1.9% and price/lb. at $3.40, resulting in: (.019) x (3.40) = .06.

[4]Includes indirect costs, such as general and administrative, interest, brokering and marketing. This is a conservative figure; first wholesale mark-ups in excess of 20% must be considered, with the ever-increasing cost of working capital.

[5]Shipping costs to market city are applicable to all U.S. west coast and midwest cities.

Table 19 SAMPLE SALMON PROCESSING COSTS
FRESH PRODUCTION, HEAD-OFF
FISH ARE SHIPPED ROUND TO SEATTLE
OR OTHER MARKET CITY DIRECTLY
FROM BRISTOL BAY OR CHARTER
AIRCRAFT - FISH ARE PROCESSED IN
MARKET CITY

Costs are separated into two categories: The costs in Category I are expressed in $/lb., round weight, purchased and delivered to the processing plant; costs in Category II are expressed in $/lb., recovered or finished product weight.

Cost Category	Ex-Vessel Price Range, Naknek											
I. Primary Costs, $/lb. Round Weight												
A. Raw Fish Cost	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
B. Bristol Bay Borough Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
C. Alaska Raw Fish Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
D. Tendering/Handling/Flying	.61	.61	.61	.61	.61	.61	.61	.61	.61	.61	.61	.61
COST/LB., ROUND WEIGHT, DELIVERED	.98	1.03	1.09	1.14	1.19	1.25	1.30	1.36	1.41	1.46	1.51	1.56
II. Category II Costs												
A. Recovery, 75%	.33	.35	.36	.38	.40	.42	.43	.45	.47	.49	.50	.52
B. Processing/Chilling/Packaging[1]	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22
PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.53	1.60	1.67	1.74	1.81	1.89	1.95	2.03	2.10	2.17	2.23	2.30
LESS REVENUE FROM EGG SALES[2]	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
NET PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.47	1.54	1.61	1.68	1.75	1.83	1.89	1.97	2.04	2.11	2.17	2.24
PROCESSOR MARK-UP (20%)[3]	.29	.31	.32	.34	.35	.37	.38	.39	.41	.42	.43	.45
WHOLESALE PRICE, fob MARKET CITY[4]	1.76	1.85	1.93	2.02	2.10	2.20	2.27	2.36	2.45	2.53	2.60	2.69

[1]Includes direct processing costs, such as labor and plant overhead.

[2]Roe recovery is figured at ..9% and price/lb. at $3.40, resulting in: (.019) x (3.40) = .06.

[3]Includes indirect costs, such as general and administrative, interest, brokering and marketing. This is a conservative figure; first wholesale mark-ups in excess of 20% must be considered, with the ever-increasing cost of working capital.

[4]Shipping costs to market city are applicable to all U.S. west coast and midwest cities.

Table 20 SAMPLE SALMON PROCESSING COSTS
FRESH/FROZEN PRODUCTION, HEAD-OFF
FLOWN TO SEATTLE IN THE ROUND
AND FROZEN IN SEATTLE

Costs are separated into two categories: The costs in Category I are expressed in $/lb., round weight, purchased and delivered to the processing plant; costs in Category II are expressed in $/lb., recovered or finished product weight.

Cost Category	Ex-Vessel Price Range, Naknek											
I. Primary Costs, $/lb. Round Weight												
A. Raw Fish Cost	.35	.40	.45	.50	.55	.60	.65	.70	.75	.80	.85	.90
B. Bristol Bay Borough Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
C. Alaska Raw Fish Tax (3%)	.011	.012	.014	.015	.017	.018	.020	.021	.023	.024	.025	.027
D. Tendering/Handling/Flying	.61	.61	.61	.61	.61	.61	.61	.61	.61	.61	.61	.61
COST/LB., ROUND WEIGHT, DELIVERED	.98	1.03	1.09	1.14	1.19	1.25	1.30	1.36	1.41	1.46	1.51	1.56
II. Category II Costs												
A. Recovery, 75%	.33	.35	.36	.38	.40	.42	.43	.45	.47	.49	.50	.52
B. Processing/Freezing/Packaging[1]	.35	.35	.35	.35	.35	.35	.35	.35	.35	.35	.35	.35
PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.66	1.73	1.80	1.87	1.94	2.02	2.08	2.16	2.23	2.28	2.36	2.43
LESS REVENUE FROM EGG SALES[2]	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)	(.06)
NET PRODUCTION COST, $/LB. PRODUCT WEIGHT	1.60	1.67	1.74	1.81	1.88	1.96	2.02	2.10	2.17	2.22	2.30	2.37
PROCESSOR MARK-UP (20%)[3]	.32	.33	.35	.36	.38	.39	.40	.42	.43	.44	.46	.47
WHOLESALE PRICE, fob SEATTLE	1.92	2.00	2.09	2.17	2.26	2.35	2.42	2.52	2.60	2.66	2.76	2.84

[1]Includes direct processing costs, such as labor and plant overhead.

[2]Roe recovery is figured at 1.9% and price/lb. at $3.40, resulting in: (.019) x ($3.40) = .06.

[3]Includes indirect costs, such as general and administrative, interest, brokering and marketing. This is a conservative figure; first wholesale mark-ups in excess of 20% must be considered, with the ever-increasing cost of working capital.

been in existence for varying lengths of time and therefore contain a wide range of state-of-the-art processing technology.

The wholesale prices given in the bottom line of the processing cost tables represent the minimum prices required by the processor in order to process Bristol Bay sockeye with a reasonable profit margin in 1980. Analysis of these minimum wholesale prices for the various methods of tendering and processing indicates that the least expensive method of processing, resulting in the lowest wholesale price per pound of raw fish purchased, is canning in Bristol Bay (Table 15). The next least expensive options are fresh production, head-off, processed in Bristol Bay and fresh/frozen production, head-on, processed on floating processors in Bristol Bay, in that order. It is generally more expensive for processors to fly round product to other locations for processing; however, this depends, to a great extent, on the particular efficiency of each individual operation, and especially on their ability to maintain quality control.

Were it possible for all processing to take place in Bristol Bay, it is evident that this would be the more desirable option for processors. However, this is not possible due to the large anticipated run and to the limited production capacity in the Bay. Although limited data is available, the next section gives an indication of what the actual breakdown of the 1980 sockeye run might be, by processing type.

Projected Breakdown of the Bristol Bay Sockeye Run By Method of Processing

It can be assumed that the majority of sockeyes will either be canned or frozen, while a smaller percentage will be sold fresh. Canned product may be processed in shore-based facilities in the Bay, flown or tendered for processing at other locations, or it may be frozen and then canned at a later date. Frozen product may be processed in shored-based facilities or tendered for freezing at other locations in Alaska or on the Pacific Coast.

The Governor's 1980 Fishery Harvest Planning Group anticipated the following breakdown of processing types for Bristol Bay sockeyes in 1980:

Projected Processing Capacity 1980

Canning in the Bay:	41%
Freezing in the Bay:*	25%
Flying:	20%
Tendering:*	12%

*Proportions for both freezing and tendering could vary by several percentage point. depending upon (1) the feasibility of tendering to canning lines as far away as Southeast Alaska and Prince Rupert, British Columbia; and (2) the extent of participation of foreign freezer/trawlers during the 1980 season.

It can be assumed that all tendered raw product which is not flown will be canned. Therefore, the canning (41%) and tendering (12%) proportions may be combined to arrive at a projected (53%) canning capacity for 1980. Most of the remaining 47% will be frozen.

Feasibility of Tendering Salmon To Southeast Alaska and British Columbia, Canada for Canning

Because of the anticipated high volume of fish this year, which will most likely exceed the processing capacity in Southcentral and Western Alaska, it has been suggested that long distance tendering of raw fish would enable processors to handle more volume. The following is a discussion of the feasibility of this option.

Tendering significant quantities of Bristol Bay sockeye to canning facilities in Southeast Alaska and British Columbia, Canada is generally considered technically feasible if the fish are held in RSW. The run time with modern highspeed tenders allows the fish to be delivered in a condition suitable for canning. Two major impediments of tendering to British Columbia for canning are the availability of adequate RSW tenders and the cost attributed to this method of product movement and processing. It is generally agreed that there is not a sufficient number of RSW tenders in the U.S. fleet to move the large volumes of product which would make this a viable alternative. This is especially critical in the Bristol Bay situation, as the short season and long haul demand that each boat can make only one run. There are, however, substantial numbers of Canadian tenders which could be put into service should the State of Alaska allow the tenders, with adequate notice, to operate in Alaskan waters. Assuming that adequate tenders are available, the next most important issue to resolve is cost. If the cost of fish purchases, tendering, processing and shipping exceeds the first wholesale value of the product, the tendering of the fish to Southeast Alaska and British Columbia is not feasible.

Depending on the capacity of the vessel and the length of the charter, tendering costs range from $.133/lb. to $.188/lb. for an average of $.16/lb for fish delivered to British Columbia and Southeast Alaska. In addition to the tendering charges, there will be a grounds charge of about $.025/lb. for loading the vessels. This is comprised primarily of labor charges for unloading fishing boats and handling fish tickets. Total tendering costs therefore average $.185/lb. Table 17 outlines the costs related to tendering Bristol Bay sockeye to Southeast Alaska and British Columbia for canning.

The International Pacific Salmon Fisheries Commission projects a total 1980 Fraser River sockeye run of 3,200,000 fish, which will be a low run compared to 1979. The total Convention Waters catch for each country (U.S. and Canada) will probably be about 800,000 fish, the lowest since 1964. Since 1980 is an off-cycle year for pink salmon in British Columbia and a very poor run is expected for Fraser River sockeye, it appears that processors in British Columbia may have excess canning capacity in 1980. The largest pack in British Columbia during

the last ten years was about 1.9 million cases. Should the 1980 British Columbia salmon runs come close to the predicted level, Canadian processors may can between 600,000 and 900,000 cases this season. This should leave an excess capacity of about one million cases in 1980, assuming no conflicts in production schedules.

It appears from this discussion that the option of long distance tendering is feasible this year, depending upon the availability of adequate RSW tenders. It is, however, a more expensive option than canning at locations in Western and Southcentral Alaska.

Other Economic Factors Affecting Processing Costs for the 1980 Season

Many of the large and small processors operating in Bristol Bay are finding it very difficult to arrange adequate financing for operation during the 1980 season. This is due to five major factors impacting the industry:

1. Extremely high interest rates associated with lines of credit for working capital. Many processors must pay two points over prime for any working capital credit line. With the prime rate at 20%, the cost of borrowed funds is extremely high, even for large processors with well-established financing structures.

2. Substantially reduced availability of preseason advance monies from all Japanese buyers. Traditionally, a large portion of the product sales to Japan have been based upon preseason advances, which have reduced the processors need to borrow working capital. Without this source of funding, additional pressure is placed upon traditional credit lines.

3. Extremely depressed market conditions. Much of the frozen sockeye produced in Bristol Bay has traditionally been sold in Japan. Currently, the market price for red salmon in Japan is substantially below the 1979 market level. In addition, the carryover inventories of product from 1979 into 1980 are extremely high. These large carryovers have depressed other world markets as Japanese product moved elsewhere. Processors have been unable to sell red salmon in some product forms or have had to liquidate inventories at a loss in recent months. The large runs forecast for 1980 indicate that market conditions will remain depressed.

4. U.S. financial institutions desire to cut lending. All of the major banks who have traditionally financed the U.S. processors have seen the financial strength of their clients fall in 1979. Coupled with their increased cost of funds and the above factors, they desire to cut their lending to the processing sector, not increase their credit lines.

5. Substantially increased risk for processors. In addition to the above factors, all of which tend to force processors to restrict their operations, the processors believe they cannot afford to support raw fish costs anywhere near those paid in the 1979 season. They view the current price demands of fishermen as unusually unrealistic. Unsettled pricing, coupled with the other factors mentioned above, have substantially increased the risks associated with processing in Bristol Bay.

Any of the five factors mentioned above, taken alone, would tend to decrease the processing capacity in Bristol Bay during the 1980 season. Taken together, unless there is a radical turn of events, it appears that current financing methods will not be adequate to meet the needs of processors this year. The ultimate result will be a reluctance on the part of the processors to engage in any Bristol Bay operations that are considered to be an economic "risk" either in terms of the price or volume of fish purchased.

MARKET CONDITIONS AND TRENDS

Retail, Wholesale and Raw Fish Price Trends for Canned and Fresh/Frozen Salmon: 1972-1980

Retail Prices

Table 21 shows retail price averages for canned sockeye in ten U.S. cities, 1973 through 1980. Data for the retail canned prices were acquired by the U.S. Department of Commerce, National Marine Fisheries Service (NMFS), Marketing Division, "Price Watch" summaries. Comparable retail price data on fresh/frozen sockeye is not available from NMFS due to a lack of consistent supply of product to the retail outlets surveyed.

Wholesale Prices

Table 22 shows the first wholesale market prices for fresh/frozen salmon, 1976-1980. Data for the fresh/frozen salmon prices were acquired through personal communications with salmon processors and brokers in Alaska and Seattle. The information is necessarily somewhat more arbitrary than it would be if an independent data source were available; however, none exists which is directly applicable to Alaska fresh/frozen salmon product. Prices are given for No. 1 grade product for the species and sizes indicated. It is estimated that approximately eighty-five percent of fresh/frozen gillnet-caught salmon is No. 1 grade and would therefore be reflective of the bulk of the product represented. Prices for No. 2 grade salmon are approximately fifteen to twenty percent below prices for the No. 1 grade product. Due to the wide variability in grading systems and the lack of any objective standard, prices are only indicative of the approximate range that the relevant products were selling for.

Tables 23 and 24 show the first wholesale market prices for canned salmon, 1971 through 1980. Data for the canned salmon prices were acquired from the U.S Department of Commerce, National Oceanic and Atmospheric Administration, National Marine Fisheries Service, Fishery Market News. Industry sources indicate that while these prices may be high by $1 to $2 per case ($.02 to $.04 per pound), they do accurately portray market price trends over the specified period.

Raw Fish Prices

Table 25 shows the negotiated raw fish prices for sockeye salmon in Bristol Bay, 1954 through 1979. Table 26 shows the raw fish price in Bristol Bay (1966-1979) in relation to the average wholesale prices for canned sockeye, based on Alaska Department of Revenue estimates.

Table 21. RETAIL PRICES FOR CANNED SOCKEYE SALMON, 1973-1980

Year	Jan.	April	August	Dec.
1973		1.68	1.81/1.80	2.86
1974	3.03	2.76	3.04/3.07	2.98
1975	No report	2.76	2.71	2.53
1976	2.76	2.70	2.57	2.53
1977	2.57	2.64	2.70	2.71
1978	2.80	2.80	2.80	2.86
1979	2.91	2.94	2.99	3.14
1980	3.15			

Source: R. Kraatz, NMFS, March 12, 1980. "Price Watch" Summary-Retail. 1 pound tall equivalent average, in 10 major U.S. cities.

Table 22. FIRST WHOLESALE PRICES - HEADED AND GUTTED FRESH/FROZEN SALMON[1] F.O.B. ALASKA/SEATTLE

	5/76	7/76	9/76	3/77	5/77	7/77	8/77	9/77	1/78	3/78	5/78
Sockeye, 4-6 lb., gillnet caught	1.10	1.30	1.70	1.70	1.80	2.10	2.30	2.20	2.30	2.50	2.75
Coho, 4-6 lb., gillnet caught[1]	.90	1.10	1.50	1.50	1.60	1.90	2.10	2.00	2.10	2.30	2.55
Pink, 3-5 lb., gillnet caught	.40	.40	.50	.50	.50	.70	.90	.90	.90	.95	1.00
Chum, 6-9 lb., bright, gillnet caught	.70	.90	1.30	1.30	1.40	1.70	1.90	1.80	1.90	2.10	2.35
King, 7-11 lb., gillnet caught	2.30	2.40	2.50	2.50	2.60	2.75	3.00	3.00	3.00	3.10	3.20

[1]The wholesale prices listed in this table were obtained through personal communication with processors and brokers in Alaska and Seattle. All prices given are for #1 quality fish, which represents approximately 80-85% of the gillnet caught, fresh/frozen salmon production. Prices for lower grades of fish are generally 15-20% lower.

[1]Prices for 6-9 lb. coho are generally 10% higher; prices for coho over 9 lbs. are 10%-15% higher than the 6-9 lb. fish.

Table 23. NORTHWEST AND ALASKA FIRST WHOLESALE PRICES FOR CANNED SALMON - YEARLY PRICE INDICATIONS 1971-1974 AND QUARTERLY PRICE INDICATIONS 1975-1976, IN U.S. DOLLARS PER POUND[1]

	No. of cans per case/can size	Week Ending											
		12/4/71	12/2/72	12/8/73	12/7/74	1/11/75	4/5/75	6/28/75	11/15/75	1/3/76	4/3/76	7/10/76	10/8/76
Sockeye	48/15-1/2 oz.	.99	1.22	2.36	2.32	2.02	1.80	1.80	1.68	1.72	1.79	1.79	1.77
	48/7-3/4 oz.	1.25	1.48	2.36	2.41	1.94	1.83	1.83	2.06	2.28	2.30	2.38	2.36
	48/3-3/4 oz.	1.42	1.73	2.74	2.62	2.22	2.18	2.18	2.40	2.40	2.71	2.85	3.20
Coho	48/15-1/2 oz.	.81	1.02	2.24	1.96	1.83	1.55	1.55	1.55	1.55	1.55	1.55	1.57
	48/7-3/4 oz.	1.01	1.16	2.30	2.02	2.02	1.55	1.55	1.68	1.68	1.77	1.77	1.87
	48/3-3/4 oz.	1.20	1.56	2.49	2.18	2.18	1.60	1.60	1.82	1.82	2.01	2.01	2.58
Pink	48/15-1/2 oz.	.77	.97	1.46	1.53	1.51	1.51	1.51	1.49	1.49	1.49	1.49	1.47
	48/7-3/4 oz.	1.76	1.08	1.59	1.63	1.65	1.59	1.59	1.59	1.61	1.68	1.68	1.57
	48/3-3/4 oz.	--[2]	--	1.84	1.84	1.85	1.74	1.74	1.69	1.69	1.78	1.78	2.05
Chum	48/15-1/2 oz.	.68	.86	1.38	1.39	1.39	1.30	1.30	1.27	1.27	1.29	1.29	1.29
	48/7-3/4 oz.	.73	.90	1.48	1.51	1.51	1.51	1.51	1.33	1.33	1.42	1.42	1.42

[1]The data source for all prices in these tables is the U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Marine Fisheries Service, Fishery Market News. The prices represent those requested by sellers for #1 quality product, canned from fresh fish. Industry sources indicate that these prices are probably higher than those actually received by $1 to $2 per case ($.02-.04 per lb.); however, there is generally a greater degree of accuracy in the first quarter prices quoted. The data does, however, accurately depict price trends for canned salmon.

[2]Pink salmon was not packed in 3-3/4 oz. cans at this time.

Table 23. (Continued)

	No. of cans per case/can size	Week Ending 1/8/77	4/9/77	7/9/77	10/7/77	1st Qtr. Average 1978	2nd Qtr. Average 1978	3rd Qtr. Average 1978	4th Qtr. Average 1978
Sockeye	48/15-1/2 oz.	1.84	1.88	1.88	2.02	1.98	1.98	1.98	2.02
	48/7-3/4 oz.	2.36	2.46	2.56	2.54	2.54	2.54	2.54	2.60
	48/3-3/4 oz.	3.20	3.20	3.24	3.42	3.42	3.39	3.38	3.17
Coho	48/15-1/2 oz.	1.59	1.59	1.59	1.61	1.59	1.59	1.59	1.59
	48/7-3/4 oz.	1.91	1.91	1.91	1.96	1.96	1.96	1.96	1.96
	48/3-3/4 oz.	2.44	2.49	2.49	2.67	2.67	2.67	2.67	2.75
Pink	48/15-1/2 oz.	1.47	1.37	1.43	1.49	1.42	1.42	1.42	1.35
	48/7-3/4 oz.	1.61	1.59	1.65	1.65	1.61	1.61	1.63	1.58
	48/3-3/4 oz.	2.05	2.01	2.05	2.09	2.09	2.09	2.09	2.05
Chum	48/15-1/2 oz.	1.27	1.25	1.27	1.31	1.24	1.23	1.23	1.25
	48/7-3/4 oz.	1.42	1.42	1.47	1.47	1.42	1.42	1.42	1.39

Table 24. NORTHWEST AND ALASKA WHOLESALE PRICES FOR CANNED SALMON - MONTHLY AVERAGES, IN U.S. DOLLARS PER POUND JANUARY 1979 - FEBRUARY 1980[1]

	No. of cans per case/can size	1/79	2/79	3/79	4/79	5/79	6/79	7/79	8/79	9/79	10/79	11/79	12/79	1/80	2/80
Sockeye	48/15-1/2 oz.	2.02	2.02	2.02	2.06	2.06	2.06	2.06	2.21	2.29	2.28	2.29	2.31	2.32	2.32
	48/7-3/4 oz.	2.60	2.62	2.60	2.62	2.60	2.60	2.60	2.81	2.92	2.94	2.99	2.99	2.99	2.99
	48/3-3/4 oz.	3.34	3.34	3.34	3.34	3.34	3.34	3.34	3.63	3.82	3.73	3.81	3.93	3.96	3.96
Coho	48/15-3/4 oz.	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.62	1.74	1.72	1.79	1.83	1.83	1.83
	48/7-3/4 oz.	1.96	1.96	1.96	--[1]	--	--	--	--	2.11	2.13	2.18	2.20	2.20	2.20
	48/3-3/4 oz.	2.75	2.75	2.75	--	--	--	--	--	3.02	3.06	3.18	3.11	3.11	3.11
Pink	48/15-1/4 oz.	1.37	1.37	1.37	1.42	1.46	1.51	1.51	1.56	1.59	1.59	1.62	1.68	1.63	1.63
	48/7-1/4 oz.	1.59	1.59	1.59	1.65	1.65	1.65	1.65	1.70	1.77	1.80	1.86	1.87	1.89	1.89
	48/3-3/4 oz.	2.05	2.05	2.05	2.05	2.05	2.05	2.05	2.15	2.22	2.25	2.29	2.22	2.23	2.31
Chum	48/15-1/4 oz.	1.25	1.25	1.25	.129	1.29	1.29	1.29	1.35	1.42	1.46	1.49	1.50	1.51	1.51
	48/7-3/4 oz.	1.40	1.42	1.42	1.51	1.50	1.47	1.47	1.49	1.52	1.57	1.61	1.68	1.72	1.72

[1]The data source for all prices in these tables is the U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Marine Fisheries Service, Fishery Market News. The prices represent those requested by sellers for #1 quality product, canned from fresh fish. Industry sources indicate that these prices are probably higher than those actually received by $1 to $2 per case ($.02-.04 per lb.); however, there is generally a greater degree of accuracy in the first quarter prices quoted. The data does, however, accurately depict price trends for canned salmon.

[1]Indicates supply too limited to give price indication.

Table 25. BRISTOL BAY RAW FISH PRICES - 1954-1979

PRICE PER FISH

Year	Reds	Duration of Contract	Date of Settlement
1954	.70	1 year	6/24
1955	.73	1 year	6/12
1956	.79	1 year	6/18
1957	.82	1 year	6/16
1958	.85	1 year	5/16
1959	.90	1 year	7/01
1960	.945	1 year	3/10
1961	1.00	1 year	4/15
1962	1.035	1 year	6/18
1963	1.08	2 years	7/05
1964	1.09		12/13/63
1965	1.09	1 year	4/28
1966	1.125	1 year	6/12
1967	1.175	2 years	6/18/67
1968	1.191		

PRICE PER POUND

Year	Reds	Duration of Contract	Date of Settlement
1969	.24	2 years	7/03/69
1970	.24		
1971	.26	2 years	6/18/71
1972	.27		
1973	.35	1 year	6/14/73
1974	.49	1 year	6/14/74
1975	*.37	1 year	6/18/75
1976	.52	1 year	6/28/76
1977	.595	1 year	6/28/77
1978	.68	1 year	6/26/78
**1979	.80-1.25	1 year	6/27/79

* 1975 sliding price scale
** 1979 two price system for reds

Source: Alaska Independent Fishermen's Marketing Association

Table 26. BRISTOL BAY RAW FISH PRICE IN RELATION TO WHOLESALE PRICES FOR CANNED SOCKEYE SALMON, 1966-1979 (EGGS NOT INCLUDED)

Reds % Cost Based on 72 lbs./Case (48/1 lb. Tall Case)

Year	Negotiated Raw Fish Price ($/lb.)	Canned Salmon Raw Fish Cost ($/case)[1]	Canned Salmon Wholesale ($/case)	% Raw Fish Cost
1966	.220	15.96	31.393	50.80
1967	.233	16.92	36.173	46.80
1968	.238	17.1[illegible]	37.794	45.40
1969	.240	17.28	41.320	41.80
1970	.240	17.28	37.100	46.50
1971	.260	18.72	41.850	44.70
1972	.270	19.44	50.830	38.30
1973	.350	25.20	95.450	37.20
1974	.370	26.64	71.072	37.50
1976	.520	37.44	75.330	48.70
1977	.595	42.84	81.314	52.68
1978	.680	48.96	84.760	57.76
1979	.800	57.60	96.72	59.55
			Average:	46.75

[1] Case of salmon based on 48 1 lb. tall cans or 48 lbs. of salmon per case until 1976. True weight = 46.5 lbs. of raw fish per case.

Red at .80/lb. = save $1.20 per case

Source: Alaska Department of Revenue, Average Wholesale Value

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72

Analysis of Retail, Wholesale and Raw Fish Price Trends

Figures 3 and 4 show retail, wholesale and raw fish price trends for canned and fresh/frozen salmon, 1971 through 1980. The following patterns are apparent for canned salmon:

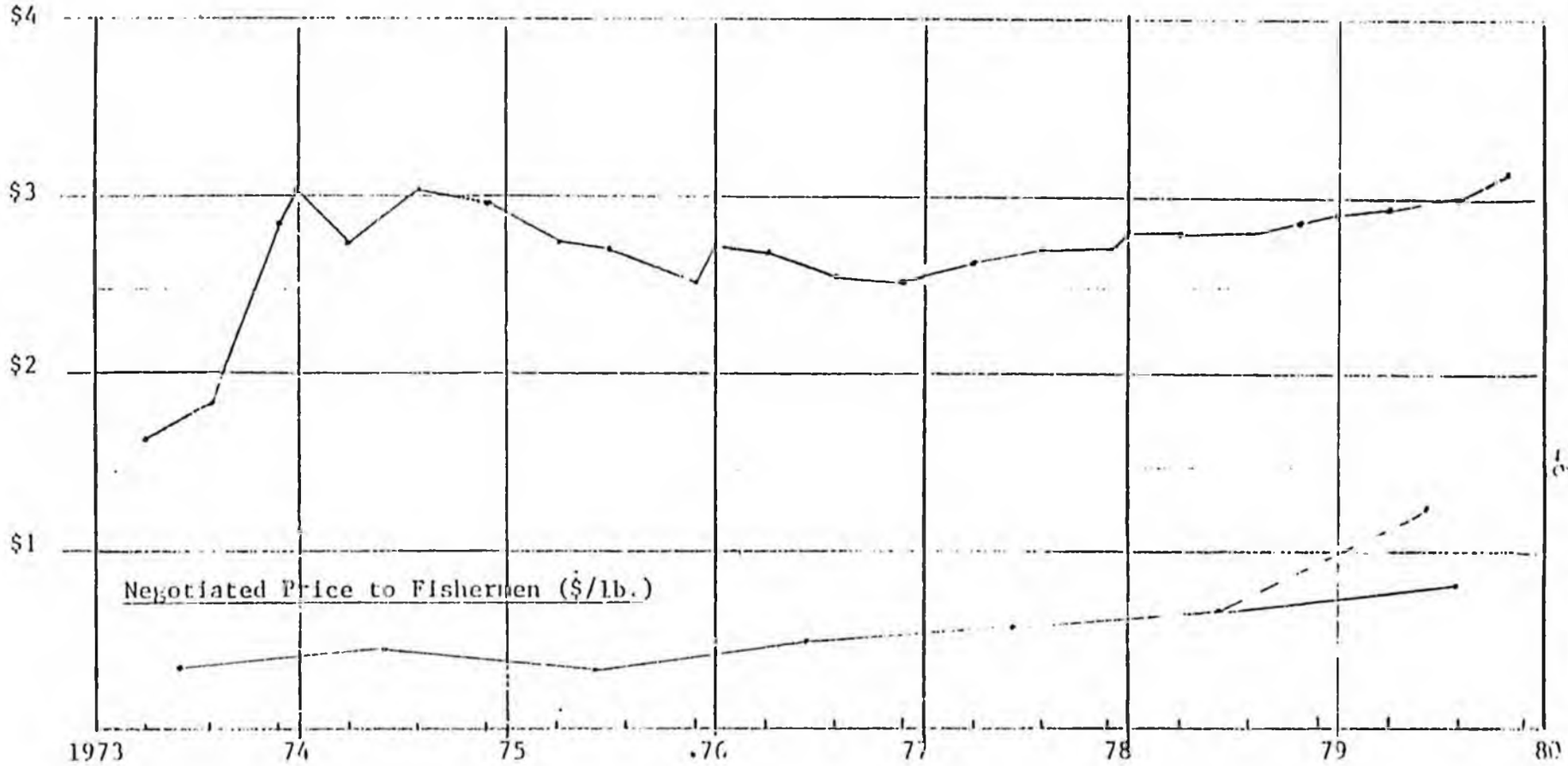
- Both retail and wholesale prices show a dramatic rise during 1973;
- Following a brief decline in 1974 and 1975, both retail and wholesale prices became relatively stable (1976-1980) with retail prices increasing at approximately four percent per year and wholesale prices increasing at about 5.5 percent per year;
- Retail prices generally remained at a level approximately fifty percent above wholesale canned prices from 1973 to 1980; and
- Raw fish price increases generally lagged behind increases in wholesale and retail prices from 1973 to 1975, but the rate of increase recovered from 1976 to 1980.

The following trends are apparent for frozen salmon:

- In contrast to the relatively stable increase in retail and wholesale canned prices during the last five years, wholesale prices for frozen salmon experienced a dramatic increase from January 1976 to September 1978;
- From September 1978 to March 1980, frozen prices declined rapidly, falling below canned price levels in the third quarter of 1979; and
- Raw fish prices did not reflect the dramatic rise in frozen sockeye wholesale prices until 1979, when the negotiated raw fish price for frozen salmon was established at $1.25 per pound.

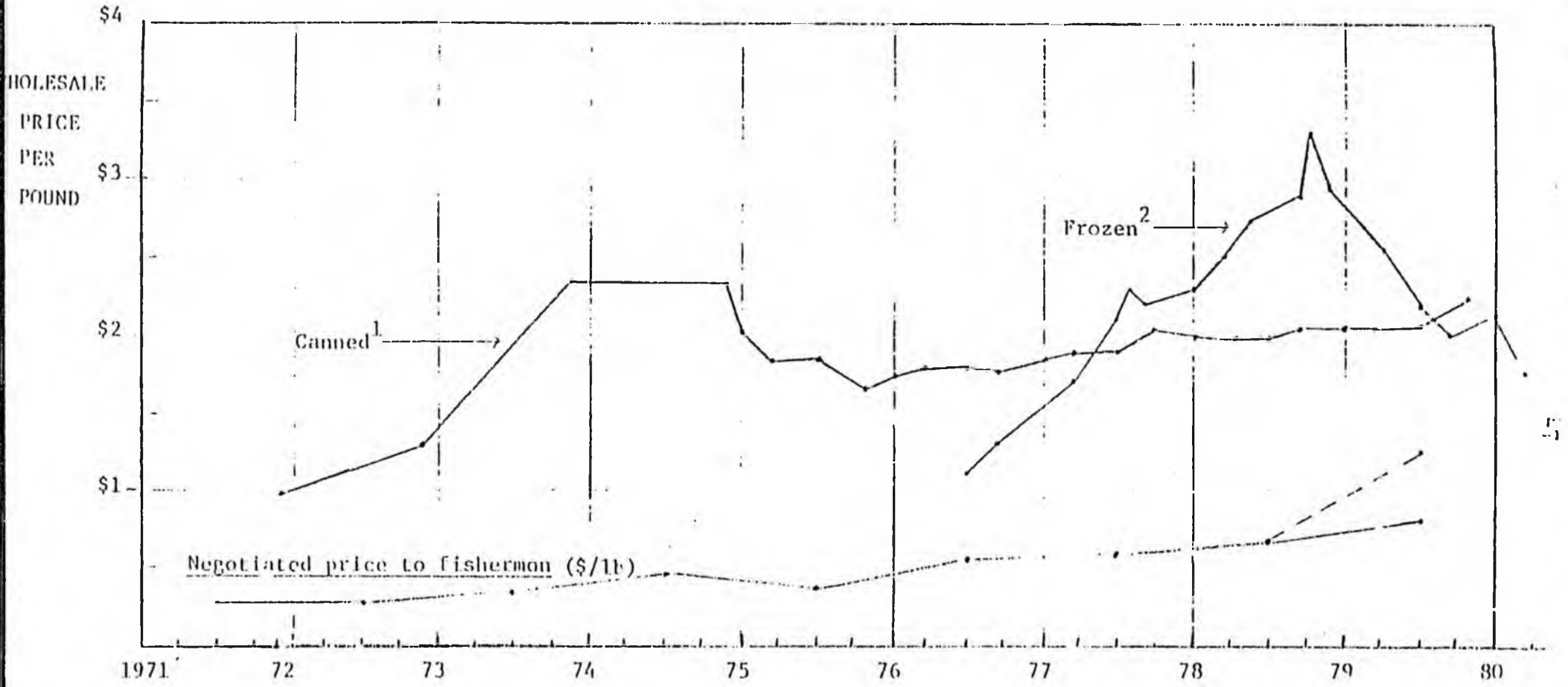
The price movements in the tables clearly reflect the entry and dominance of major Japanese buyers in the fresh/frozen salmon market in the late 1970's, as well as the decline in that market from late 1978 to the present. The implications of the Japanese market on 1980 raw fish prices are more fully discussed in later sections of this report.

Figure 3. RETAIL CANNED SOCKEYE PRICES AND NEGOTIATED RAW FISH PRICES IN BRISTOL BAY, 1973-1980



Source: Tables 21 and 25

FIGURE 4. WHOLESALE PRICES OF CANNED AND FROZEN SOCKEYE SALMON AND NEGOTIATED RAW FISH PRICES IN BRISTOL BAY, 1971-1980



1. 48 1-lb. case price, FOB Seattle.
2. Frozen, headed, and gutted, FOB Alaska/Seattle.

Export Patterns

Tables 27 through 30 show the volumes of fresh and fresh/frozen salmon, canned salmon and salmon roe exports to Japan, Canada and various European countries during the 1975 to 1980 period, from U.S. Census Districts 29 (Portland, Oregon), 30 (Seattle, Washington) and 31 (Anchorage, Alaska). Since approximately eighty-five percent of Pacific salmon exported from these districts is produced in Alaska, the tables give a reasonably accurate representation of the destination of Alaska salmon exports.

The volume trends reflected in the fresh and fresh/frozen table clearly indicate the dramatic increase of Japanese imports during this period, resulting in the predominance (seventy percent) of the Japanese in this market in 1979. Total fresh and fresh/frozen exports have tripled from 1975 to 1979, while European exports have remained at approximately the same level. As a result, the percentage of salmon exports destined for European markets has dropped from seventy-three percent in 1975 to approximately twenty-five percent in 1979.[6]

The United Kingdom is the largest importer of canned U.S. Pacific salmon (thirty-eight percent of the total exports listed in Table 28), followed by Canada, the Netherlands and Belgium, in that order. While canned salmon exports have doubled during the 1975-1979 period, the distribution of the exports among the various importing countries has remained about the same. Thus, export market conditions for canned salmon are fairly stable.

Fish roe exports for Districts 29, 30 and 31 have more than tripled during the 1975 to 1979 period. Japan has remained the most important export market for these products (ninety-four percent in 1979) throughout the entire period.

The source for all export statistics given in Tables 30 through 33 is the U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division, annual and monthly reports (EA 664). All exports from U.S. Census Districts 29, 30 and 31 have been included, as all Alaska salmon and nearly all Pacific salmon production takes place in this region. It should be noted that the Bureau of Census export data do not necessarily reflect products originating in the three districts; however, it is assumed that, in the case of salmon, there would not be any significant transportation to other districts prior to export from the U.S. The statistics are compiled by the Bureau of Census from declarations made by packers for each shipment exported. While commodity codes represented in the tables do not specifically represent fresh and fresh/frozen salmon, canned salmon and salmon roe, they have been chosen to most accurately represent salmon exports, as discussed in the footnotes to the tables. In addition, the commodity codes used for 1975-1977 are

[6]It should be noted that European imports did not decrease at that rate. Canadian export data indicates that Canada replaced the U.S. as a major supplier to European markets.

Table 27 FRESH AND FRESH/FROZEN SALMON EXPORTS[FROM U.S. CENSUS DISTRICTS 29, 30 AND 31,11 1975-1979, BY EXPORT COUNTRY, IN POUNDS.

	1975	1976	1977	1978	1979
Japan	9,741,516	5,091,460	32,437,812	87,494,623	95,220,086
Korea	2,000	2,000	---	951,145	384,546
Canada	1,994,028	2,110,328	5,240,449	3,415,012	6,464,711
France	13,494,400	13,123,193	12,938,702	11,784,748	13,256,217
United Kingdom	5,883,571	5,421,264	3,613,729	5,860,340	6,435,908
West Germany	1,794,836	1,687,913	1,825,182	1,990,128	2 622,612
Belgium	2,299,242	2,422,546	1,777,130	1,421,012	2,490,569
Italy	412,000	390,697	426,120	602,707	570,084
Sweden	5,133,868	3,868,785	3,984,805	4,154,501	5,538,051
Denmark	1,630,258	1,763,058	1,785,994	910,842	1,258,004
Norway	41,470	92,453	89,215	25,070	41,153
Netherlands	1,593,098	1,682,178	1,162,115	1,712,060	1,585,285
Switzerland	62,600	204,130	252,269	81,312	125,000
Ireland	---	---	---	---	29,600
Misc. Other Countries[1]	377,202	478,185	257,405	251,552	213,360
TOTALS	44,460,089	38,138,390	65,790,927	120,679,052	136,235,186

[This category includes U.S. Census Bureau Commodity Codes: #1104620 (#0311045 for 1975-1977) "Salmon, whole or eviscerated, fresh, chilled or frozen"; #1107520 (#0311065 for 1975-1977) "Salmon, fillet, steak or portion, fresh, chilled or frozen"; and data from U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Marine Fisheries Service, Fishery Market News Weekly categories "Salmon, whole or eviscerated" and "Salmon, fillets and steaks" (for 1979).

[[Salmon exported from U.S. Census Districts 29 (Portland, Oregon), 30 (Seattle, Washington) and 31 (Anchorage, Alaska) is not limited to salmon produced in these areas. However, it is estimated that approximately 85% of these exports represent Alaska salmon production.

[1]A list of the countries represented in this category is given in Table