

Alaska 2010 Exports Valued at \$4.2 Billion

Seafood and minerals top commodities

BY GREG WOLF

2010 was a banner year for the state's exporting companies as the value of shipments to overseas markets surged to \$4.2 billion, an all-time record. While Japan maintained its long-standing rank as Alaska's No. 1 trading partner, continuing significant growth in exports to China accounted for a sizable portion of the increase last year. Another factor fueling the record year was the higher prices received for the state's natural resource exports, especially minerals.

Markets in the Pacific Rim, mainly found in Asia, account for approximately 75 percent of the state's total overseas exports. Japan, China and Korea, respectively, rank as Alaska's top three markets, followed by Canada. These four nations alone account for 70 percent of Alaska exports. Five European countries (Switzerland, Germany, Spain, the Netherlands and Belgium), along with Australia, round out the top 10 markets for Alaska exports.

SEAFOOD TOPS EXPORT COMMODITIES

Seafood has been and remains Alaska's largest export commodity. In 2010, seafood exports totaled \$1.8 billion. Minerals, predominantly zinc and lead, was the second largest export category, totaling \$1.3 billion last year. Energy exports, consisting of LNG and coal, ranked third at \$418 million. Precious metals (gold and silver) shipments totaled \$213 million followed by forest products (mainly whole round longs) at \$117 million.

The increase in mineral prices enabled the value of these exports to grow from \$853 million in 2009 to \$1.3 billion last year, a new record. Zinc prices,



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which averaged approximately \$0.75 per pound in 2009 rose to an average of \$0.98 in 2010, a 31 percent increase. Lead prices, too, also experienced a price increase, from an average of \$0.78 per pound in 2009 to \$0.97 last year, a 24 percent improvement. Rising prices also benefited precious metal exports as both gold and silver prices rose in 2010 versus the prior year. Gold rose from an average of \$972 per ounce in 2009 to \$1,224 in 2010. Likewise, silver prices increased from about \$14 an ounce in 2009 to just over \$20 last year.

JAPAN LARGEST TRADING PARTNER

For the past five decades, Japan has been the state's largest trading partner. The country is a significant customer of most categories of Alaska exports, including seafood, minerals, energy and forest products. For example, Japan has been and remains, the No. 1 overseas buyer of Alaska seafood. In 2010, buyers from Japan purchased some \$523 million, accounting for 29 percent of the state's total seafood exports. Japan has been the sole customer of LNG (liquefied natural gas) from Alaska since 1969. However, these shipments are scheduled to end this year, according to an announcement in February by ConocoPhillips and Marathon Oil Corp., operators of the LNG exporting station at Nikiski on the Kenai Peninsula. The companies cited the inability to secure sales and supply agreements as the reason for the closure of the plant after more than 40 years of operation.

CHINA QUICKLY GAINING GROUND

Japan's ranking as Alaska's No. 1 export market is being seriously challenged by China, the state's fastest growing trading partner. Alaskan exports of seafood and natural resources

to the Middle Kingdom have risen rapidly, from just \$103 million in 2000 to a record \$923 million in 2010. This decade of sustained and dramatic export growth to a single nation is unprecedented for Alaska. It reflects the dynamic growth that is leading China to be the world's largest economy by as early as 2016, according to the most recent World Economic Outlook report of the International Monetary Fund.

China's seafood purchases of Alaskan seafood now rival those of Japan (China's \$517 million versus Japan's \$523 million). While a percentage breakdown is not available, a sizeable amount of the seafood exported to China is for processing and then re-export to markets elsewhere, while another portion is for domestic consumption in the country. In addition, China was a larger buyer than Japan of both Alaskan minerals and forest products in 2010.

SOUTH KOREA, CANADA AND EUROPEAN MARKETS

South Korea continues to be an important and steady customer for Alaskan exports. Last year, Alaska shipments to the country amounted to \$477 million, a slight increase from the previous year. Seafood is the main export category to Korea, totaling \$237 million in 2010, followed by minerals and forest products.

Alaska's neighbor, Canada, is not only a significant destination for the state's exports but also a major investor in Alaska, especially the mining sector. Last year, shipments from Alaska to Canada totaled \$385 million, consisting primarily of minerals and seafood. Canadian firms are active investors in Alaska's natural resource

development projects. In the mining sector, for example, Canadian firms operate a number of major mines across the state and Canadian firms are the most active in seeking new minerals and metals deposits. Teck Resources, for example, a Vancouver-based company, is the operator of the Red Dog Mine in Northwest Alaska. Over the past several decades, Canadian mining prospectors have accounted for the majority of the total exploration dollars in Alaska, in some years accounting for 90 percent of the money expended in pursuit of new deposits.

European markets tend to be focused on a specific commodity export from Alaska. For example, Switzerland's imports from Alaska consist almost exclusively of precious metals. Belgium is another example; this small country imports minerals used by its metal refiners. Other European markets are focused on purchasing Alaska seafood.

EXPORTS OUTLOOK FAVORABLE

Looking forward, the outlook is very positive for Alaska's exports to grow both in volume and value. Three important attributes play into Alaska's favor: first, Alaska is blessed with world-class deposits of minerals, metals and energy that the world needs. Alaska is also blessed with an abundance of high-quality seafood to help provide sustenance to growing populations. Essentially, Alaska sells the building blocks of economic growth and prosperity.

Second, Alaska is located on the Pacific Rim, home to some of the fastest growing economies to be found. In just 10 short years, China, for example, has become a vital customer of Alaska exports and the country continues on an impressive growth trajectory. Efforts are now under way to introduce customers in India, another rapidly growing market of 1 billion citizens, to the natural resources and other goods and services Alaska offers.

Finally, as part of the United States, Alaska offers political stability that is important for buyers who rely on imported energy or food supplies. As the global economy continues to recover from the Great Recession, Alaska is well positioned to play a leading role. □