Manufacturing was once the industrial heart of America. The steel mills of Pittsburgh and the automobile factories of Detroit attracted large numbers of immigrants to high paying jobs that promised secure lifetime employment. Cities were identified by their manufactured products. Chicago was “slaughterhouse to the world.” Akron was the hub of tire production. Seattle was known as the home of Boeing. But as the country has entered the post-industrial era, much has changed.

As American multi-national corporations pursue a strategy of globalization, which lowers their costs for raw materials such as fish and timber, manufacturing jobs gravitate overseas to areas of lower labor costs. During the economic boom of the 1990s, domestic manufacturing jobs showed next to no growth. As the national workforce grew over this period, the percentage of workers employed in manufacturing fell from 17 percent to 14 percent. (See Exhibit 1.)

Alaska’s manufacturing sector differs markedly from the national model. Instead of large factories located in urban centers, most Alaska manufacturing takes place in relatively small plants distributed over a wide geographic area. Since much of this is related to seafood processing, employment is highly seasonal and peaks during the summer months.

While Alaska manufacturing employment has always been a relatively small part of the state’s overall employment, it is not immune from national trends. Between 1991 and 2000, Alaska’s manufacturing sector...
Manufacturing as % of Total Employment in Alaska 1990-2000

Manufacturing as % of Total Employment in Alaska 1990-2000

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Manufacturing in Alaska

Alaska, a land of glaciers, snow-covered mountains and pristine waters, seems the very antithesis of the images associated with traditional manufacturing. Neither is it thought of as an emerging force in the “new industries” of high tech. Nevertheless, the small manufacturing sector plays an essential role in the state’s economy. There is more to it than fish processing and timber.

Quite possibly your holidays included an array of Alaska’s manufactured goods. That last cup of boutique coffee, was it Heritage, Alaska Coffee Company, Raven’s Brew or one of the other excellent Alaska brands? Did the hors d’oeuvres tray at the office party include an offering from the Alaska Sausage Company, or perhaps smoked salmon or caviar from one of Alaska’s many seafood processors? The baked goods, the ice cream, the jams and jellies, could have come from an Alaska manufacturer. The candy in your Christmas stocking or your Hanukkah gelt may be a local product as well.

Did your New Year’s celebration include a wine from Alaska, or a stein of Alaska Amber Ale? Perhaps you stopped by one of Alaska’s celebrated brewpubs to sample a special holiday creation. Someone over-indulged may have washed down their January 2 aspirin with water bottled in Alaska. That small package wrapped with red ribbon, did it contain an item of jewelry created in Alaska? If you flew south for the season, very likely your 737 was powered by jet fuel from one of Alaska’s refineries. Or maybe you were practical this year and decided to undertake home improvements using a variety of Alaska manufactured goods, including a solid foundation of Alaska concrete.

While the small-manufacturing firms of Alaska do not play a major role in terms of direct employment,
they are important to the day-to-day lives of many Alaskans. As the state continues to grow it is likely that more small-scale entrepreneurs will discover opportunities, and that some of the existing firms will expand.

**Wood products**

In 1990, wood products accounted for 3,100 of the 3,900 jobs provided by the durable goods manufacturing sector, (79 percent). By 2000, employment in all durable goods manufacturing had fallen to 2,700 jobs and wood products accounted for only 1,500 positions, (56 percent). While the loss of 1,600 jobs in the wood products sector seems relatively minor (six tenths of a percent) when compared with the average annual statewide employment of the period (261,000 jobs), it has had a major economic impact on Southeast Alaska.

In 1990, Ketchikan Pulp Company was the tenth largest employer in the state with 924 employees. Sitka’s Alaska Pulp Company ranked 22nd with 656 employees. Kluwan Forest Products was 47th with 377 employees, and Wrangell Forest Products was a major employer in that community. In 1993, Alaska Pulp Company ceased operations. In 1997, Ketchikan Pulp Company closed its doors. In 1998, Kluwan Forest Products exited the industry. Wrangell saw the end of milling operations by the mid-1990s. Only one wood products employer, Silver Bay Logging with 311 employees, remains among the 100 largest private sector employers, ranking 79th.

The volume of timber harvested from the Tongass National Forest has declined 75 percent since 1990. Timber industry employment is at its lowest point in 30 years. The 2001 cut of 48 million board feet was the lowest cut since 1942. The loss of 1,600 timber-related jobs throughout Southeast Alaska has had a significant effect on local economies throughout the region. Outlying communities, especially on Prince of Wales Island, have experienced a dramatic decline in employment opportunities as logging operations have been terminated or greatly reduced in scale.

Some broad trends in the market are responsible for the decline of the wood products industry. The accessible old growth in the Tongass has been cut. The remaining stands are of lower value and more difficult access. The global timber corporations have shifted their attention from domestic sources to the more profitable forests of the third world. Public scrutiny of commercial clear-cutting in the national forests at taxpayer expense is increasing.

The Forest Service plans to offer timber from the Tongass in 2002 at around the same level as in 2001, 70 million board feet. However, in 2001, only 70 percent of the offered board feet was sold. Only 66 percent of the 85.3 million board feet offered in 2000 was sold. Nearly 300 million board feet of Tongass timber remains under contract, but unharvested due to depressed prices. The volume of timber “on the shelf,” offered but unsold, remains high. Given this backlog, an explanation for the reduced level of cut must be sought in the broad context of a depressed wood products market.

Logging activities on private, municipal, and trust lands reflect this trend as well. New notifications...
of acreage available for harvest from these lands increased from 36,537 acres in 1999 to 47,225 in 2000, but these offerings were primarily aimed at small scale operations and had little impact on overall employment. Local increases near Ketchikan and Mat-Su were partially offset by reductions in the Kenai-Kodiak and Juneau regions.

Sealaska Corporation has been harvesting timber at relatively constant levels for the last several years, and this has provided a degree of stability in the number of jobs created. But Koncor, once the second largest timber producer among Native corporations, ceased logging operations in 2001 and is exiting the industry.

The outlook for the timber industry is not bright. While some local opportunities may remain, it is doubtful that the wood products industry will either improve in the short term, or ever regain the prominent position it once occupied in Alaska's manufacturing sector. Southeast Alaska's recovery from this economic setback remains problematic.

Manufacturing the news

Publishing is now Alaska's second largest manufacturing industry, with 1,570 employees. The Anchorage Daily News accounts for one third of them; it ranks 36th among Alaska's large employers with 520 employees reported in 2000.

The federal government is implementing a new classification system. By 2003, publishing will no longer be considered "manufacturing" but will be placed in a new employment category labeled "information." Until then, our friends in journalism can continue to lay claim to a prominent place in the manufacturing sector.

Fish processing

Fish are to Alaska what corn is to Iowa. Most fishers, like farmers, are considered self-employed and as a result are not included in Department of Labor and Workforce Development employment statistics. But fishers, like farmers, depend upon food processors to transform their harvests into marketable goods. Just as General Mills turns grains into breakfast cereals, Alaska's seafood processor turns the 3.3 billion pounds of seafood landed in Alaska into canned salmon, surimi, pollock fillets, smoked black cod, and caviar.

The frozen fish sticks you fed the kids yesterday probably came from Alaska. The imitation crab salad you threw together for the holidays was made possible by a processor in Unalaska. The salmon caviar you have learned to savor was probably extracted and processed in Petersburg or Ketchikan. Whether you are looking for an inexpensive fish sandwich or an haute cuisine seafood feast, there is an Alaska solution that involves manufacturing.

Seafood processing provided 8,300 jobs in 2000. This amounted to more than 60 percent of all manufacturing employment and over 75 percent of non-durable goods manufacturing. (See Exhibit 5.) While these jobs represent only 3.2% of Alaska's total wage and salary employment, the
importance of the industry is dramatically understated. This is especially the case on the local level. Many of Alaska’s coastal communities are based upon seafood processing. Places such as Petersburg, Sitka, Pelican, Cordova, Kodiak, Unalaska, Dillingham and many others rely upon seafood processing for taxes, direct employment, and for the markets they provide local fishers.

**Seafood processors are among state’s leading employers**

Within the manufacturing sector, nine of the eleven largest employers are seafood processors. The exceptions are Silver Bay Logging and the Anchorage Daily News. All nine are included among Alaska’s 100 largest employers. They are: #23 UniSea (687 employees), #29 Icicle Seafoods (631), #33 North Pacific Processors (582), #35 Peter Pan Seafoods (566), #48 Norquest Seafoods (464), #56 Wards Cove Packing Company (389), #63 Cook Inlet Processing (378), #71 Westward Seafoods (348), and #74 Ocean Beauty Seafoods (338). A tenth processor, Trident Seafoods, which ranked 8th in 1990 with 1,020 employees), almost certainly warrants inclusion, but due to a reporting anomaly failed to make the list. These processing companies are for the most part based in Seattle.

**Much of the seafood harvest’s economic value leaves the state**

Many Alaskans appreciate the importance of the industry, yet see room for improvement. Large chunks of the economic value of the seafood harvest leave the state of Alaska at every stage: the earnings of fishers, (called “ex-vessel” value), wages paid processing workers, and first wholesale value.

Resident Alaska fishers numbering 8,411 caught 43 percent of the total catch by value in 1999, and 29 percent of the catch by volume, according to the Commercial Fisheries Entry Commission. That year 3,268 non-resident fishers landed 2,263,387,658 pounds of fish. This catch was valued at $641,131,401. By contrast, Alaska fishers landed only 912,304,409 pounds valued at $484,572,135. (See Exhibits 6 and 7.)

While no precise data are available, an even higher percentage of first wholesale value, (the monies processors receive for their products) is most likely realized outside Alaska’s economy.

The employment provided in Alaska’s pre-eminent manufacturing industry, seafood processing, is...
disproportionately non-resident. While the percentage of resident employment has increased over the last five years, non-residents still held 73.6% of all seafood processing jobs in 1999. Of the 16,652 individuals who worked in seafood processing 12,257 were non-residents while only 4,395 were Alaska residents. (See Exhibit 8.) Indeed, the percentage of non-resident employed in seafood processing was far greater than any other sector in the state’s economy. Non-residents earned a total of $87,163,426 in 1999, while residents earned $44,476,092. (See Exhibit 9.)

While non-residents tend to be seasonal workers, many resident workers find year round employment in the industry. This is reflected in the higher per capita earnings of residents when compared with non-residents. In 1999, resident workers earned $10,119 per capita, compared with non-resident total earnings of $7,111 per capita.

In spite of depressed prices and competition from farmed salmon, Alaska is blessed with a richness of marine resources. While there have been occasional regional failures, such as the 2001 Bristol Bay salmon season, sound biological management by the Alaska Department of Fish and Game has resulted in an enviable long term production record. This abundance and the fact that seafood processing plants cannot easily be relocated to third world countries make it likely that commercial fisheries and seafood processing are destined to play a major role in Alaska’s economy for the foreseeable future.

Summary

The major decline in the wood products industry is caused by market forces and is probably irreversible. Alaska’s seafood industry, however, is basically healthy, despite low prices and some failures by region or species. The possibility of capturing a greater percentage of the first wholesale market, ex-vessel values, and wages paid in this industry would seem to offer significant opportunities for economic growth.

The national trend involving the export of traditional manufacturing jobs is likely to continue, and it is doubtful that Alaska will ever develop heavy industry. The entrepreneurial opportunism of individual Alaskans, which has built a diversity of small manufacturing businesses, will continue to thrive and produce growth in this niche of the manufacturing sector.