

Overview of Alaska's Seafood Processing Industry

Presentation to House Fisheries Committee
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By Pacific Seafood Processors Association
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1 - (globe) Intro

Appreciate opportunity to speak to committee today.

PSPA is non-profit trade assoc. of seafood processing companies
Assoc. founded in 1914. (1-pager about PSPA in committee pkt)

Our membership primarily shore-based processing companies –
Companies with permanent, on-land facilities in Alaska.

2 – (map of AK with processor locations)

Today – provide brief overview of **1 sector** of seafood industry – **processing** sector
(with focus on shore-based processors)

This sector consists of facilities and operations that range from very small to very large,
located throughout Alaska, primarily in coastal areas, and processes many species of fish and
shellfish.

3 - (AK Seafood is..)

This sector is ONE player in a larger partnership that must be in place and functioning well in order
for Alaska and Alaskans to benefit from the vast fishery resources of the state and off the
state's shores

That partnership involves -- and requires -- efforts and success of:

- Harvesting sector – catch the fish & shellfish

Note that committee scheduled to have overview of harvesting sector –
by United Fishermen of Alaska -- on Thurs -- they'll provide further info
about Alaska's commercial fisheries & harvesting sector.

- Processing sector – process the catch; develop products and markets; and sell the
seafood

Note -- besides shore-based processing that is focus of today's presentation,

Processing sector also includes floating processors –vessels with processing
facilities onboard.

Fishing vessels deliver their catch to these vessels, and fish is then processed
onboard

AND there are Catcher-processors that both harvest and process fish at-sea.

Other parties in this “necessary partnership” include –

- Related and support businesses – shippers, distributors, and marketers;
Fuel, refrigeration, electrical, and construction businesses;
Boat yards; mechanics, so on
- Government – local, state and federal - for:

Providing state’s basic infrastructure – docks, harbors, roads, airports, etc
AND
Critical role of providing fisheries management, enforcement, and protection
- Mother Nature & providence – success depends on ocean conditions, weather, climate shifts, often-unpredictable fluctuations in fish stocks and run timing and strength -- from season to season, and week to week.
- And, finally, consumers -- the success of that end of partnership depends on many factors --- state of world economy, success of our marketing efforts, buying-power of key consumers, and efforts & success of competing seafood producers around the world
AND of producers of other competing proteins – chicken, pork, other meats.

Clearly – seafood industry has lots of moving parts, players, and variables that are often beyond our control

It is a very challenging & high risk business.

Most seafood industry operations “out of sight” of major population centers of AK –
so most Alaskans don’t see it first hand

So, importance of industry to Alaska’s overall economy
often not recognized or well-understood, especially by those not directly involved, or not living in seafood-producing communities

Industry has great story to tell – anxious to tell it, show its contributions and great advances

Presentation will be quite general and basic -- plan to:

- Provide some info about the size of Alaska’s seafood industry
How Alaska ranks among seafood producing states and nations of the world
- Look at the seafood industry’s long term investment in, and commitment to, Alaska
Show some photos to give you a feel for what this industry looks like
- Talk a bit about the benefits and impacts of the industry on the state’s overall economy & on AK communities **not just** fishing communities, but all communities
- Wrap up with few comments on the industry’s partnership with the state –
What the state has done, and what still needs to be done by all of us --
to help ensure Alaska will continue to benefit from its fishery resources and a strong seafood industry

Magnitude of Alaska seafood industry & important role it plays in state's economy

Slide on screen ---

Alaska Seafood --- including harvesting and processing – is

- worth approx. \$5 billion annually
(*fluctuates year to year due to variables just mentioned*)
- the state's largest private sector employer
- Alaska's number one export
- Generates approx. \$100 million in revenues to state and local governments

4 – AK's Commercial Fisheries

Slide --

- If Alaska were a nation, it would place 14th among seafood producing countries.
- Alaska produces 35 % of the world's harvest of wild salmon
- The pollock and groundfish fishery of the Bering Sea is one of the largest fisheries in the world, by volume.

Both fishermen and processors must succeed -- in order for either sector to flourish --- and for our State and communities to realize the benefits and revenues from these resources.

“INVESTMENT”

Hear much about importance of having “investors/ investment” in Alaska

ALL resource development in Alaska – in both renewable and extractive resources – has required large amounts of outside capital.

Seafood processing is a risky business, defined by high volume and low profit margins

As Alaskans, we are fortunate we've been able to attract the investment necessary to develop and continue to expand and improve our seafood industry

5 – Westward Seafoods

Seafood industry represents huge & on-going investment & long term financial commitment in Alaska.

The seafood processing industry in AK is over 100 years old.

But has continued to modernize & grow.

In recent decades alone, industry has invested over a BILLION dollars in permanent, onshore facilities & continual upgrades & annual maintenance.

Will run through few photos for idea of what some facilities look like around the state.

Photos: 6, 7, 8, 9, 10, 11, 12, 13, 14

Sampling of some of our member companies' operations

Our members and other companies have many more operations of all sizes around AK

Shore-based processing ranges from “mom and pop” to large high-volume operations.

Broad geographic distribution – some in or near towns of various sizes; others in more remote, isolated locations.

Interiors of facilities impressive -- clean, modern, lots of activity, hundreds of employees.

Will get back to those aspects in a few minutes.

photos: 15, 16, 17, 18

Since many plants are in quite remote places --- or in communities without sufficient rental housing available to house large influx of workers needed for peak seafood seasons

Many plants must provide employee living and dining quarters – often for hundreds of employees.

----another significant investment and cost of being in the seafood business in Alaska

Besides physical plants -- seafood industry invests many millions (and takes financial risk) to develop and market new, value-added product forms and to constantly improve seafood quality

19 (seafood on plate)

This is critically important to keeping AK seafood competitive in world markets

Industry is proud of its investments and successes in Research and Development.

20 Today's consumers looking for more healthful and environmentally- responsible food.

AK seafood a good fit

21 But also looking for quality, price, value, and convenience

Industry working hard to meet these consumer demands.

22 **Look at Salmon --**

While continuing to produce best traditional salmon products in world --- including canned product seen here --

Photos of fillets & freezers

23 Industry also now selling large and growing portion of AK salmon as fillets, adding significant additional value to each pound.

24, 25 Has also developed hundreds of new value-added products -- salmon nuggets, patties, individual portions with sauces, etc.

26 – roe Also, produce various, high-value, forms of salmon roe (salmon eggs)

27 –(chart: Value & Volume of AK Salmon)

Bar chart -- no. of salmon harvested fluctuates from year to year, but because of efforts to meet consumer demands for quality & product form, and effectively market AK salmon -- the value of salmon has continued to rise. (ex-vessel value = dollars paid to fishermen)

28

Pollock fishery is another example of the industry efforts to add value and fully utilize harvested fish

Pollock is Alaska's largest volume fishery –industry produces fillets, block, mince, and many other value-added products

A significant amount of Alaska's pollock production goes into "SURIMI"

...which uses high-tech processing techniques that use nearly every particle of each pollock

The slide on screen shows pollock entering plant after being off-loaded from catcher vessel

Then goes thru series of steps

29

Here, being centrifuged to grind and pull moisture out of flesh

Thru these processes, pollock meat is turned into a protein paste,
then processed into many different, market-ready products.

30

... one of those is "imitation crab" or "krab with a 'k'", seen on salad bars, etc.

31 (Fish meal)

The parts of pollock that remain after utilizing meat for fillets or surimi (skins, organs, bones)
--- is turned into variety of high quality fish meal products

AND plants use the pollock oil as bio-fuel to help meet energy needs of their operations.

High cost of energy in AK, especially in rural AK, is major challenge for industry.

Have only touched on a some things happening in salmon and pollock processing
But Alaska's seafood industry also produces large quantities of high-quality crab and other shellfish, halibut, cod, sablefish, many species of groundfish, and more.

Diverse industry – processing many species –
..... each requiring unique handling, processes, marketing

32 Chart – More Value per pound

All these efforts to add value and create products consumers want –
bring MORE value per pound of AK seafood harvested
(as shown in chart)

Statewide benefits of seafood processing industry

33 Export pie chart here

Seafood is **Alaska's LARGEST export product**

Important to state's overall economy – bringing in "new dollars" into economy,
not just "re-circulating dollars"

34 seafood tax revenues

And a revenue generator for state and local governments

Slide: “Alaska’s seafood industry generates approximately \$79 million in state taxes and fees annually, in addition to taxes paid to local governments.”

35

And -- LARGEST PRIVATE SECTOR EMPLOYER in the state, providing over 70,000 direct jobs and generating more than 10,000 indirect jobs.

Slides: 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48

Seafood industry employs large numbers of workers to staff the processing lines,

but also employs people in huge array of other skilled and entry-level positions.

Understand members of committee have expressed interest / concern about numbers of non-resident workers in some parts of seafood industry

Understandable question.

Happy to discuss that – *and industry efforts to address it* -- at END of presentation_or with indiv. legislators any time.

For now, just note that —

- thousands of Alaskans **are** employed in seafood processing
 - the industry is constantly seeking to hire Alaskans
 - and that ALL fishermen, and ALL Alaskans, benefit from these plants being able to fill their positions and get Alaska seafood processed.
-

Besides importance as exporter and tax payer ---

Seafood industry also supports **transportation system** of Alaska,
--- which benefits everyone

49 Southbound shipments...

Seafood industry transports thousands of workers and millions of pounds of supplies into and around Alaska

And ships millions of pounds of seafood out.

50 - freight containers

Without seafood providing a major “back haul” with shipping companies --

Alaskans would pay higher shipping costs for northbound freight

Major shippers estimate 10% higher rates across the state

That means ALL of us– even in non-fishing communities – would pay more for our groceries, building materials, household supplies, cars, etc
-- without a healthy seafood industry

Also – in many parts of state -- without seafood industry, transportation providers would not be profitable; likely provide less or no service to some communities.

Beyond overall economic benefits to state –

Additional, direct benefits at community level

Commercial fisheries are often referred to as the “economic engine” of coastal Alaska.

Seafood processors provide a market – the payday__ for fishing fleets in these regions

51 - large vessels at dock --

Not just for medium-sized fishing operations, & large fishing vessels

52 Set net boat (leave on screen til capitol photo)

.....but also for very small-scale commercial fisheries –

fisheries that provide much-needed cash income in small communities & largely-subsistence areas of the state,
communities where other options for cash income can be scarce.

Another benefit to communities-- Tax Revenue

Processors pay local property and fish taxes

Often by far largest, or even **only** significant source of local tax revenues

& Plants are part of Alaska communities – providing :

- services to local fleets
- and often, scholarships to local students, fish to local school lunch or senior lunch programs, etc.
- In many communities, seafood plant employees are living, shopping, raising families, serving on local city councils, etc

As noted at beginning – STATE is a partner in making all this work

53 - capitol

We thank Legislature for past & current support for Alaska fisheries and seafood industry.

In addition to state's investment in overall infrastructure (transportation, etc) necessary for all businesses ---

- Alaska's fishery management is known as among best in world –

Has required legislative commitment to an adequately-funded, well-staffed Dept of F&G

- AK's fishery resources, and the habitat and waters they depend on among healthiest in world due, in large part, to the state requiring & enforcing protection of those resources
- In 1970's, legislature supported establishment of AK's Salmon enhancement Program to rebuild salmon runs depleted by years of poor federal management.

Evolved into current private-non-profit hatchery program

One of best-managed, most successful, fishery enhancement programs in world

Plays important role in success of today's AK seafood industry

- In more recent years, legis passed "Salmon Product Development Tax Credit" --- & program extended again last session

Small program; small cost to state,

but provides extra boost to processors to go ahead & make sizeable investments necessary to develop new, value-added product forms, purchase new equipment, get new processes underway in their plants.

So, since statehood, AK government has adopted laws, regs, policies that have allowed the seafood industry to develop and become sustainable and strong.

NOW, and into future – What can legislature & other state and community leaders do to help ensure continued benefits of having a healthy seafood industry?

- #1 Sound management of fisheries and protection of water, fish, and fish-habitat

Adequate funding of scientific research & ADF&G, DEC
Including addressing recruitment/ retention of well-qualified staff

Good, reliable, enforceable laws, regs, and processes
For permitting and operations of all development projects

Note: Alaska's pure water and environment, the purity of our seafood and the PERCEPTION of that purity – is key to marketability of Alaska seafood in today's markets.

- Continue providing for construction and maintenance of transportation infrastructure –

Docks, harbors, airports -- for seafood industry, these are the "roads to resources"

Need state support for programs like Municipal Harbor Facility Grant Fund

- Stable, reasonable regulatory environment –

--fisheries management

--standards, requirements for operations - air, water, food safety, etc

- Continued support for a strong salmon hatchery program

With successful efforts to develop and market new, value-added salmon products

Demand is high & growing

Strong, steady supply of salmon is essential to meeting commitments and expanding markets.

- Continue to work to address high cost of energy in rural Alaska -- high energy costs are major challenge for seafood industry.
- State support for ASMI – state’s contribution to partner with funding provided by industry itself helps ensure AK products promoted and successful in highly competitive world markets
- AND -- work with us to help inform all legislators and other policy makers & leaders, and the public throughout Alaska about seafood industry & importance to the whole state.

In conclusion –

- Alaska is a LARGE GLOBAL PLAYER in SEAFOOD
- This has taken LONG TERM COMMITMENT, & INVESTMENTS by the seafood industry & PARTNERSHIP with the State of Alaska..
- ALL Alaskans benefit from successful seafood industry and from policies that support it.
- The industry wants to continue to be GOOD CORPORATE CITIZENS OF ALASKA
And GOOD PARTNERS with the STATE and PEOPLE of Alaska –
to ensure the long term sustainability of Alaska’s fishery resources
& the benefits of having a strong seafood industry.

Industry always available to provide info, answer questions, & work with Legis on issues that affect our industry and the state.

We invite committee members to visit our member company plants around state to get first-hand, up-close look at seafood processing industry.

54 - Thank you -- happy to answer questions.