

# Performance Details

## Department of Commerce, Community, & Economic Development - Alaska Seafood Marketing Institute

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### Mission

*Increase the economic value of Alaska seafood resources.*

### Core Services

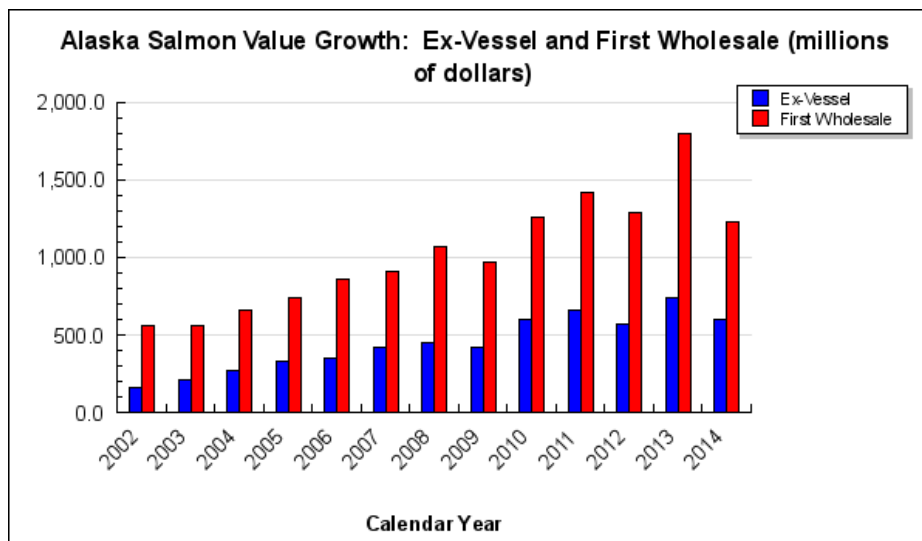
- U.S. and International Retail and Foodservice Alaska Seafood Promotion, Public Relations and Communications and Seafood Quality Technical Support

Mission Results	Core Services
<p>A: Increased economic value of Alaska seafood resources. <a href="#">Details &gt;</a></p> <ul style="list-style-type: none"> <li>• <b>TARGET #1:</b> Increase the first wholesale value of selected Alaska salmon products by 0.5 percent.</li> <li>• <b>TARGET #2:</b> Maintain second place ranking and work on moving Alaska Seafood to first place among the most popular food brands on U.S. restaurant menus.</li> </ul>	<p>A1: U.S. and International Retail and Foodservice Alaska Seafood Promotion, Public Relations and Communications and Seafood Quality Technical Support <a href="#">Details &gt;</a></p> <ul style="list-style-type: none"> <li>• <b>TARGET #1:</b> Increase the aggregate value of Alaska seafood exports to Alaska Seafood Marketing Institute (ASMI) program destination countries by 0.5 percent annually.</li> <li>• <b>TARGET #2:</b> Increase the ex-vessel value of key species in Alaska's commercial harvest by 0.5 percent annually.</li> <li>• <b>TARGET #3:</b> Continue to generate target consumer awareness via consumer public relations and advertising campaigns.</li> </ul>

### Performance Detail

#### A: Result - Increased economic value of Alaska seafood resources.

**Target #1:** Increase the first wholesale value of selected Alaska salmon products by 0.5 percent.



Methodology: ADF&G, Commercial Operators Annual Report (Ex-Vessel Value) and Alaska Department of Revenue (First Wholesale Value), compiled by McDowell Group.

**Analysis of results and challenges:** Ex-vessel value refers to the value of payments made to fishermen by processors (for delivering fish). First wholesale value is the revenue received by processors recorded when they sell processed seafood resources outside of their network. ASMI strives to increase the value of Alaska salmon products, thereby increasing the first wholesale value and ex-vessel value of the

resource for both fishermen and processors.

Odd years tend to produce larger harvest volumes and values because pink salmon catches are usually higher in odd years. This general pink salmon abundance cycle and the normal variation in salmon harvests make year to year comparisons of value tenuous. However, over the long term the goal is to increase the value of Alaska's salmon resource with the understanding that there will be fluctuations from year to year.

The average first wholesale value in 2013 and 2014 was \$1.368 billion, compared to \$717 million in 2004/2005 (10 years prior). This produces a CAGR (compound annual growth rate) of 7.4 percent over the past decade. The average ex-vessel value in 2013 and 2014 was \$671 million, compared to a \$296 million average in 2004/2005 (10 years prior). This produces a Compound Annual Growth Rate (CAGR) of 9.5 percent of the ex-vessel value and first wholesale value over the past 10 years is well above the 0.5 percent annual goal. That ex-vessel payments to fishermen have increased as first wholesale value increased suggests there is healthy competition between processors in Alaska's salmon industry.

Rising values for Alaska salmon have resulted in numerous benefits for Alaska's economy over the past decade. The cumulative value of Alaska salmon permits is up 182 percent since 2005 (from \$300 million to \$846 million in 2014), improving the balance sheets of thousands of Alaskan households. The number of commercial salmon permits fished is up, as is the number of processing jobs in salmon producing regions. Larger ex-vessel values also produce more tax revenue for state and local governments. Finally, more income in Alaska communities creates more indirect jobs for other Alaskans.

**Target #2:** Maintain second place ranking and work on moving Alaska Seafood to first place among the most popular food brands on U.S. restaurant menus.

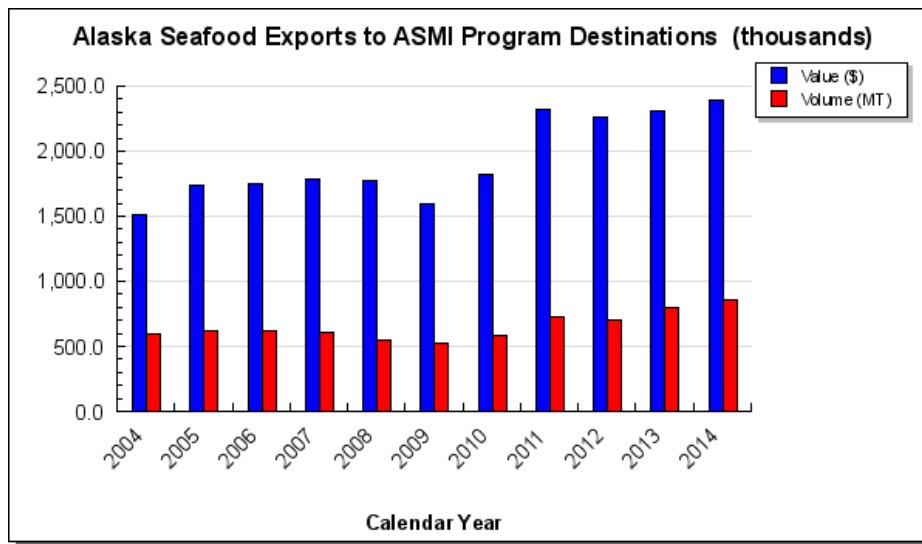


*Methodology: Dataessentials Research.*

**Analysis of results and challenges:** The Alaska Seafood Brand ranks as the #2 most commonly specified brand on U.S. menus of the top ten brands on US chain restaurants behind Angus Beef and above all other protein food brand products including cheese, poultry, eggs, pork, etc. This research is done every two years.

**A1: Core Service - U.S. and International Retail and Foodservice Alaska Seafood Promotion, Public Relations and Communications and Seafood Quality Technical Support**

**Target #1:** Increase the aggregate value of Alaska seafood exports to Alaska Seafood Marketing Institute (ASMI) program destination countries by 0.5 percent annually.



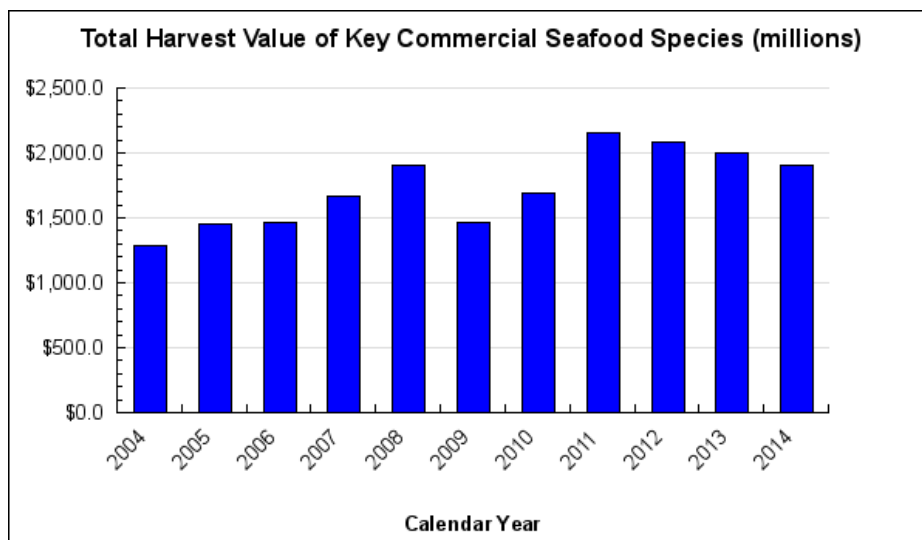
Methodology: National Marine Fisheries Service (NMFS), compiled by ASMI staff, McDowell Group.

**Analysis of results and challenges:** Export markets are critical to Alaska's seafood industry, as foreign markets account for 60 to 70 percent of first wholesale value each year. The chart depicts exports made directly to ASMI program countries, but does not include product which may have been stored or re-processed in other countries before being sent to a program country. Exports to program countries increased 3.6 percent by value and 7.3 percent by volume in 2014. Exports have been relatively consistent in recent years, but can change significantly from year to year – mostly due to changes in harvest volumes. The compound average growth rate (CAGR) in both export value and volume over the past 10 years is 3.6 percent - well above the 0.5% annual growth goal.

The average unit value of Alaska salmon exports (to all countries) is up 20.8 percent since 2007. Total export value of salmon is up 21.1 percent since 2007, with similar export volume. Unit values for edible Alaska pollock exports are down 12.8 percent since 2007, but total export value of these Alaska pollock products is up 29.9 percent. The total value of Alaska crab exports is up 21.6 percent since 2007, despite declining harvests and exports of the more valuable king crab species.

The Alaska seafood industry faced significant challenges in 2014 and export markets will continue to be pressured in 2015. In 2014, the Russian government placed an embargo on seafood products from the U.S. and several other countries. This action, along with conflict and fiscal problems in the Ukraine, led to a decline of nearly \$75 million in Alaska seafood exports to these two eastern European countries during 2014. Increased exports to Japan, Alaska's largest (single) export market, offset the decline in eastern Europe; however, the outlook for exports to Japan in 2015 is poor. The yen has continued to weaken versus the U.S. dollar while the Russian ruble has weakened significantly versus the U.S. dollar and yen (Russian seafood is one of Alaska's largest competitors). This places Russia in a much better position to export sockeye, pollock roe, and crab to Japan. Exports to China, Alaska's largest seafood trading partner, have been relatively steady after increasing substantially in 2011. It is estimated that 80 to 90 percent of Alaska seafood exported to China undergoes secondary processing and is re-exported to other countries (mostly Europe, U.S., and Japan). Exports of frozen headed/gutted pollock and Pacific cod increased 12.7 percent (\$29.8 million). Operating costs in China continue to increase faster than the price of the products produced there. This could have significant ramifications for Alaska producers in coming years.

**Target #2:** Increase the ex-vessel value of key species in Alaska's commercial harvest by 0.5 percent annually.



Methodology: 2014 is preliminary.

Data Sources: ADF&G, Commercial Operators Annual Report and CFEC, National Marine Fisheries Service, and McDowell Group estimates.

**Analysis of results and challenges:** The harvest (ex-vessel) value of Alaska's commercial seafood resource represents payments from processors to commercial fishermen. The commercial fishing sector directly creates jobs for more workers than any other Alaska industry, and most of these workers are Alaska residents. Increasing the harvest value has a beneficial impact on Alaska communities and revenues for local/state governments.

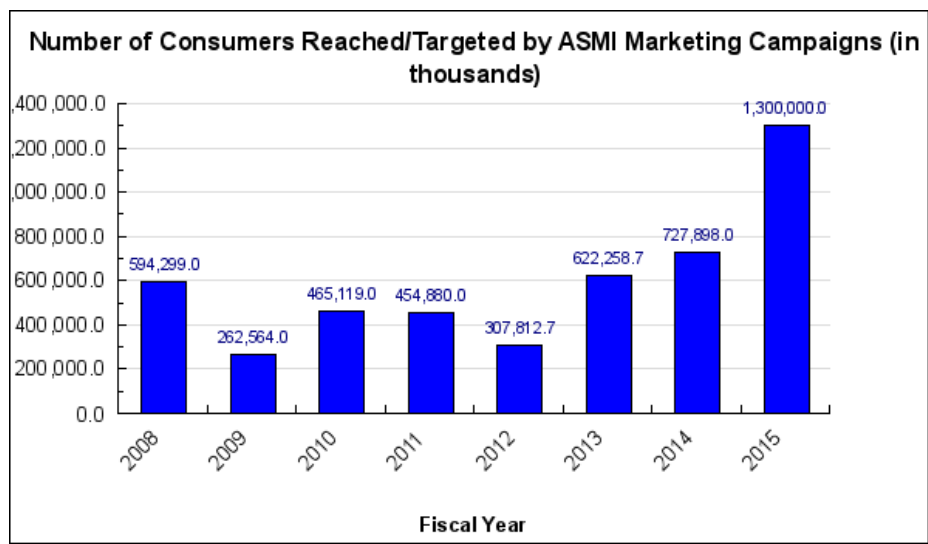
The collective ex-vessel value of key commercial seafood species totaled \$1.91 billion in 2014; however, this figure is preliminary as final ex-vessel value data on federal groundfish species is not yet available. Estimated value declined 4.3 percent in 2014. The total harvest volume of key species declined 3.7 percent in 2014 and the value per pound declined by 0.6 percent.

Despite the lower value of Alaska seafood in 2014, the industry and ASMI's performance over the past 10 years is still above the targeted growth level. The CAGR (compound annual growth rate) of key Alaska commercial seafood species between 2005 and 2014 is 3.0 percent – well above the annual target of 0.5 percent. Harvest volumes and values fluctuate from year to year depending on environmental and market conditions, so it is instructive to view results over the long term rather than focusing solely on year to year changes.

Lower ex-vessel values during the past year are primarily due to lower total values for salmon, halibut, and black cod. The total value of these three species declined 18.1 percent (\$154 million) in 2014 versus the prior year. However, this was primarily due to lower harvest volumes of these species, which posted a decline of 31.7 percent. Smaller salmon harvest volumes in even years is common, so this development is not unexpected. Although the ex-vessel value of federal groundfish species (pollock, Pacific cod, flatfish, Atka mackerel, and rockfish) is not yet available, the first wholesale value of these species increased 6.7 percent in 2014.

After more than 10 years of increasing value, the price paid to fishermen saw a value decline in the 2014 and 2015 fishing seasons. Factors such as currency values, the Russian seafood embargo, eco-label brand commoditizing, and generally large harvests all played a role in driving down ex-vessel prices. However, an improving domestic economy and well-positioned brand messaging with the intrinsic qualities of superior taste, healthiness, and sustainability should have positive influences for Alaska salmon markets.

**Target #3:** Continue to generate target consumer awareness via consumer public relations and advertising campaigns.



Methodology: Alaska Seafood Marketing Institute; Schiedermayer & Associates.

**Analysis of results and challenges:** ASMI will continue to focus on trying to increase consumer awareness by use of various methods of media communication that includes broadcast, print and online media and advertising ASMI did not have a public relations contractor for the first half of FY2015; while media relations work continued, impressions were not tallied during that period. Still, public relations impressions for FY2015 topped 995 million for the 6 months impressions were calculated.

Advertising impressions included over 48 million magazine impressions, 178 million on-line impressions, and an estimated 104 million radio advertising impressions. This gives a total of over 1.3 billion domestic advertising and public relations impressions for the year.

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