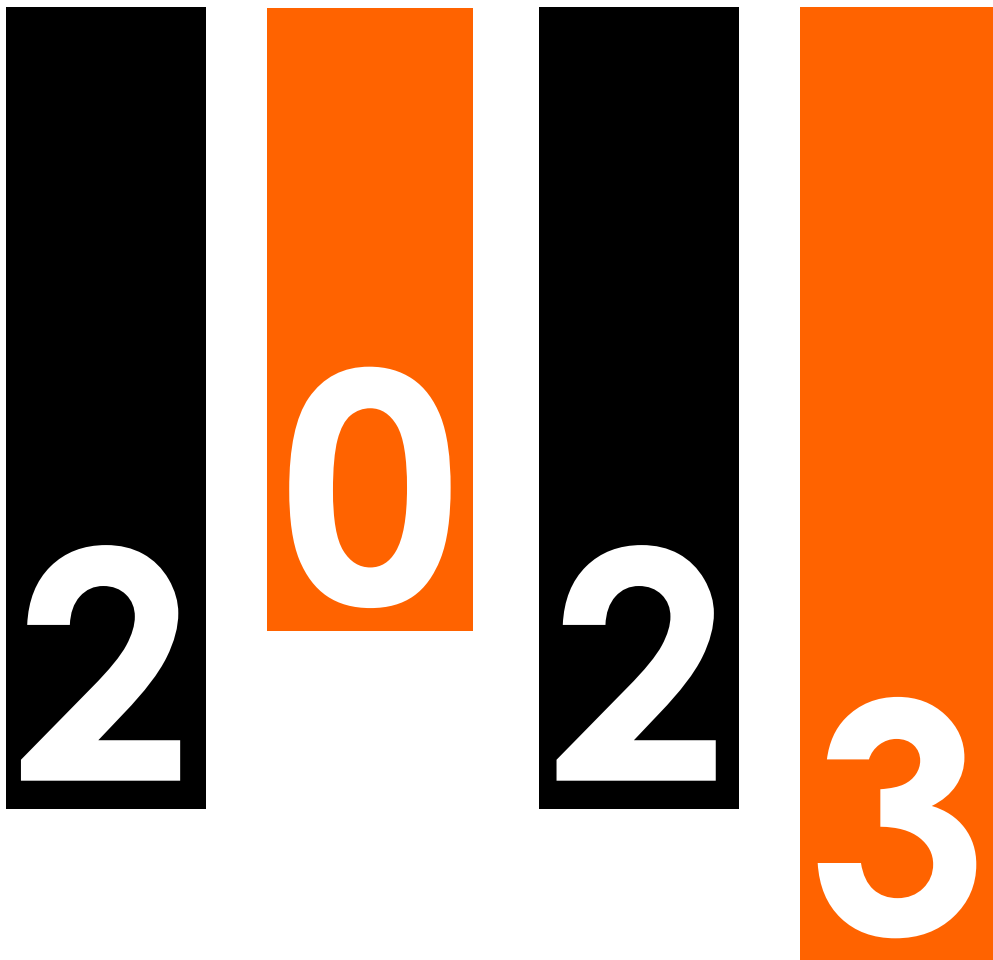




# ECONOMIC OUTLOOK SURVEY

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WEST COAST GROUND FISH INDUSTRY



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# HELLO!

Welcome to our 2023 Economic Outlook Survey of the West Coast Groundfish industry! As we head into 2024, we see growing economic concern and pessimism about the near future among leaders of the West Coast Groundfish industry. This year's survey is even more pessimistic than last year's and is reminiscent of the gloomy sentiment of the 2020 mid-pandemic survey.

A year ago, the U.S. economy grappled with persistent high inflation, plummeting stock markets, and notable white-collar layoffs. As a result, there was widespread anticipation of a robust response from the Federal Reserve to curb inflation, coupled with fears about an impending recession. While the U.S. economy managed to hold on for longer than initially predicted, by the close of 2023, we are seeing the impact of the Fed's substantial interest rate hikes on the economy. Economic growth is decelerating, employment levels are declining, and consumer spending is shifting down. Concerns about the U.S. economy and weakening consumer demand for seafood are the leitmotif of this year's survey. While inflationary cost pressures appear to have eased for industry participants, there is a growing expectation of weak demand, an excess supply of groundfish, and strong international competition, all contributing to a decline in fish prices. This anticipated shift is poised to impact both revenue and profits, leading to a muted appetite for making investments and for hiring new personnel. This weak demand further compounds the chronic issue of underutilization in West Coast Groundfish, for both fish quota and production equipment.

Positively Groundfish conducts this industry survey with the same set of questions at regular annual intervals, painting a longitudinal picture of our industry over time. Every year we survey West Coast Groundfish fishermen, processors, direct-

to-consumer businesses, and community-supported fisheries to indicate and quantify their perceptions and expectations of the market, of key challenges and opportunities, and of their own organizations' plans over the coming 12 months. It is, in essence, a pulse check on the West Coast Groundfish industry.

Economic outlook studies are inherently subjective. They are a study of subjective sentiment of key participants and their predicted behavior, rather than a purely quantitative economic analysis. And as with all predictions of the future, they are inherently inaccurate, biased, and cannot account for the unexpected or unknown. Nonetheless, tracking economic confidence of key industry participants is valuable as a leading economic indicator and has some predictive ability. First, industry participants often have a forward view of contracts, new products, projects, or investments that are in the pipeline but are not yet public. Second, they have a much more intimate understanding of their own resources, production factors, and ability or limitations to meet the challenges they face. And finally, while industry participants' economic outlook and confidence is subjective, it is after all their subjective point of view that will be driving their decisions and behaviors, and collectively, that of the industry. Our hope is that this survey will prove insightful for policymakers, investors, researchers, media as well as members of our industry and communities.

Yours positively,

Jana Hennig  
*Executive Director*





# BACKGROUND

## Total: 31 Respondents

### Methodology

The West Coast Groundfish Economic Outlook survey was conducted via Google Forms during December 2023. Overall, 31 of the 85 industry leaders that were invited participated in the survey. All response sets qualified and were accepted into the final survey. This survey is part of a longitudinal survey series that asks industry participants the same set of questions in December of every year. A copy of the survey questionnaire can be found at the back of this report

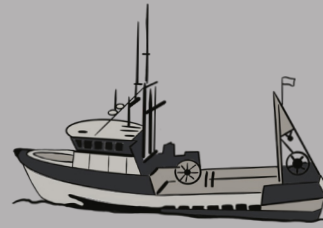
It is worth noting specifically, that this is not a comprehensive survey of all industry participants, nor of the same set of participants from year to year and must be understood as such. This year, participating processors represent over 80% of all non-whiting West Coast Groundfish volume processed. However, the 18 participating commercial fishermen represent only 25% of vessels participating in the trawl fishery.

### Organizations



4

community-supported fisheries

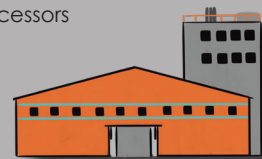


18

fishermen

9

processors



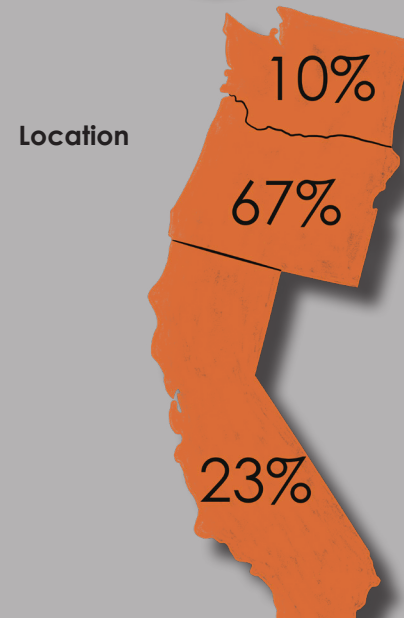
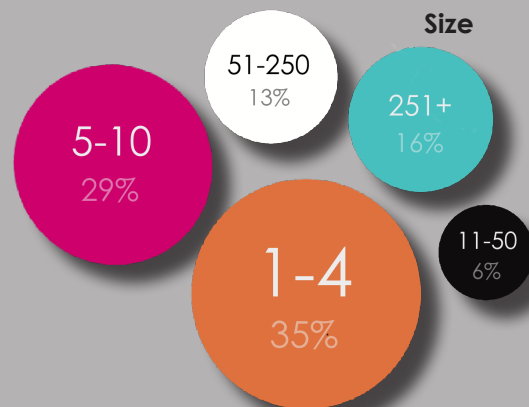
### Survey Participant Profile

The 2023 West Coast Groundfish Industry Economic Outlook Survey received 31 responses from invited industry participants. Of these 31 respondents, 18 represented harvesters (captains or boat owners), 9 represented processors and 4 community-supported fisheries (CSF) or direct-to-consumer businesses (D2C). All are directly involved in the West Coast Groundfish fishery.

All respondents are very senior decision-makers in their respective organizations such as CEO/owners (55%), boat captains or vessel owners (23%), general managers (6%), heads of sales/marketing/distribution (16%). This year's survey has proportionally more CEO/owners than previous years' surveys. All respondents thus have a thorough understanding of the breadth of the opportunities and challenges facing their organizations, and have the authority to make decisions on investments, personnel, and business strategy.

Survey participants come from a diverse set of organization sizes. Two-thirds work in small businesses (35% in businesses between 1-4 employees, 29% in businesses with 5-10 employees), 19% manage medium-size businesses between 10-250 employees, and a further 16% are leaders of large organizations with more than 250 employees. This represents a shift towards smaller businesses and fewer businesses with 250+ employees compared to our previous surveys.

Two-thirds of respondents (67%) spend most of their time in Oregon, while 23% operate primarily in California and 10% in Washington State, which approximates the geographical distribution of groundfish landings.





# KEY INSIGHTS

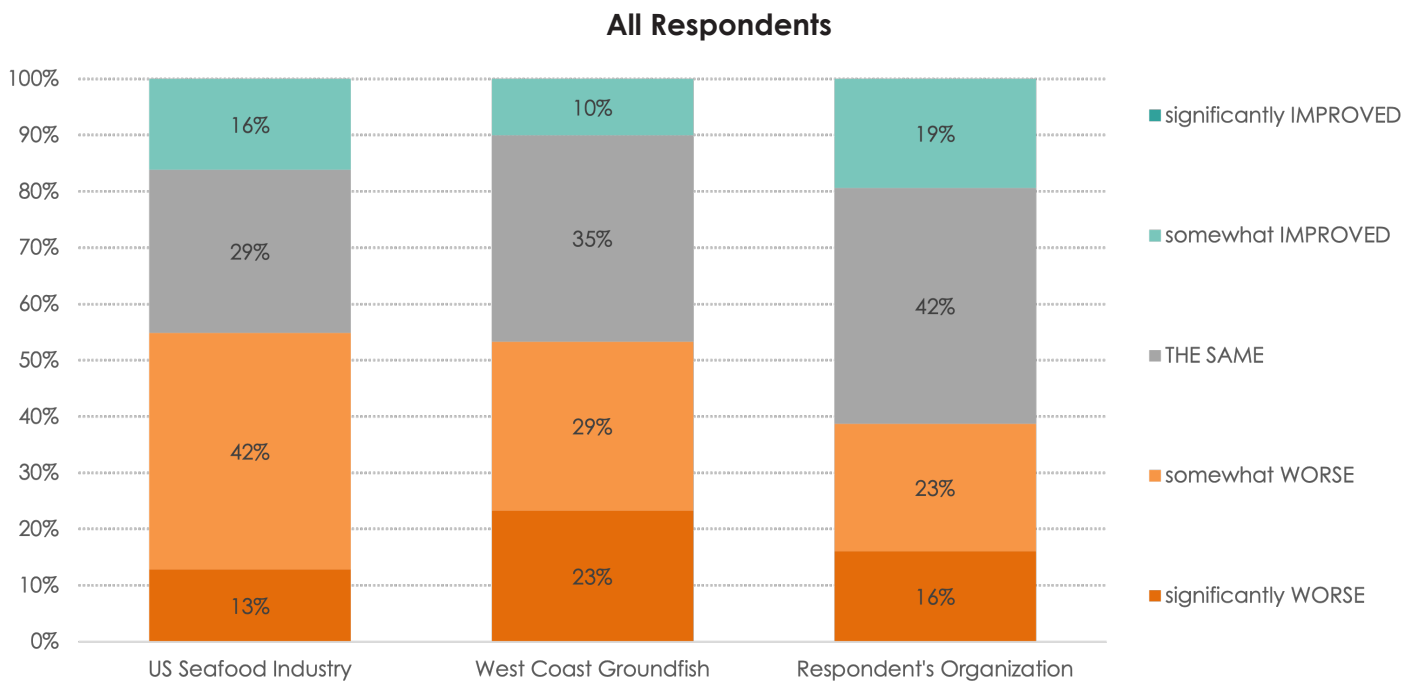
- 1 We see accelerating pessimism across the industry**, with 55% expecting a worse year for the US seafood industry, and 52% anticipating a decline of West Coast Groundfish.
- 2 Participants' outlook for their own organization is at its most pessimistic** in 5 years, surpassing levels seen during the height of the pandemic in 2020.
- 3 Fishermen are the most pessimistic**, even more so than in previous years, while processors show cautious optimism, and CSF/D2C businesses remain the most positive.
- 4 Half of respondents expect a decline in revenue for 2024**, primarily driven by anticipated drops in fish prices (65%). Inflation pressures ease, but profit expectations remain low.
- 5 Expectations for investments in West Coast Groundfish operations are muted**, signaling uncertainty and potential challenges in generating future consumer demand.
- 6 The majority expect groundfish to remain or grow in importance** for their organizations, highlighting commitment to the fishery amid challenging conditions.
- 7 Labor availability, a historical bottleneck**, is no longer a significant growth restrictor, but this could signify industry contraction.
- 8 Two-thirds of participants report underutilization of production equipment**, indicating potential for growth without substantial investments, possibly influenced by market slowdown.
- 9 Underutilization of West Coast Groundfish remains a concern**, with 71% reporting excess availability relative to demand, putting downward pressure on prices and profitability.
- 10 Economic factors dominate as key challenges**, with domestic economic conditions taking the lead. International competition and changing consumer preferences emerge as significant concerns, while concerns about labor availability and infrastructure decline.



# 1. OVERALL ECONOMIC OUTLOOK

Looking toward 2024, we continue to observe a mostly pessimistic economic outlook, and worryingly, at an accelerating rate compared to previous years, be it for the industry as a whole, the West Coast Groundfish fishery specifically, or industry participants' own businesses. More than half (55%) of survey respondents expect the US seafood industry as a whole to fare worse in 2024 compared to 2023, while only 16% have somewhat optimistic expectations for the wider seafood industry. While the overall split between negative, neutral, and positive expectations is similar to last year, this year we see a much greater level of participants expecting significantly worse performance for the coming year (13%), and we now see no one expecting significant improvement for the seafood industry. Overall, this paints a very pessimistic outlook that is broaching levels last seen during the height of the pandemic in August 2020.

**Q1:** Please select the rating that best describes your view of the economic outlook for the next 12 months (compared to the most recent 12 months). I expect it will get ...



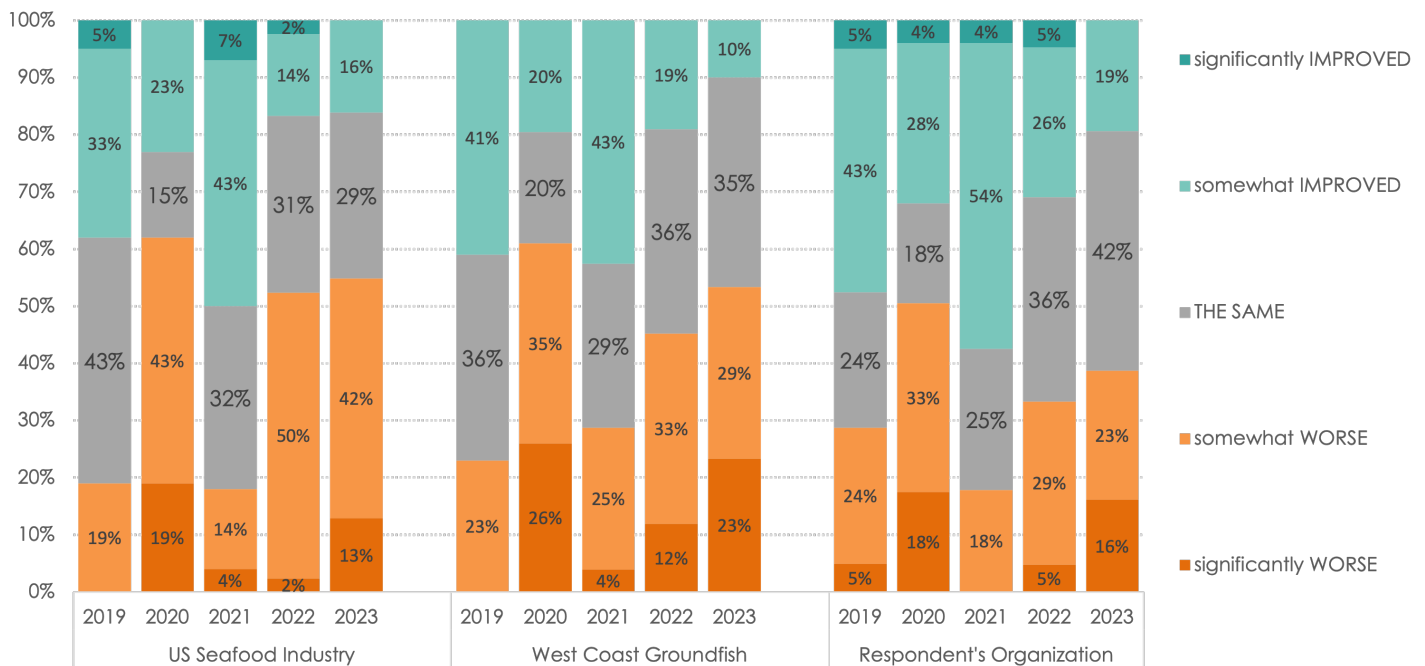
Respondents' economic outlook for the West Coast Groundfish fishery matches the levels of pessimism for US Seafood as a whole. Though, on balance, they are slightly more negative about West Coast Groundfish, which is a trend we've observed in 4 out of the 5 years of this survey. This year 52% of respondents expect the West Coast Groundfish fishery to perform worse in 2024 compared to 2023. That includes almost a quarter of participants who expect the fishery to perform significantly worse, which is twice the number in last year's survey. Conversely, only 10% are optimistic for the fishery, which is only half the level of optimism we saw in 2022, which in turn was half the 2021 level. These levels are now similar to those during the pandemic.



And finally, while participants are still the most optimistic about their own organizations compared to their outlook for the whole market or the entire groundfish fishery, we also observe a significantly gloomier sentiment here. Indeed, this year's survey shows respondents being the most pessimistic about their own organizations' economic outlook that we've seen in 5 years of this survey, even surpassing the results we saw in August 2020 at the height of the Covid-19 pandemic. From qualitative comments from industry participants, we suspect that the current level of pessimism is not just reflecting their negative expectations of the coming year, but also how bad 2023 has been for many. Furthermore, this pessimism may be not just be attributable to West Coast Groundfish, but could also relate to the situation in other fisheries they participate in.

**Q1:** Please select the rating that best describes your view of the economic outlook for the next 12 months (compared to the most recent 12 months). I expect it will get ...

### All Respondents 2019 - 2023





## Results by Participant Group

When breaking down responses by participant group, we see some notable areas of agreement but also some differences in economic confidence between fishermen, processors, and community-supported fisheries (CSF)/direct-to-consumer sellers (D2C). Generally, fishermen have the most pessimistic economic outlook, while CSF/D2C businesses are the most positive.

We see divergence between participant groups in their expectations for the total US seafood industry. Overall, fishermen are the glummiest: two-thirds (67%) anticipate performance to worsen, while only 17% expect slight improvement in 2024. Processors are a little more optimistic with only 44% who have a negative outlook; this represents an improvement vs last year when 67% of processors had a gloomy outlook. CSF/D2C sellers as a group are the most aligned and the most positive in their outlook – 3 out of 4 anticipate little change, and only one in four expects a slight worsening for the US seafood industry.

With respect to West Coast Groundfish, fishermen are the most pessimistic overall, even more so than they feel about the US Seafood industry as a whole. A full 33% expect West Coast Groundfish to perform significantly worse in 2024, and 39% somewhat worse. This matches the level of pessimism we saw in August 2020 when 70% of fishermen had a pessimistic outlook for the fishery. Processors are notably more optimistic about the fishery compared to fishermen, but also compared to their sentiment a year ago. And finally, all CSF/D2C respondents agree with uniform expectation (100%) of more of the same next year.

Finally, all participant groups are most optimistic about their own organizations' prospects for the coming year. And CSF/D2Cs are by far the most optimistic here – only one in four expect a worsening. Processors have become a little more optimistic compared to last year's survey. And fishermen are again the most pessimistic in their expectations and have become increasingly so compared to previous years.

Overall, we observe a shift that sees processors becoming more optimistic compared to last year, while fishermen are becoming more pessimistic in their outlook. Processors' optimism levels are not what they were pre-pandemic, but they certainly show a positive trend. This may be a reflection of inflation rates coming down as we head into 2024, the labor market easing, and US consumption having held up better during 2023 than had been feared. The fact that processors are more pessimistic about the US seafood industry compared to groundfish or their own businesses indicates that processors' views are driven by concerns about the wider economy.

Fishermen, on the other hand, have become more pessimistic, especially about West Coast Groundfish and their own organizations. This is likely driven by a few factors: a) fishermen's generally negative outlook on the wider economy; b) dock prices collapsing, especially for black cod, which has seen lower levels of Japanese demand as the yen weakened vs the dollar. The resulting over-supply of black cod, which is depressing prices, will not be helped by quota increases in 2024; c) oversupply of groundfish in the market when other profitable fisheries were shut down and many more fishermen shifted to catching groundfish, flooding the market and reducing dock prices and profitability for everyone.



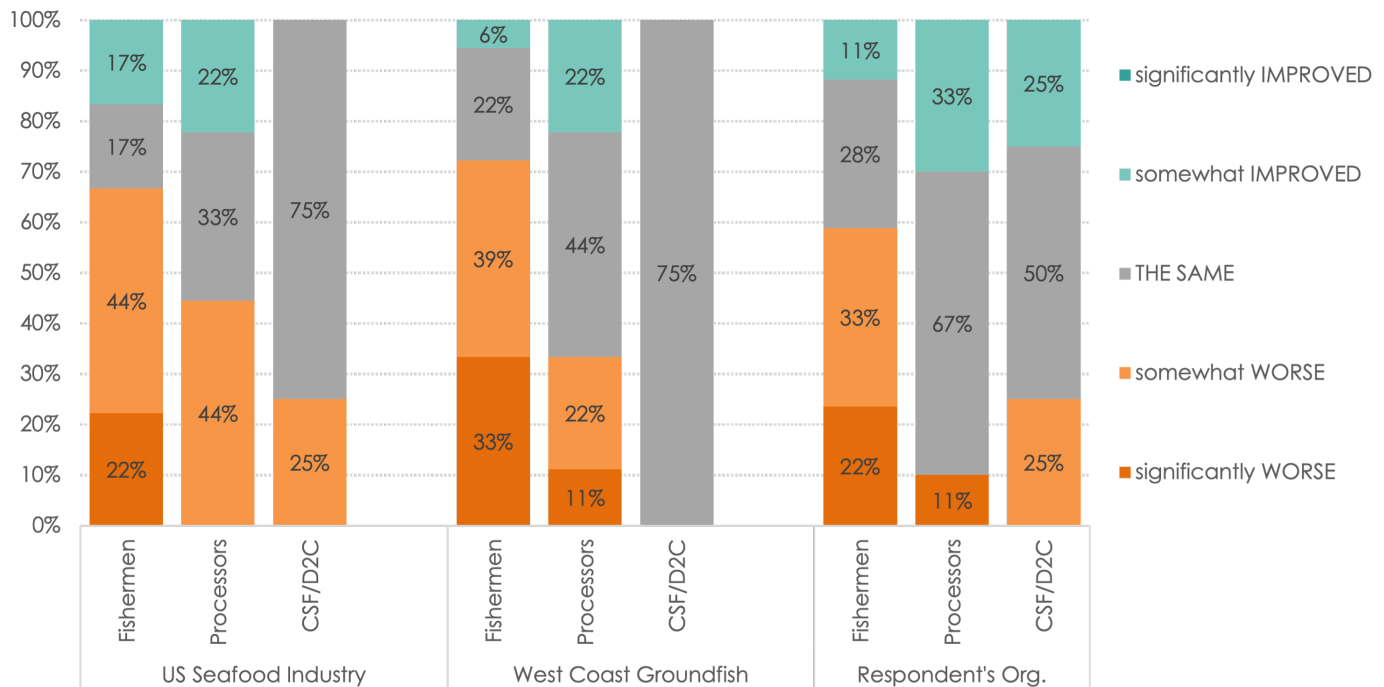


However, fishermen also tend to be the most pessimistic every year, as they likely have the least ability to dictate prices, and have the least flexibility about which fisheries they participate in. They also have less of a forward view of demand and thus more uncertainty, which may lead to higher levels of concern and pessimism.

Finally, CSF/D2C sellers are generally more optimistic than processors, who in turn are more optimistic than fishermen. That means, the further the respondent is along the supply chain, and the closer they are to the consumer, the more optimistic they are as a group. During times of high inflation and rising input costs, it was important to be able to pass on costs. And so, those with direct access to consumers likely feel more able to pass on higher operating costs to their customers, whereas processors may find it harder to pass on all of their cost increases to retailers and restaurants. And finally, economic confidence and outlook are inherently subjective and may be influenced by participants' general outlook on life, tendencies toward optimism or pessimism, and varying interpretations of events and information. Different roles in the industry may attract people with different dispositions, which could be reflected in this survey.

**Q1:** Please select the rating that best describes your view of the economic outlook for the next 12 months (compared to the most recent 12 months). I expect it will get ...

### By Respondent Group





## 2. ORGANIZATIONAL INDICATORS

In Question 2 respondents were asked to tell us about their outlook for key economic indicators, providing us with a more nuanced view of what is driving their expectations for 2024.

Respondents' expectations for topline revenue for the coming year have become slightly more negative compared to our survey a year ago. 48% of all respondents anticipate their revenues to decline in 2024, including 13% who expect revenue to decline significantly (i.e. decline by more than 10%), while only 23% believe their revenues will increase at least somewhat. The survey group seems to believe that this revenue decline will be driven chiefly by declines in the price of fish (65%) and less so from volume declines (32%). While in last year's survey, respondents' price expectations were still buoyed by inflation, this year many expect fish prices to go backward. However, the picture looks more positive for volume, where the number of respondents expecting increases outweigh those expecting declines.

Encouragingly, we see inflation pressures easing. Looking into 2024, only 42% of respondents anticipate costs to increase, and only slightly, which is a significant drop from 76% in December 2022, and 93% in December 2021. These results mirror the trends in the wider US economy that has seen inflation rates soar in 2021 and 2022 but are now easing.

Industry participants have a largely negative view of their bottom-line profit – 55% expect their profits to decline (an improvement versus last year's survey). So, while 23% of respondents expect their top-line revenue to increase, only 10% think their bottom-line profit will increase, too, presumably due to expected declines in fish prices and continued increases of input costs.

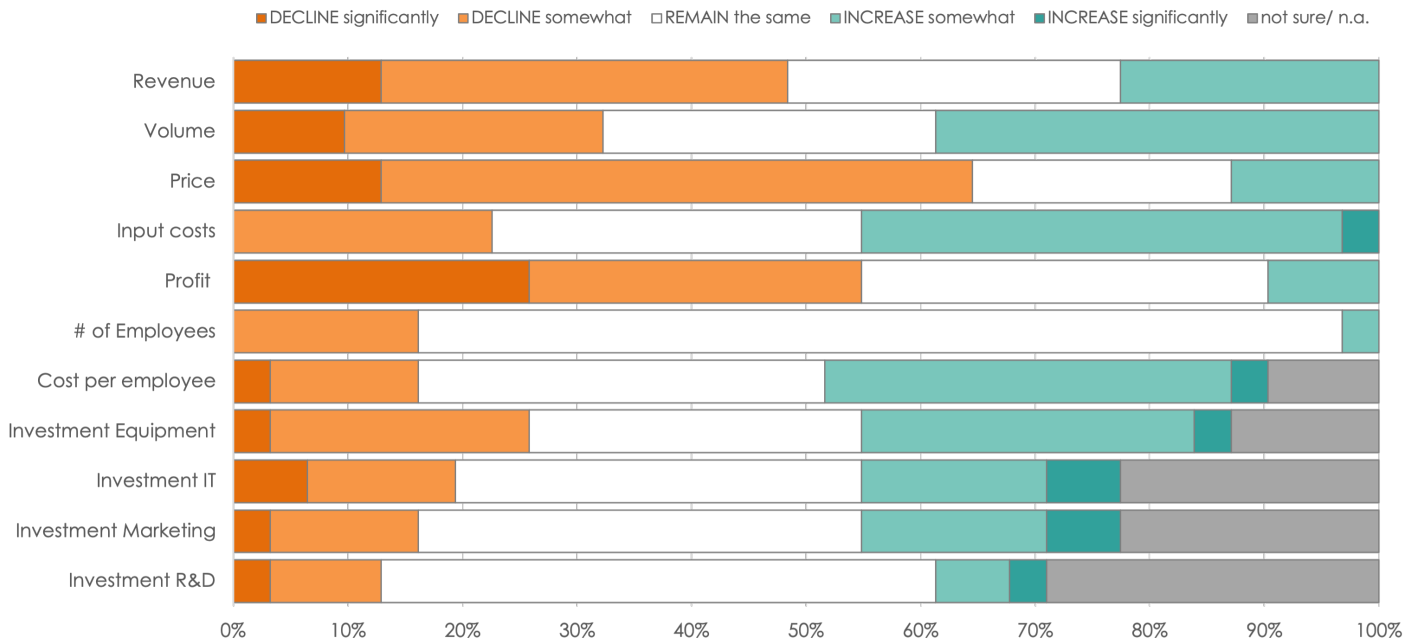
This year's survey shows that 81% of respondents expect the number of employees to remain stable over the coming year, and only 3% expect to hire more employees, the lowest level we've ever recorded. This seems to suggest a stabilization of the labor market, but also reflects respondents' negative profit expectations. Given how difficult it has been to find skilled labor in past years, many businesses may freeze hiring but would hesitate to let employees go when business slows down. Also, since volumes are expected to remain largely stable or increase slightly, businesses need to retain their workforce to be able to catch and process this volume.

Respondents' expectations for making investments in West Coast Groundfish operations during 2024 are very muted and increasingly uncertain. In this year's survey we saw an unusually high number of respondents saying they were not sure about investment levels. The majority of organizations foresee themselves holding investments at the same level as the previous year. Intentions to invest in equipment is markedly less enthusiastic in this year's survey. While in 2022 52% of industry participants intended to increase their investments in equipment, this year it's only 32%. Similarly, those wanting to increase investments in R&D dropped from 31% in 2022 to just 9% this year, and in marketing from 29% to 22%. Worryingly, deprioritizing marketing and R&D now could make it even harder to generate sufficient consumer demand in future.



**Q2:** Please indicate your view of the probable change over the next 12 months (vs most recent 12 months) for your organization, for the following key indicators, as it relates to WC Groundfish.

### All Respondents



## Results by Participant Group

Overall, even a passing glimpse of the charts quickly reveals that processors are generally more optimistic than fishermen about their organization's outlook for West Coast Groundfish. And CSF/D2C businesses continue to be the most optimistic, although less so than in previous years.

Two thirds of fishermen expect groundfish revenue to decline in 2024, which seems to be a function of declining fish prices - 78% of fishermen expect prices to decline – as well as volumes – 39% of fishermen expect volumes to decline. In contrast, only 22% of processors expect their groundfish revenue to decline. The rest is fairly positive expecting either flat (44%) or improving performance (33%). Processors seem more worried about fish prices than volume, but, overall, they are far more optimistic about either.



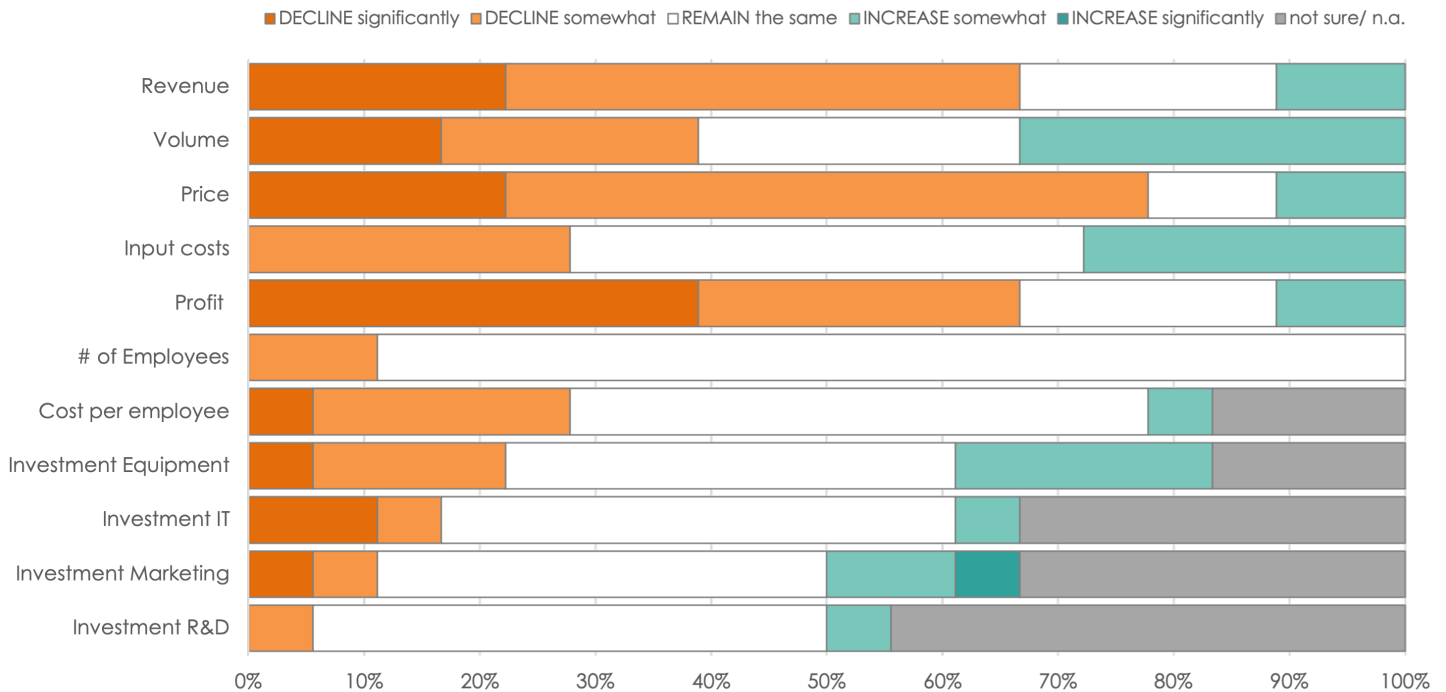
Conversely, processors are far more pessimistic about input and employee costs than fishermen. Compared to previous years, fishermen must be feeling things easing up vis-à-vis their input and employee costs – 28% even expect these to decline over the next 12 months. Processors on the other hand are very pessimistic – 67% and 75% expect their input and employee costs to increase in 2024, respectively. Those are marked differences between these two groups.

In aggregate, that means fishermen's expectations of profit declines are driven by expectations of low fish prices, while processors' profit expectations are driven by expectations of rising costs. In contrast, CSF/D2C businesses still largely expect their revenue to grow (50%) or at least stay stable (25%), driven by increases in volume sold. Yet again, this demonstrates that those with direct access to consumers feel more confident in their ability to drive revenue growth. While fishermen who are furthest from the end consumer, are most worried in these market conditions.

General levels of optimism or pessimism are reflected in each group's plans for investment. CSF/D2C businesses have the highest levels of intent to invest, especially so in equipment (50%), IT systems (50%) and Marketing & Sales (50%). Processors have pulled back on investment intent compared to previous years, but they continue to be fairly bullish about investments into equipment and IT, pointing to further investments in automation - 44% of processors foresee to increase those. Fishermen, on the other hand, most typically expect investment levels to either decline or at most remain the same, indicating increased caution and lacking economic confidence for the coming year. This is further supported by the fairly large proportion of fishermen who said they were unsure or that it was not applicable to their situation – this is the most uncertain we've seen fishermen respond over the last 5 years of this survey.

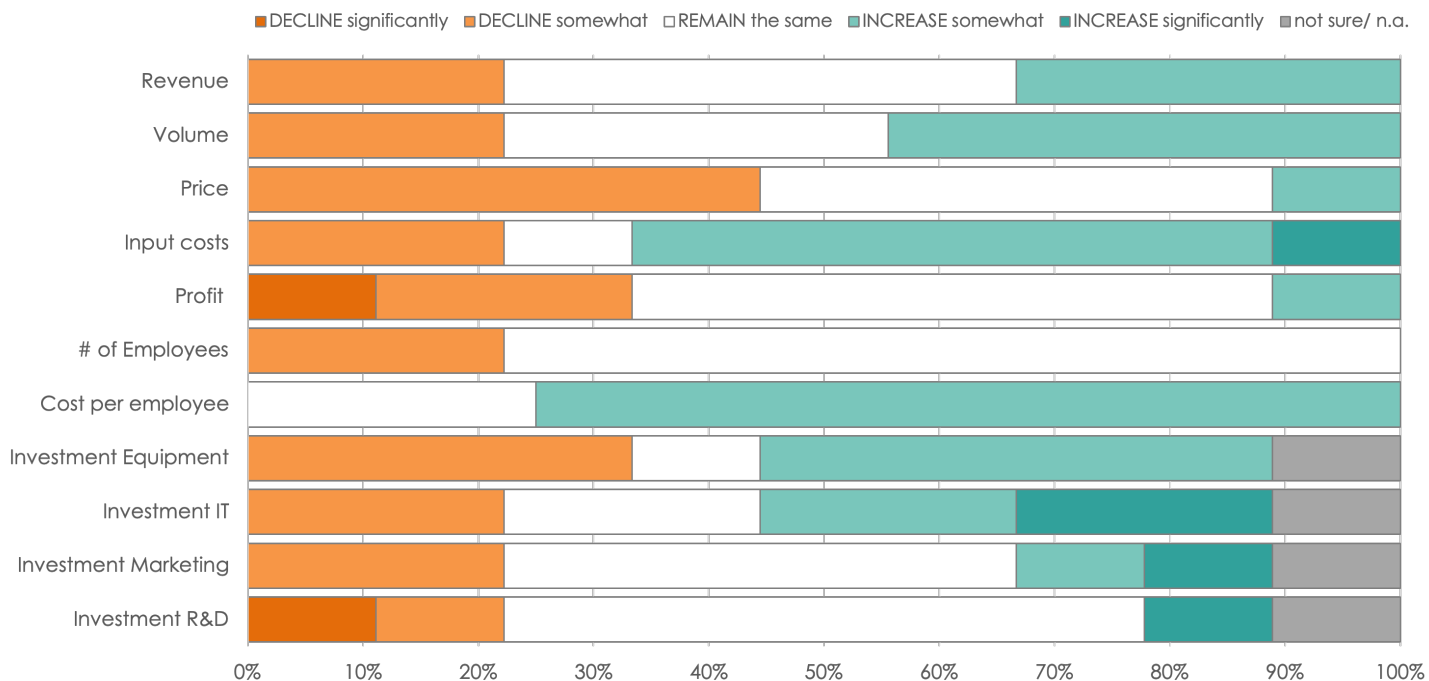
**Q2:** Please indicate your view of the probable change over the next 12 months (vs most recent 12 months) for your organization, for the following key indicators, as it relates to WC Groundfish.

### Fishermen

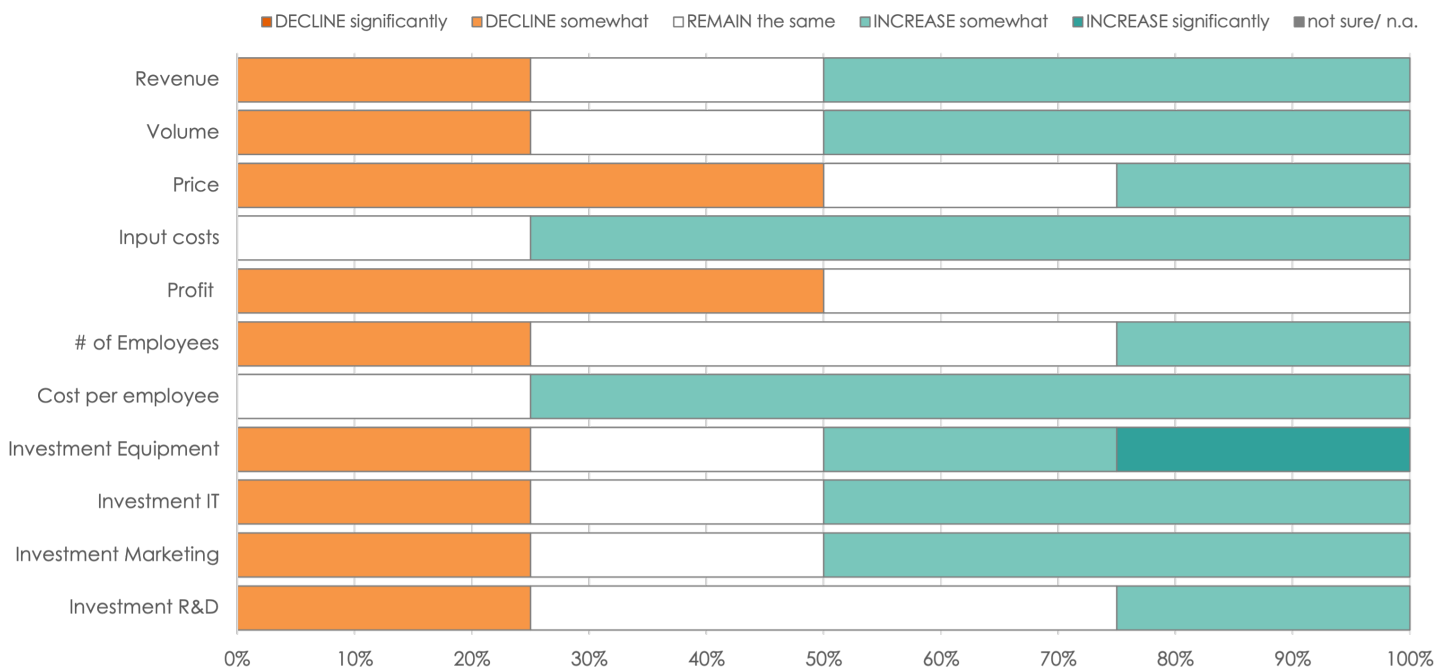




## Processors



## Community-Supported Fisheries / Direct-to-Consumer





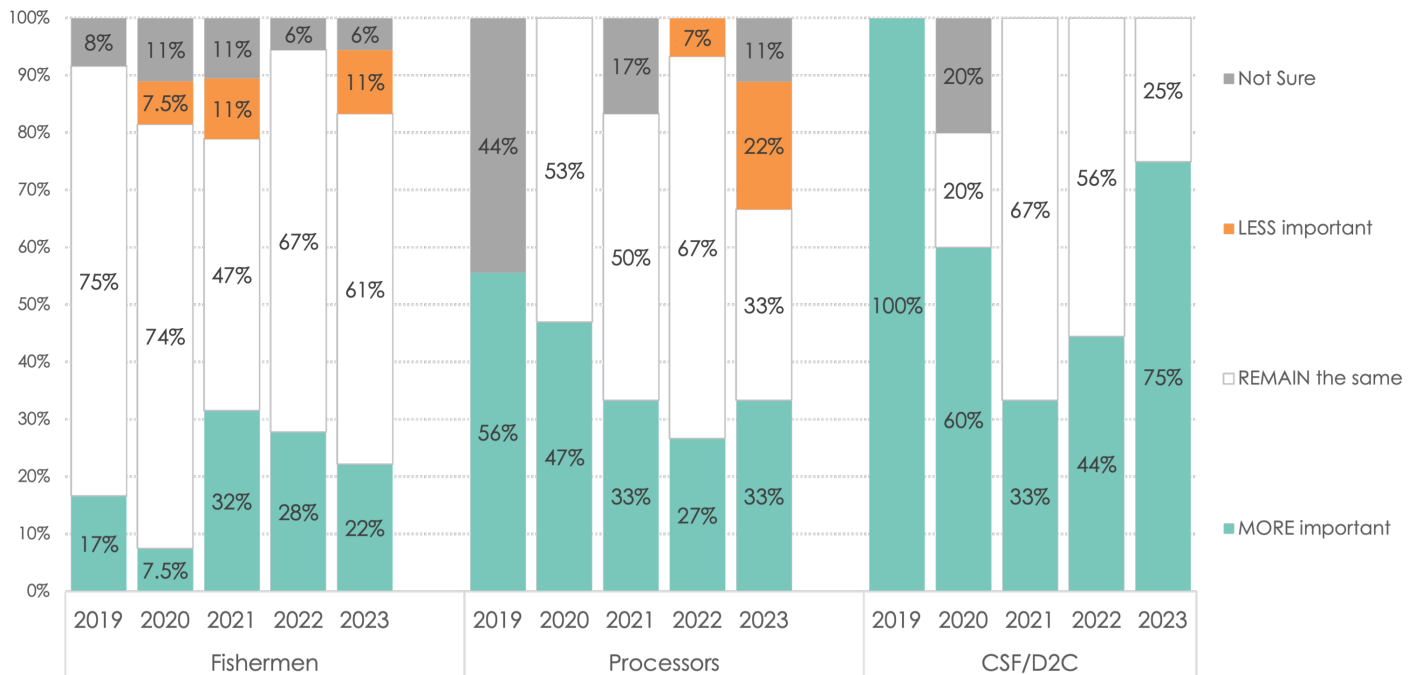
### 3. RELATIVE IMPORTANCE OF WEST COAST GROUND FISH

Most of the industry participants we surveyed expect that the West Coast Groundfish fishery will retain (48%) or grow (32%) in importance for their organizations relative to other fisheries they participate in over the next year. Only 4 respondents out of a total of 31 expect the fishery to become less important to their organization. Given the overall levels of pessimism observed in this survey, these are still positive results and indicate respondents' commitment to the fishery.

Over the past 5 years, processors have steadily become less and less bullish on West Coast Groundfish growing in importance in their species mix. While in 2019 56% of processors thought the fishery would become more important to them, now that number is only 33%. Concurrently, 22% (2 out of 9) of processors now expect the Groundfish fishery to become less important to their business. These 2 respondents seem to expect a recession, slower consumer demand, and a shift by customers to cheaper imported alternatives, or a shift to more "core species".

Fishermen have become slightly more negative about the role West Coast Groundfish plays in their overall businesses. This year 11% (2 fishermen in our survey) have indicated that they expect groundfish to become less important in their species mix. These respondents expected declining volumes, prices, and profits from their groundfish operations, which explains this view.

**Q3:** What is your expectation of the relative importance of West Coast Groundfish to your organization over the next 12 months? I expect it will be...





The majority of fishermen (61%) expect groundfish to retain its current level of relative importance, though that is a slight drop from 67% in 2022. Twenty-two percent of fishermen still expect the fishery to become more important to them in the near future. Though, these 22% are not necessarily more optimistic about their groundfish business in other parts of this survey. So perhaps their response here on Q3 is more of a reflection of their greater relative pessimism about other fisheries they participate in.

CSF/D2C businesses are again the most optimistic group about West Coast Groundfish: three out of 4 expect the fishery to become relatively more important to their businesses, while the rest expect it to remain the same. These businesses tend to have made commitments to sourcing only local seafood. So, as other key fisheries are being closed or delayed (i.e. salmon, spot prawn, Dungeness crab), West Coast Groundfish has to fill in these gaps.



## 4. PRODUCTION FACTORS: EMPLOYMENT

In Questions 4, 5 and 6 we take a closer look at key operational input factors – labor, equipment capacity and access to fish – to see how much room for growth there is in the system or to help identify systemic bottlenecks that could restrict growth of the West Coast Groundfish sector.

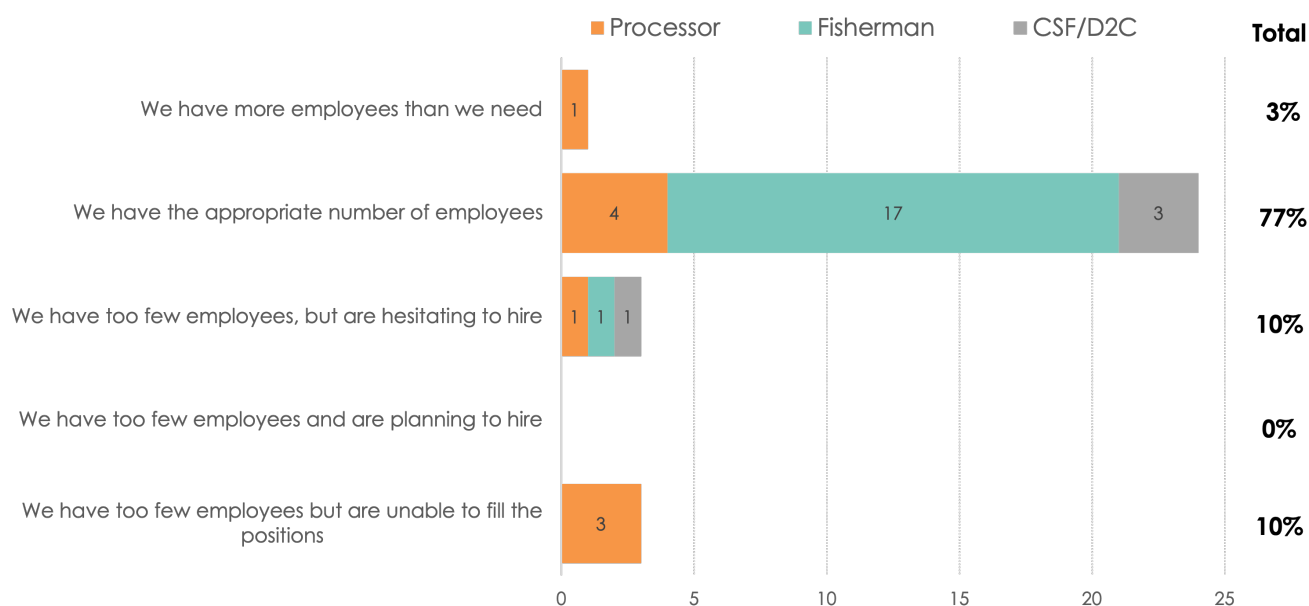
This year's survey shows an exceptionally clear pattern: 77% of all respondents said they have the right number of employees and are not looking to hire more. That is the highest level we've ever recorded for that position and is a big increase from a year ago where it stood at 45%.

Evidently, availability of labor is no longer a significant growth restricting factor in the groundfish industry. Only 10% of respondents, all of which are processors, indicated that they are still understaffed and would like to hire more people, but are unable to fill the positions. A further 10% say they are understaffed but are hesitant to hire, likely because of their negative economic outlook on the immediate future. These responses are in line with answers in Question 2 where only 1 respondent indicated they planned to increase the number of employees in the 2024.

In contrast, last year, 48% of total respondents said they were understaffed, and 60% of processors. Over the last 4 years of this survey, we had consistently observed a shortage of skilled labor in the processing sector, which had been one of the chronic long-term issues restricting growth in the industry. Even fishermen had started to complain that they had difficulty attracting and keeping deck hands in 2021/22. Now, that issue seems largely resolved.

While it is positive to see labor availability becoming a lesser issue in restricting industry growth, we also see it as a potential signal of the industry contracting. So far, we've only seen 1 processor tipping over into declaring that they have too many employees. However, we are concerned that the shift away from being “understaffed” to being “appropriately staffed” could continue toward being “overstaffed” in future, resulting in layoffs and economic contraction.

**Q4: Employment** - Given current conditions, how would you characterize your overall staffing situation relative to your needs?







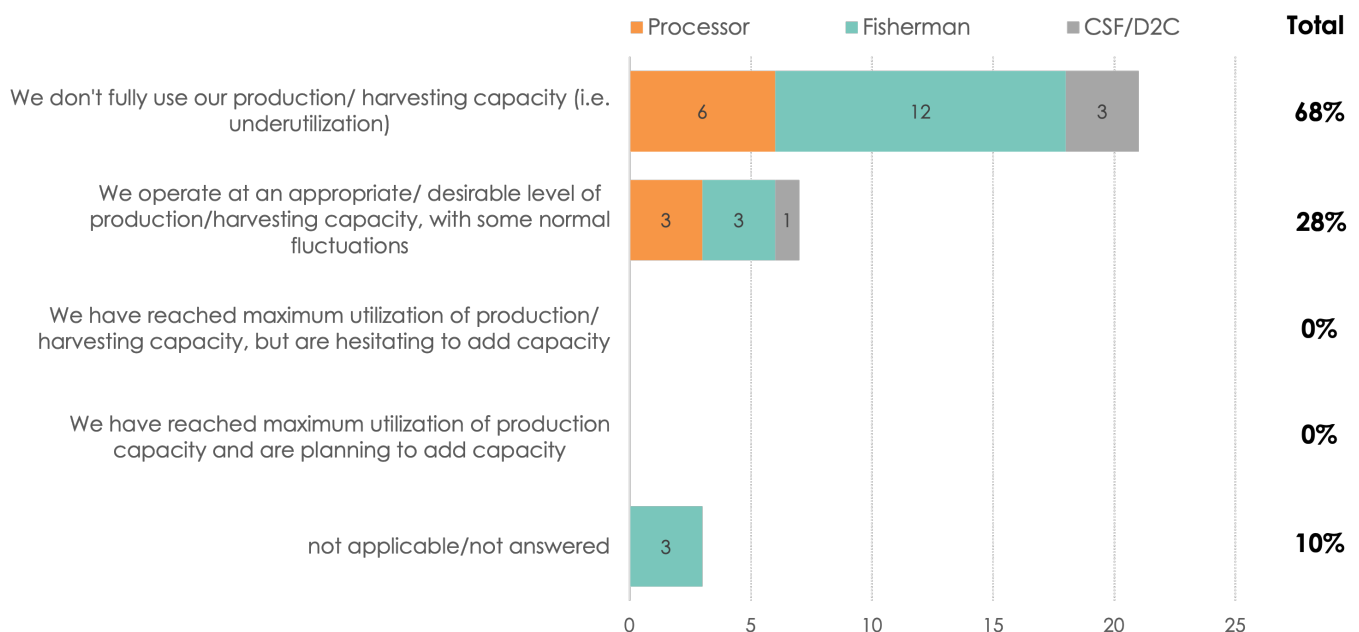
## 5. PRODUCTION FACTORS: EQUIPMENT CAPACITY & UTILIZATION

Production capacity or equipment capacity (i.e. machinery, vessel size) has generally not been a major constraining factor for groundfish production. Equipment underutilization continues to be a major theme this year. Two-thirds of fishermen, two-thirds of processors and three quarters of CSF/D2C sellers indicated that they don't fully use their equipment's production capacity (i.e. underutilization), and thus have room for growth without needing to invest in equipment.

This represents a shift from last year, when 20% of processors and 33% of CSF/D2C operators said they were maxed out with their equipment, and many of them expected to invest in equipment in 2023 to allow for growth. Due to the persistent labor shortages processors had struggled with over the past 5 years, processors have added more automated machinery and with that added output capacity, which may now have created surplus capacity. Moreover, this increasing level of overcapacity may also be exacerbated by a slowing down of market demand.

Fishermen, especially in the trawl sector, have persistently not used their vessels to full capacity, which could be due to a regulatory or market demand issue. Overall, however, the system seems to have plenty of equipment capacity left to facilitate growth in the near future, without too much need to purchase new equipment. These patterns align well with respondents' muted expectations for equipment investment over the coming year provided in Question 2.

**Q5: Production Capacity/equipment** - Given current conditions, how would you characterize your overall production capacity situation relative to demand for your product?





# 6. PRODUCTION FACTORS: GROUNDFISH AVAILABILITY & ACCESS

Question 6 of the survey asked participants to characterize their overall availability and access to West Coast Groundfish relative to demand.

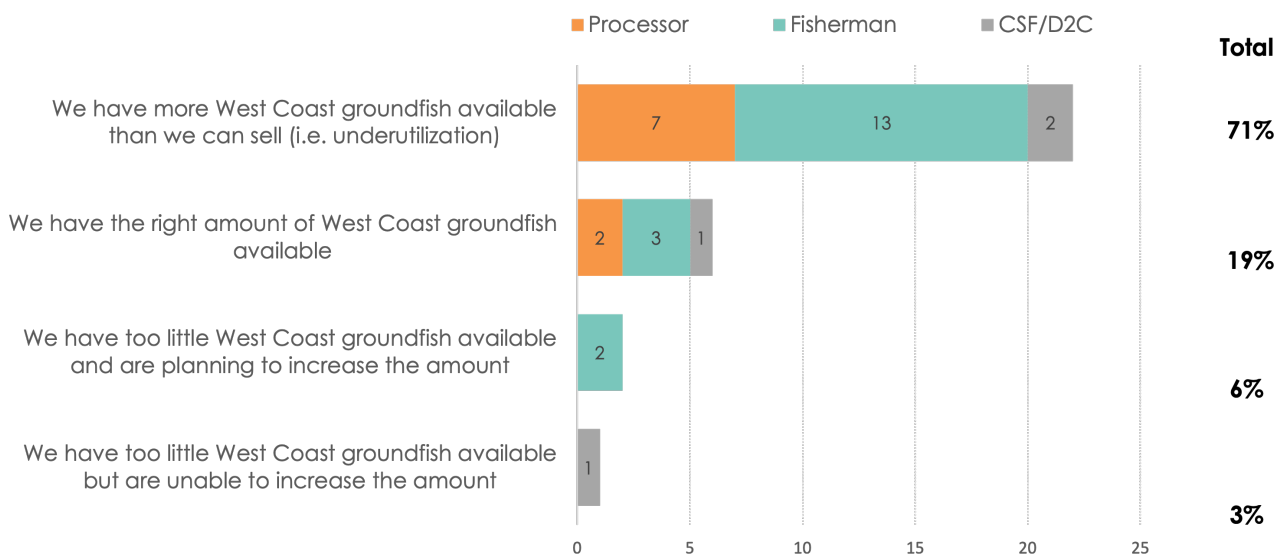
Out of the 3 production factors we looked at, the availability of fish is the factor that seems most out of whack. Only 19% of all respondents feel they have the right amount of West Coast Groundfish available to them, a similar level to last year's survey. Everyone else either has too much or too little, or either one at different times.

Underutilization has been an issue for the West Coast Groundfish fishery for many years, and it continues to be so. In this year's survey, the vast majority (71%) of respondents report that there is more West Coast Groundfish available to them relative to demand. We note that this is a further deterioration versus previous years for all three groups. The number of processors reporting quota underutilization increased from 60% last year to 77% this year, for fishermen from 44% to 72%, and for CSF/D2C sellers from 44% to 50%.

Whereas last year 29% of respondents reported having too little access to West Coast Groundfish, this year only 9% say so. And only 1 respondent indicated they were unable to get more quota, making this a growth bottleneck for their operation. However, typically, this is not an absolute lack of availability, but rather a timing issue during other lucrative fisheries' seasons.

Quota underutilization, i.e. an oversupply of groundfish in the market, creates downward pressure on prices, making this fishery increasingly unprofitable and unattractive to participants. And it is poised to continue be a challenge as quota for certain stocks (i.e. black cod) is being increased in 2024. The good news is, that great quota availability means that this fishery has plenty of room to grow while staying within sustainable limits.

**Q6: Fish Availability** - Given current conditions, how would you characterize your overall availability/access to West Coast Groundfish relative to demand?





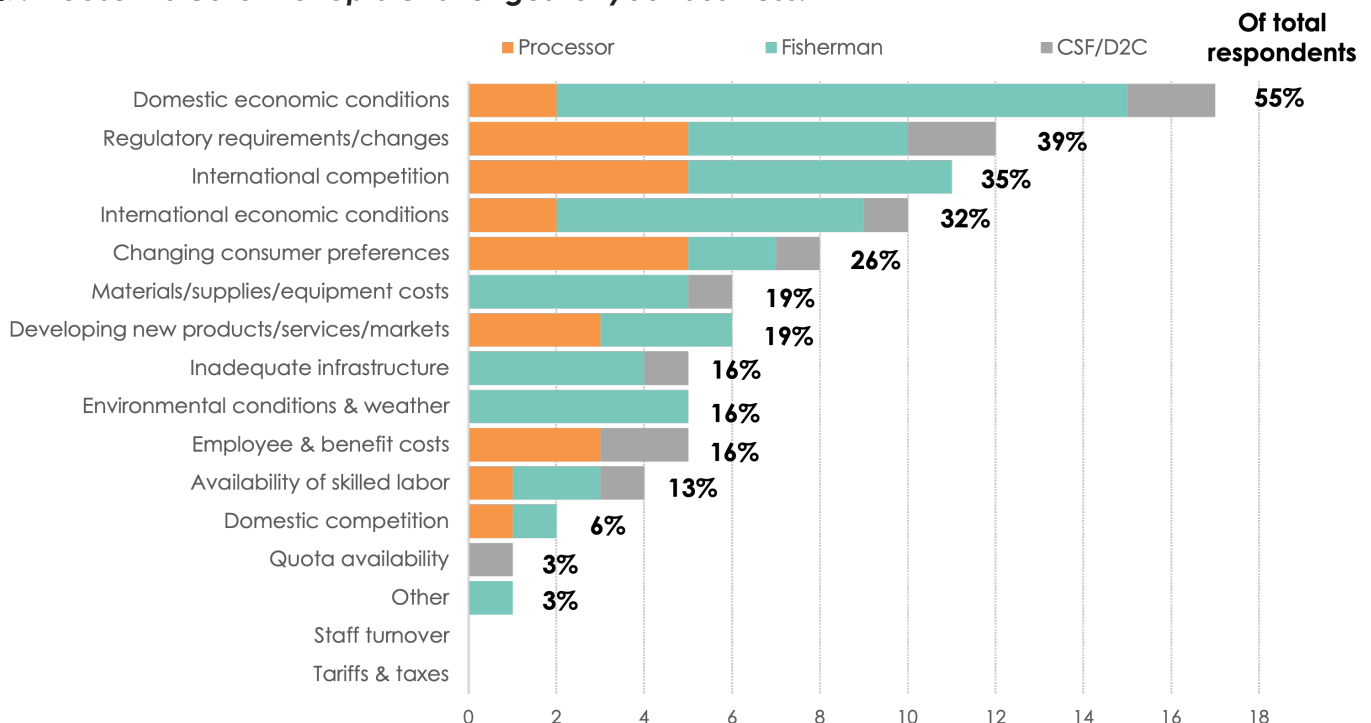
# 7. KEY CHALLENGES

Finally, Question 7 asked respondents to identify the three greatest challenges their organization currently face from the list of potential factors we provided.

Overall, we clearly see economic factors coming to the forefront this year, marking a noticeable shift from previous years. Six out of the top 7 challenges are of an economic and market-based nature. Domestic economic conditions are now the number one concern, held by 55% of respondents, up from 50% in 2022 and 18% in 2021, indicating increasing recession fears. In line with that, concerns about international competition rose from 12<sup>th</sup> place last year to now 3<sup>rd</sup>, international economic conditions climbing from 8<sup>th</sup> place to 4<sup>th</sup>, and changing consumer preferences from 9<sup>th</sup> place last year to 5<sup>th</sup> place this year. While developing new products and markets climbed into 6<sup>th</sup> place. These shifts point to strong concerns over flailing market demand, be they brought on by a recession in the US and a slowdown in consumer spending, changing consumer behavior, or by stronger competition from cheap imports. A slowdown in international demand is then further exacerbating the oversupply situation and driving dock prices even lower. The drop-off of Russian demand due to export bans (mainly hake), as well as declining demand for black cod from Japan due to a weak yen versus the dollar are some the key challenges for West Coast Groundfish producers in 2023 and will likely continue into 2024.

Simultaneously, policy factors and labor availability which had consistently taken the top positions in previous years have faded. We are noting some marked shifts: availability of skilled labor dropped from 3<sup>rd</sup> place last year to 11<sup>th</sup> this year, quota availability from 4<sup>th</sup> to 12<sup>th</sup>, and regulatory requirements declined from 50% to now 39%. There are still regulatory challenges with closures and delays of other lucrative fisheries, gear switching regulations, and continued concerns over proposed offshore wind power projects.

**Q7: Please indicate the top 3 challenges for your business.**





Nonetheless, these are big shifts year-to-year. This is the first time since the beginning of this survey that labor availability is not voted a key challenge. As noted in Question 4, this could be construed as a positive resolution to a persistent growth bottleneck, but it is more likely to indicate a market slowdown. Finally, concerns over infrastructure (39% in 2021, 19% in 2022, 16% in 2023) have taken a backseat relative to other challenges at the moment.

## Results by Participant Group

Fishermen believe the wider economy, both domestic and international, are by far the greatest challenges for their businesses right now, whereas processors see factors that are more specific to seafood markets as their greatest challenges. Processors only place domestic economic conditions in 6th place, down from 1st place last year. One thing both groups seem to agree on is that international competition is a key threat to their order volumes and profitability.

This year, we see a notable difference between fishermen and processors' concerns about regulatory issues. This year's survey is the first time that processors are more likely to be concerned about regulations than fishermen. This suggests, and is confirmed by qualitative comments, that processors are challenged by regulations outside of fisheries regulations – namely new wastewater treatment regulations.

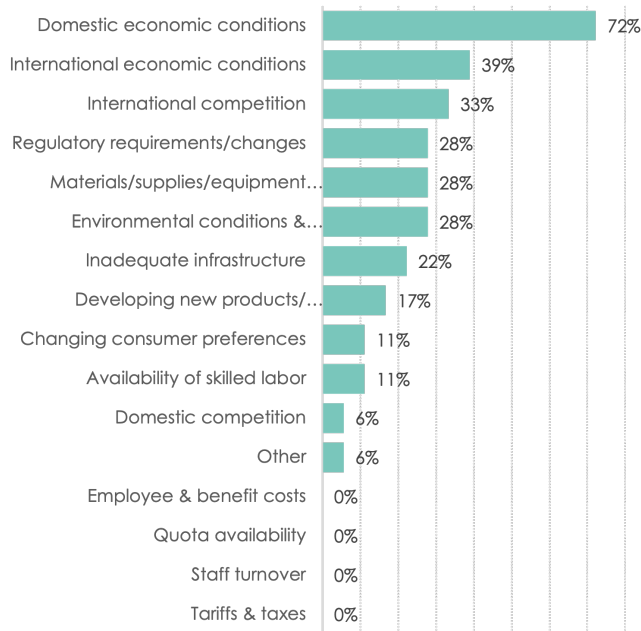
Besides that, fishermen seem much more concerned about rising materials/supplies /equipment costs, environmental conditions/weather, and adequate infrastructure which are factors that are naturally more related to fishing operations. Whereas processors are more challenged by changing consumer preferences and development of new products and markets, which are factors they are inherently closer to than fishermen. Processors' responses suggest that they don't blame the wider economy but explain their struggle to sell more fish due to demand issues specific to seafood (changing preferences, cheaper imports).

Interestingly, this year quota availability, which was a top 4 factor last year, doesn't rank at all. And the availability of skilled labor which had always been a top 2 factor now barely ranks. This is in line with answers in Question 4 and 6, and the general feedback that there is currently a lot more supply of groundfish than demand, and that processors especially are not needing to expand their workforce to meet existing demand.

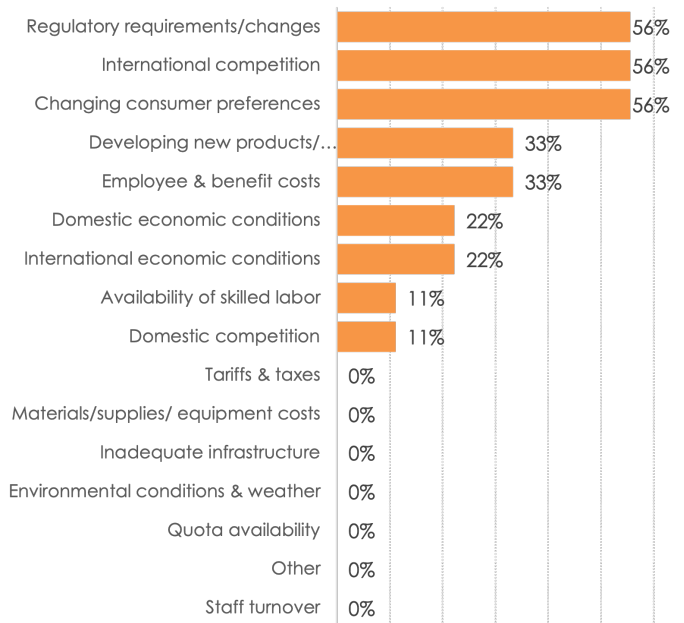


**Q7: Please indicate the top 3 challenges for your business.**

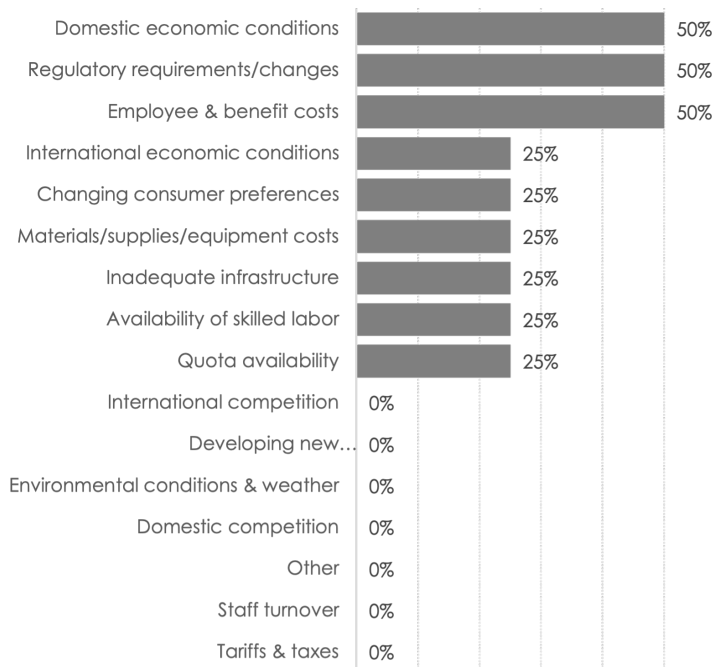
### Fishermen



### Processors



### CSF/D2C





# SUMMARY

The 2024 outlook for the US seafood industry, and particularly the West Coast Groundfish fishery, is predominantly pessimistic, surpassing levels seen during the peak of the pandemic. More than half of respondents anticipate a worse performance for the industry, at an accelerating rate of negativity. The West Coast Groundfish fishery is expected to fare slightly worse than the overall seafood industry, marked by a significant increase in pessimism compared to the previous year. Worryingly, respondents' show the highest level of pessimism in five years toward their own organizations, indicating a challenging economic landscape. However, despite their overall pessimism, most industry participants expect West Coast Groundfish to retain or grow in importance for their businesses, indicating a commitment to this fishery amid challenging conditions.

There are noticeable differences between industry participant groups: fishermen express the most pessimism, processors are relatively more optimistic, and community-supported fisheries/direct-to-consumer sellers (CSF/D2C) are the most positive. Processors show a positive trend compared to a year ago, potentially influenced by easing inflation rates and a more stable labor market. However, fishermen are increasingly pessimistic, driven by factors such as collapsing dock prices, oversupply of groundfish, and difficulties in other fisheries.

Respondents' revenue expectations for 2024 are slightly negative, influenced predominantly by declining fish prices rather than volume declines. Thus, even though inflation pressures are easing, bottom-line profit expectations remain low. Employment expectations indicate stability at best, or expected economic contraction at worst, with limited plans for hiring. And investment intentions for the coming 12 months vary, with CSF/D2C businesses most optimistic, processors cautious, and fishermen feeling very uncertain.

Operational factors show that labor availability, which has long been a bottleneck, is no longer significantly restricting growth. But while that is a positive development in and of itself, it may also indicate that participants now fear a contraction of their business. Equipment underutilization is also lower than last year, suggesting room for growth without major investments. And finally, fish quota underutilization continues to be a challenge, that impacts profitability.

The key challenges for organizations in 2024 are primarily of an economic nature, with domestic economic conditions and international competition topping the list. This represents a noticeable shift from previous years, where policy-driven factors and labor availability caused greatest concern. Interestingly, it is fishermen who are more concerned about broader economic issues, while processors emphasize challenges specific to seafood markets and consumers.

In conclusion, the 2024 outlook is characterized by widespread pessimism, driven by a perceived slowing down of the US economy and market uncertainties. Those furthest from the consumer, fishermen, are the most pessimistic and fearful in these uncertain times, while those closest to the consumer, CSF/D2C businesses, who presumably have more agency to address market challenges still feel most optimistic.





**2023 West Coast Groundfish Industry Economic Outlook Survey**

**State of operation**

- CA    OR    WA

**Type of Organization**

- Groundfish Fisherman  
 Groundfish Processor  
 Groundfish CSF/D2C

**Size of Organization**

- 1-4 employees  
 5-10 employees  
 11-50 employees  
 51-250 employees  
 251+ employees

**Your Position**

- Captain/Skipper  
 CEO/Owner  
 General Manager  
 Head of Sales/Distr./Marketing  
 Head of Production/Plant Mngr

**1. Please select the rating**

**that best describes your view of the economic outlook for the next 12 months (compared to the most recent 12 months). Choose 1 per row.**

	significantly WORSE	somewhat WORSE	approx. the SAME	somewhat IMPROVED	significantly IMPROVED	Not sure
US Seafood Industry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
West Coast Groundfish Industry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your Organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**2. Please indicate your view of the probable change over the next 12 months (vs most recent 12 months) for your organization, for the following indicators, as it relates to WC Groundfish.**

	DECLINE significantly	DECLINE somewhat	REMAIN the same	INCREASE somewhat	INCREASE significantly	Not sure/ Not applicable
Revenue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Volume	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Input Costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Profit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Number of Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cost per Employee (Wages, Recruitment )	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment Equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment - IT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment - Marketing & Sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment – R&D	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>





**3. What is your expectation of the relative importance of West Coast groundfish to your organization over the next 12 months? I expect...**

- West Coast Groundfish will become MORE important to my organization
- West Coast Groundfish will become LESS important to my organization
- West Coast Groundfish will REMAIN as important to my organization as it is now
- Not sure

**4. Employment:** Given current conditions, how would you characterize your overall staffing situation relative to your needs (i.e., do you have excess capacity or are you stretched)?

- We have more employees than we need
- We have the appropriate number of employees
- We have too few employees, but are hesitating to hire
- We have too few employees and are planning to hire
- We have too few employees but are unable to fill positions

**5. Production Capacity:** Given current conditions, how would you characterize your overall production/harvesting capacity situation relative to demand for your product?

- We don't fully use our production/harvesting capacity (i.e. underutilization)
- We operate at the appropriate level of production/harvesting capacity utilization
- We have reached maximum capacity utilization, but are hesitating to add capacity
- We have reached maximum capacity and are planning to add capacity

**6. Availability of Groundfish:** Given current conditions, how would you characterize your overall availability/access to West Coast groundfish relative to demand?

- We have more West Coast groundfish available than we can sell (i.e. underutilization)
- We have the right amount of West Coast groundfish available to us
- We have too little West Coast groundfish available and are planning to increase the amount
- We have too little West Coast groundfish available but are unable to increase the amount

**7. Please indicate the top 3 challenges for your organization at the moment. Choose 3.**

- |   |  |
|---|--|
| <input type="checkbox"/> Regulatory requirements/ changes   | <input type="checkbox"/> Domestic economic conditions      |
| <input type="checkbox"/> Quota availability                 | <input type="checkbox"/> International economic conditions |
| <input type="checkbox"/> Environmental conditions & weather | <input type="checkbox"/> Tariffs & taxes                   |
| <input type="checkbox"/> Materials/supplies/equipment costs | <input type="checkbox"/> Domestic competition              |
| <input type="checkbox"/> Inadequate infrastructure          | <input type="checkbox"/> International competition         |
| <input type="checkbox"/> Availability of skilled labor      | <input type="checkbox"/> Developing new markets/products   |
| <input type="checkbox"/> Employee costs                     | <input type="checkbox"/> Changing consumer preferences     |
| <input type="checkbox"/> Staff turnover                     | <input type="checkbox"/> Other _____                       |

**8. Please provide any commentary and contextual information about your previous answers. (optional)** \_\_\_\_\_

**9. Please provide your name for potential follow-up questions. (optional)** \_\_\_\_\_

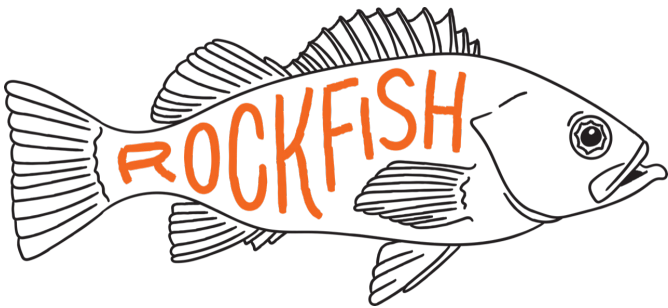


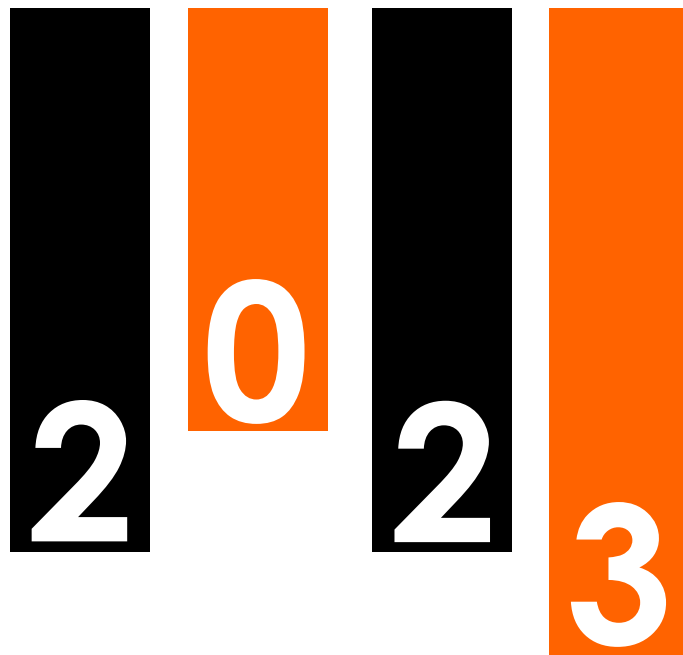
## ABOUT POSITIVELY GROUND FISH

Positively Groundfish is a non-profit organization (501c6) that was incorporated in April 2018, but it represents a fishery that has been around for generations and that was once the economic and cultural backbone of coastal communities along the West Coast. The story of the West Coast Groundfish fishery has all the elements of a classic tale of success, downfall, and redemption; and Positively Groundfish was formed to give it its happily-ever-after. West Coast Groundfish faced ecological collapse and was declared a federal economic disaster in 2000, but, thanks to comprehensive sustainability measures, has since experienced a remarkable recovery and is now considered “the ecological comeback story of the century” (quote: NOAA) and a posterchild for what sustainable fisheries management can achieve. However, more work is needed to also make it an economic success story, to communicate this hopeful story to the public, and make West Coast Groundfish a truly compelling case study that can persuade other fisheries around the world to adopt better practices. That is the work of Positively Groundfish.

Positively Groundfish was formed as a collaborative multi-stakeholder initiative by a collective of environmental non-profits, fishermen associations, seafood processors and academia that have partnered with a shared vision for a healthy and vibrant fishery. Positively Groundfish's stated mission is to tell the positive story of sustainable underutilized West Coast Groundfish to cultivate public appreciation and support the long-term economic success of local fishing communities. It is spreading a message of hope and positive responsible engagement with our ecosystems in which ecological and economic goals go hand-in-hand.

To learn more visit [www.positivelygroundfish.org](http://www.positivelygroundfish.org).





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