

PSPA
PACIFIC SEAFOOD PROCESSORS ASSOCIATION
Est. 1914

February 12, 2010

Representative Bryce Edgmon, Chair
House Special Committee on Fisheries
State Capitol
Juneau, AK 99801-1182

RE: Support for HB 344
Extension of the Salmon Product Development Tax Credit

Dear Representative Edgmon and Members of the House Fisheries Committee:

On behalf of the Pacific Seafood Processors Association, a trade association of seafood processing companies with operations in many communities throughout Alaska, I am writing to express strong support for HB 344, and to request that this important legislation be moved from the House Fisheries Committee as soon as possible.

The legislature constructed the existing Salmon Product Development Tax Credit program tightly to accomplish very specific goals. It is proving to be very successful in accomplishing its intended purpose of encouraging and enabling Alaska salmon processors to develop and produce value-added salmon products in Alaska. This, in turn, is helping Alaska's salmon industry keep pace with evolving consumer demands and keep Alaska salmon competitive on world markets. It is a program that essentially pays for itself by increasing the value and marketability of Alaska salmon.

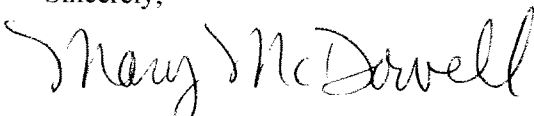
The attached 1-page document briefly describes some of the improvements that have been made with the help of this program. Many of the new product forms developed and improvements and expansions made in recent years would not have happened, or would have been significantly delayed, without the incentive and assistance provided by the tax credit program. The attached page also describes ways our member companies anticipate utilizing the tax credit program in upcoming years if it is extended.

Alaska's seafood industry, operating in remote areas of Alaska, is dealing with extremely high energy costs, the worldwide economic downturn, and other enormous challenges. Yet, the industry's future, and the future economic benefits Alaska's fisheries provide to fishermen, communities, and the state, depend on continued progress in developing and expanding value-added product forms and capacity. Extension of the Salmon Product Development Tax Credit Program will play an important role in maintaining the continued development and competitiveness of the Alaska salmon industry.

Extending this very effective program makes good sense for Alaska. We urge quick scheduling and passage of HB344.

Thank you very much for your consideration.

Sincerely,



Mary McDowell, Vice President

Attachment

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Past use of the Salmon Product Development Tax Credit

The Salmon Product Development Tax Credit Program has been very effective in advancing the goal of increasing in-state value-added processing. The credit has enabled and encouraged seafood companies to make investments in equipment that they would otherwise have had to delay or forego. In many cases, the credit has enabled companies to begin producing value-added product forms they had not previously produced.

Since enactment of the program, PSPA member companies have purchased and put into production a wide variety of value-adding equipment, such as:

- skinless/boneless fillet equipment
- roe separating equipment
- smoking equipment
- equipment to produce boneless/skinless salmon in pop-top (“easy-open”) cans
- equipment to produce sockeye ikura
- equipment for packaging ikura in vacuumed sealed packages

The credit has enabled companies to increase capacity of pounds purchased from fisherman and improve quality by adding fillet lines and investing in coolers, blast freezers, and upgrading and increasing freezer capacity.

Anticipated future use of the tax credit

Continuation of the Salmon Product Development Tax Credit would be extremely helpful in maintaining the momentum of the expansion of in-state, value-added processing, and allow companies to plan for future capital investment in their salmon operations around the state and keep Alaska salmon competitive in evolving world markets.

Customers continually want more user-friendly products. The salmon fillet market, for example, has grown tremendously in the last few years and the market has not shown any signs of over supply. It takes some risk and a few years for companies to assess how their investments in value-added processing are paying off and then additional time to gear up and gather financial resources to make additional investments. A tax credit that makes such investments feasible in a shorter timeframe benefits Alaska harvesters, processors, communities, and the state.

If this tax credit program remains available, our member companies anticipate utilizing it in upcoming years for such things as additional filleting equipment; salmon sausage equipment; salmon oil refining equipment; equipment for producing skinless/boneless products; freezing capacity upgrades and increases, portioning equipment, vacuum packing equipment, and salmon roe processing equipment.