



Wild, Natural & Sustainable®

Alaska Seafood Marketing Institute 2009 Legislative Session Brief

MISSION The Alaska Seafood Marketing Institute is a marketing organization with the mission of **increasing the economic value of the Alaska seafood resource** through:

- Increasing the positive awareness of the Alaska Seafood brand
- Collaborative marketing programs that align ASMI and industry marketing efforts for maximum impact within the food industry
- Long-term proactive marketing planning
- Quality assurance, technical industry analysis, education, advocacy and research
- Prudent, efficient fiscal management

PRIORITY **Support the Governor's FY 10 operating budget proposal for ASMI.**

* includes \$2,667,500 in state general funds, general funds replace federal dollars; total budget is \$17,667,400.

* the state contribution of \$2,667,500 is the minimum necessary to support ASMI's marketing effort

* the Alaska seafood industry's contribution to ASMI in the form of voluntary assessments amounts to between \$6,000,000 and \$8,000,000 per year

RATIONALE **ASMI has met with success in raising the value of Alaska's seafood harvest.**

* enhances health of private sector business, raises contribution to state treasury, stimulates sustainable state and local economic growth

* the result includes more than \$90,000,000 in seafood industry taxes to the state and local governments, stimulating employment, and fostering economic stability

Alaska must aggressively position Alaska Seafood as a premium offering in a highly competitive market to prevent price erosion. Alaska must build on the momentum and brand equity Alaska Seafood currently enjoys in the market place, and meet known threats with aggressive promotional strategies to head off Alaska Seafood price erosion.

The State of Alaska and the Alaska seafood industry, through ASMI, have made significant strides to improve the value for Alaska Seafood, and we can't afford to lose ground. The Alaska State Legislature plays a vital role by investing through ASMI in economic development of a renewable resource industry that is the state's largest private sector employer and generates widespread economic benefits.

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**AMPLIFICATION of ASMI Talking Points for 2009 Legislative Session
Funding Request FAQ * Accomplishments * Threats* Performance * Conclusion**

Why support ASMI?

Support for ASMI is support for sustainable and renewable natural resource development and economic growth. Investment in promotion of Alaska Seafood raises the value of Alaska seafood products, enhancing the vitality of private sector business, the state economy, and local and regional economies. Together, the State of Alaska and the Alaska seafood industry have made significant strides to improve the value for Alaska Seafood. We need to build on the momentum and position we currently enjoy in the market place.

Why is a larger state contribution needed?

Sources of short term federal funding used during the last several years to finance the promotion of Alaska Seafood are finished. Excluding the federal funds ASMI receives from USDA for international promotions*, federal dollars ASMI received FY 04 through FY 08 came to more than \$17 million. ASMI spread expenditure of these dollars over a period of several years for sustained impact, but now the funds are spent. To sustain the momentum of Alaska Seafood in the marketplace and hold onto value gains, a fund source shift is needed.

How is a state contribution routed to ASMI?

The Governor's FY 10 operating budget proposal for the Dept. of Commerce, Community and Economic Development contains a state general fund contribution for ASMI in the form of \$2,667,500 in unrestricted general funds. The total FY 10 budget for ASMI is \$17,667,400 (slightly lower than last year, when ASMI received \$750,000 as a state contribution). This represents a fund source shift that will partially offset the loss of non-recurring federal funds. The Alaska seafood industry's contribution to ASMI in the form of voluntary assessments amounts to between \$6,000,000 and \$8,000,000 per year

What will ASMI do with the state contribution?

ASMI will apply the funds to position Alaska Seafood as a premium offering in a highly competitive international market, and counter a number of emerging threats that are exerting pressure on Alaska's seafood industry. ASMI's proven track record building the value of the brand for key commercial Alaska seafood species is raising the value of the seafood harvest. ASMI uses foodservice and retail promotions, technical education, public relations and advertising in its effective campaigns in the U.S. and key overseas markets.

*ASMI applies for U.S.D.A. Foreign Agricultural Service funds from the Market Access Program through annual application to the federal government. Increased ASMI contribution or "match" for federal MAP funds for the promotional effort in key overseas markets attracts an increased allocation of these federal funds.

ACCOMPLISHMENTS

ASMI is a key part of the successful effort to reposition Alaska's seafood industry as a competitive market-driven food-production industry. ASMI works with retail grocers, foodservice distributors, restaurant chains, foodservice operators, universities, culinary schools, and the media. It conducts consumer campaigns, public relations and advertising activities, and aligns with industry efforts for maximum effectiveness.

- The overall industry outlook is positive, especially for salmon, which is a dramatic turnaround from seven years ago when companies were literally walking away from the salmon business.
- Through the Community Development Quota program, many rural coastal communities are participating in Alaska's largest commercial fisheries, including the pollock fishery. The increases in commercial seafood value bring millions of dollars to participants in the CDQ program.
- Ex-vessel value of Alaska's seafood harvest has increased, and ex-vessel value of salmon doubled in three years to more than \$300M.
- First wholesale value of Alaska salmon products has increased: most active salmon fishermen (75%) are Alaska residents and spend earnings all over the state. Six hundred active salmon fishermen reside in Anchorage and Mat-Su, with the majority spread through Alaska's coastal communities. 222 Alaska communities involved with Alaska salmon, including Anchorage, benefit from improvements in the market.
- Export value of Alaska Seafood to ASMI destination countries has increased markedly over the past several years.
- ASMI's worldwide promotions of Alaska Seafood also showcase Alaska as a destination for visitors. While not the specific goal of ASMI marketing efforts this is an added benefit that comes at no additional cost.

Wild Alaska Seafood now commands respect in the marketplace. Here are examples:

- As a result of ASMI foodservice promotions and informing the public about wild Alaska seafood, a wide majority of U.S. restaurant diners have a positive impression of the Alaska Seafood brand (77%).
- The trade component of the U.S. national advertising campaign for Alaska Seafood was circulated to retail and foodservice buyers making purchasing decisions for 17,000 retail grocery locations and 903,000 foodservice outlets.
- Alaska Salmon is preferred 84% to 16% over Atlantic Salmon in restaurants.
- The Alaska Seafood brand is the second most popular food brand on menus of the top 500 U.S. restaurant chains.
- Cook It Frozen promotions at retail grocery stores in the U.S. support value-added frozen product sales.
- Television ads on the Food Network in February and March of 2007 generated 193,785,000 household impressions, and reached more than 60 million women in ASMI's top target demographic.
- Combined television and consumer magazine ads in FY 08 generated 241 million household impressions.

- Alaska seafood sales at the ASMI-anchored Alaska Pavilion at Europe's largest seafood trade show have grown steadily: in 2008, participating Alaska seafood companies made **\$31 million** in on-site sales, and **\$125 million in projected sales** for the ensuing year.

THREAT ANALYSIS

There are a number of threats ASMI must counter in order to raise the value of the seafood harvest. Here is an example of the scope of such threats. In 2008, Greenpeace released results of a retail grocery survey it had conducted in the U.S.; the organization is demanding that Alaska pollock be pulled from store shelves. Recently they launched a media campaign accusing Alaska of mismanaging Alaska pollock, and demanding a 50% cut in the harvest quota. Whether the concern is contaminants in seafood, confusion over eco-labels, or the global ramping up of aquaculture, ASMI must effectively challenge attacks, and educate the consumer, trade customers and the media about the value of Alaska's seafood.

Examples of external threats to increasing brand value:

- Global aquaculture –relatively constant wild seafood supply overtaken by aquaculture, which now produces more seafood than capture fisheries
- Competing nations, not just competing proteins – pork, chicken and beef, dairy and farmed fish are priced lower and have better funded marketing campaigns. ASMI competes against nations for market share, and in the case of many competing products the governments of the countries (e.g., Norway, Chile, Scotland, Australia) are actively involved in providing funding.
- Price resistance – following periods of increase in value for particular species, Alaska producers are encountering price resistance
- Seasonality, consistency of supply, inelasticity of supply – product availability fluctuates within the season and from year to year, and there are upper limits to wild seafood production in sustainably managed fisheries
- International economics – currency fluctuations, softening of domestic or foreign economies (e.g., ASMI's U.S. dollars in key overseas markets shrink dramatically when converted to Euros, Yen, and Yuan), tariff and trade barriers
- Increasing fuel and transportation costs
- Confusion over eco-labels – a proliferation of eco-labels in the marketplace (labels denoting sustainably produced seafood), and the issues of traceability and country of origin labeling require educating customers at consumer and trade levels about Alaska Seafood brand and Alaska as the model of sustainable fisheries management

- Funding - Dollars available to support infrastructure and marketing, many federal sources drying up, promotional costs are rising
- Worldwide economic turbulence and a credit crunch creating uncertainty for Alaska seafood producers and suppliers

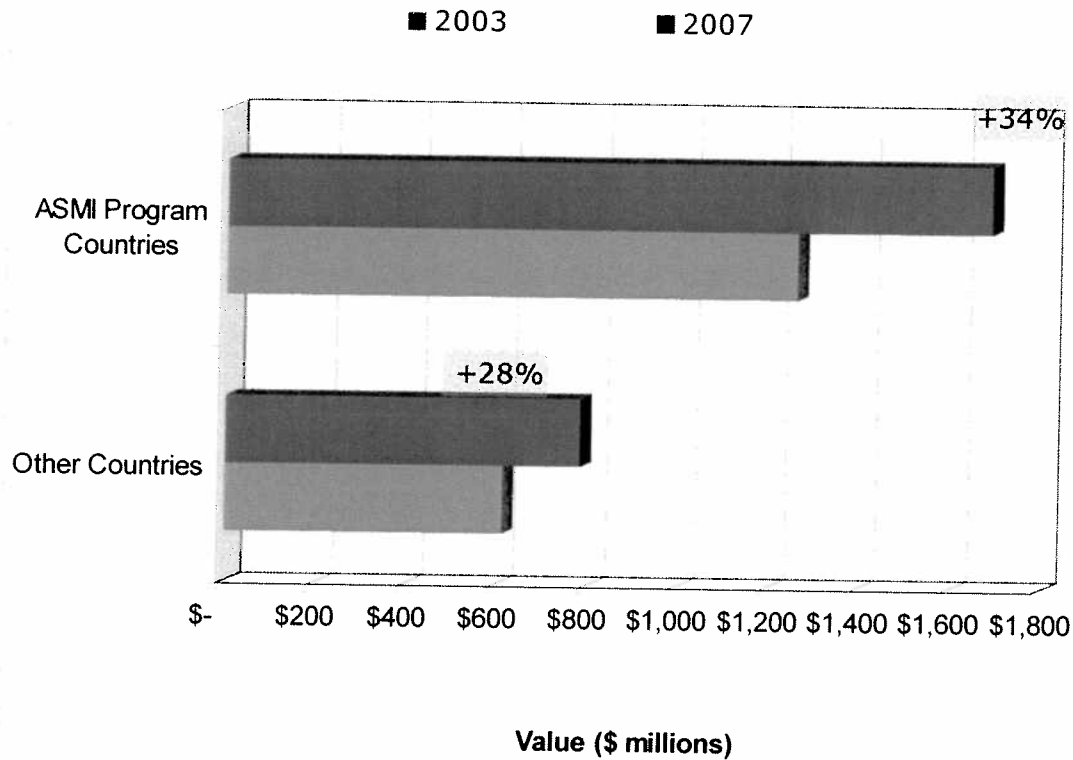
PERFORMANCE

ASMI is accomplishing its mission of increasing the economic value of Alaska seafood resources, however a disruption in funding will challenge our ability to deliver key Alaska messages to a critical number of people.

- **The first wholesale value of Alaska's seafood harvest (all key commercial species) has continued its upward value trend and reached \$3.6 billion, providing increased revenue to state and local governments and the private sector. Value increased 12.5% from 2006-2007.**
- **The price paid to fishermen for Alaska's seafood harvest, the ex-vessel value, reached \$1.6 billion in 2007.**
- **The first wholesale value of Alaska salmon products reached \$900 million, continuing an upward trend established from 2002-2007, boosting state and local economies and the private sector.**
- **Alaska seafood is among the three most popular food brands on U.S. menus. It has ranked third, and second, and has not yet reached the top spot.**

- Seafood exports to ASMI destination countries exceeded \$1.7 billion, up 34% from 2003 to 2007, a higher rate of growth than in non-ASMI countries.

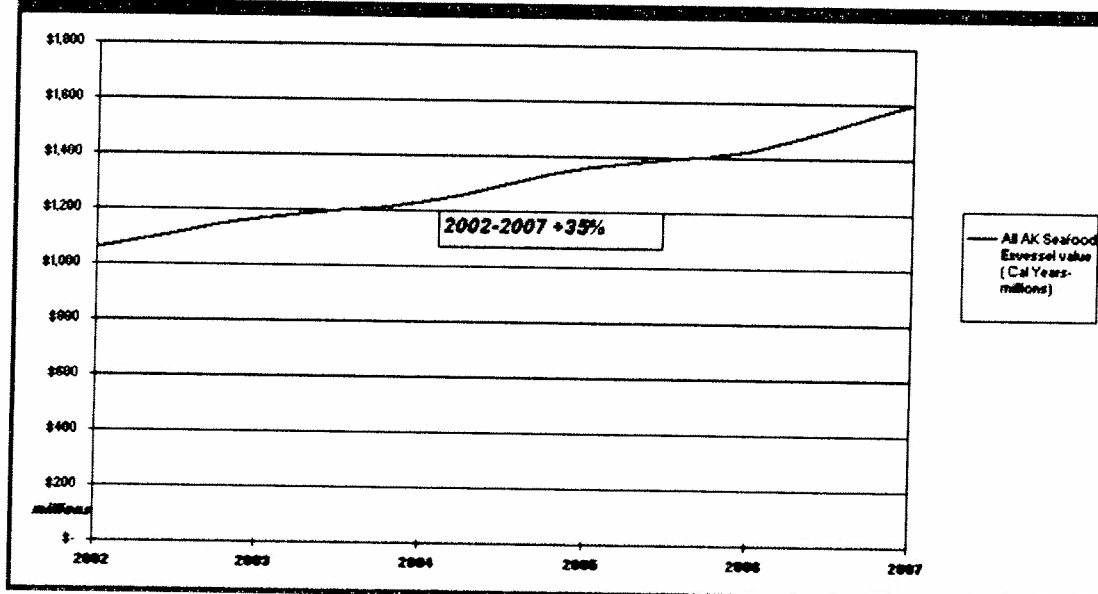
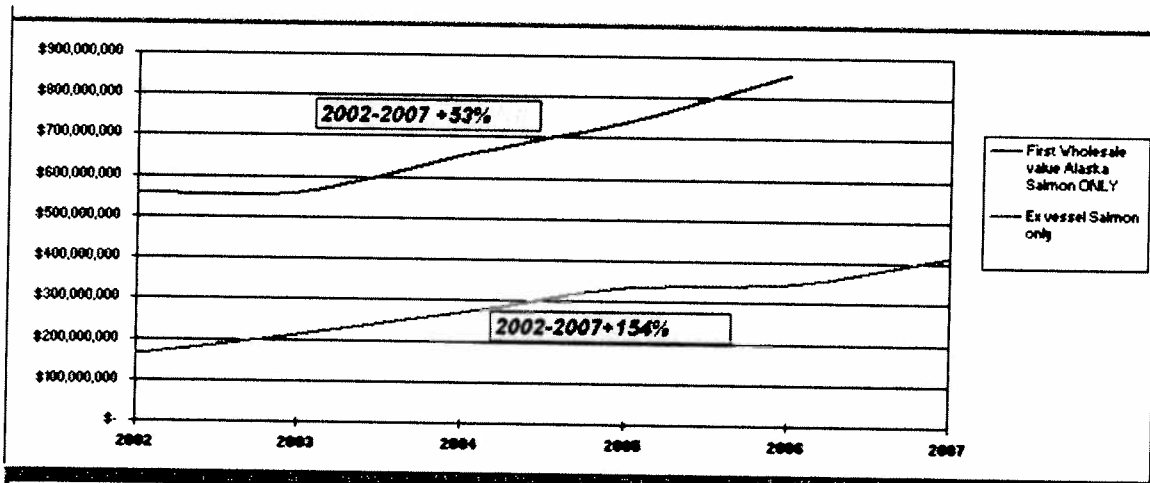
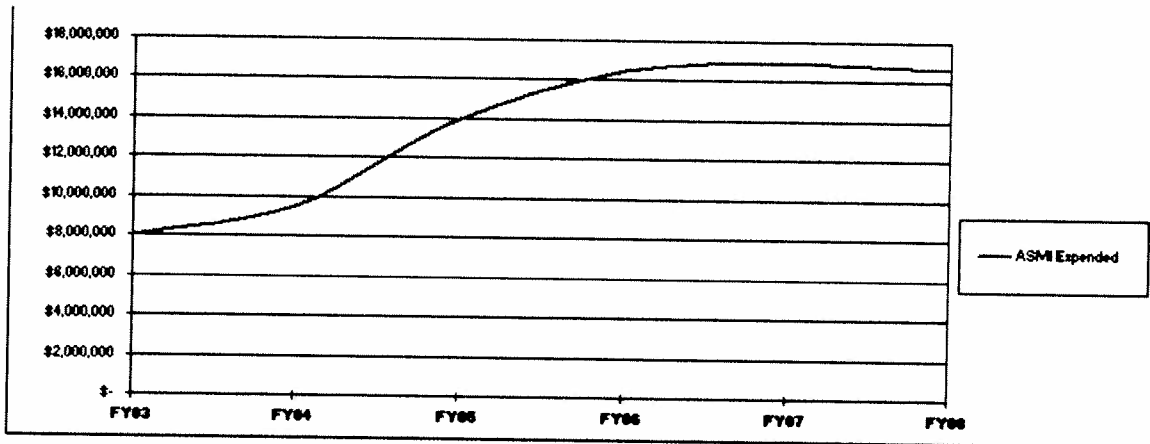
Alaska Seafood Export Value Growth



ASMI Performance, including performance targets, strategies to meet the targets, analysis and tables are available at <http://www.gov.state.ak.us/omb/results/view.php?p=18>, on the State of Alaska website for Office of Management and Budget, Performance section, for Alaska Seafood Marketing Institute within the Dept. of Commerce, Community and Economic Development. Some highlights of this information are included below. This URL will lead to the Summary page; also review the "Details" sections.

REVENUE, EXPENDITURE AND ALASKA SEAFOOD VALUE TRENDS

	FY03	FY04	FY05	FY06	FY07	FY08
ASMI Expended	\$ 8,000,000	\$ 9,500,000	\$ 14,000,000	\$ 15,500,000	\$ 16,300,000	\$ 16,700,000
First Wholesale value Alaska Salmon ONLY	2002	2003	2004	2005	2006	2007
Ex vessel Salmon only	\$ 559,000,000	\$ 559,000,000	\$ 657,000,000	\$ 741,000,000	\$ 857,000,000	
	\$ 163,000,000	\$ 212,000,000	\$ 272,000,000	\$ 334,000,000	\$ 348,000,000	\$ 417,000,000
All AK Seafood Exvessel value (Cal Years-billions)	2002	2003	2004	2005	2006	2007
	\$ 1.061	\$ 1.167	\$ 1.232	\$ 1.361	\$ 1.425	\$ 1.600



CONCLUSION

ASMI provides a unique and critical function for the Alaska Seafood industry, one that individual companies or direct marketers cannot provide on their own, and provides a demonstrable return on investment. That function is building and defending the Alaska Seafood Brand, one of the best known seafood brands in the world. Through ASMI efforts both in the U.S. and abroad, customers are drawn to Alaska Seafood: this provides the traditional “pull” for our products. The industry, which is better aligned with ASMI efforts than ever before, can then focus on traditional trade spending with the retailers and foodservice operators providing the “push” for Alaska Seafood products. This powerful combination of “push and pull” leverages the overall industry spending in the most efficient and effective way.

In order for ASMI to sustain momentum for Alaska Seafood in the U.S., Asia, and European Union, the non-MAP federal funding sources it has been utilizing to maximize the value of the seafood harvest will need to be replaced with funding from other sources.

<i>Revenue sources</i>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>
GF	0	0	0	0	1000	500	750
Other Federal Grants	772	1900	9609	2000	2991	948	0
Industry Contributions	4400	4800	5800	6700	7300	8000	7800
Federal MAP Funds	3000	3700	3900	4100	4355	4700	5132

