

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON FISHERIES**

February 21, 2012

5:07 p.m.

**MEMBERS PRESENT**

Representative Steve Thompson, Chair  
Representative Scott Kawasaki  
Representative Bob Miller

**MEMBERS ABSENT**

Representative Craig Johnson, Vice Chair  
Representative Alan Austerman  
Representative Bob Herron  
Representative Lance Pruitt

**COMMITTEE CALENDAR**

PRESENTATION: ALASKA SEAFOOD MARKETING INSTITUTE (ASMI)

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

RAY RIUTTA, Executive Director  
Alaska Seafood Marketing Institute (ASMI)  
Juneau, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation titled "Alaska Seafood Marketing Institute."

BRUCE WALLACE, Member  
Alaska Seafood Marketing Institute Board (ASMI)  
Juneau, Alaska

**POSITION STATEMENT:** testified during the ASMI presentation.

**ACTION NARRATIVE**

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**CHAIR STEVE THOMPSON** called the House Special Committee on Fisheries meeting to order at 5:07 p.m. Representatives Thompson and Miller were present at the call to order. Representative Kawasaki arrived as the meeting was in progress.

**Presentation: Alaska Seafood Marketing Institute (ASMI)**

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CHAIR THOMPSON announced that the only order of business would be a presentation from the Alaska Seafood Marketing Institute (ASMI).

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RAY RIUTTA, Executive Director, Alaska Seafood Marketing Institute (ASMI), stated that the Alaska Seafood Marketing Institute (ASMI) was a partnership between the State of Alaska and the seafood industry, and had been in existence for more than 30 years, with its primary mission to market seafood. Directing attention to slide 2, "The Codfish," he read the ditty and exclaimed that "it pays to advertise." Moving on to slide 3, "Alaska's Seafood Industry," he declared that the seafood industry was "big business in Alaska ... for the most part, we pay our own way." He declared that many taxes were assessed on the industry, and that about half the ASMI budget was based on a one half percent tax on the price the processors paid to fishermen. He reported that the other half of the budget was secured in a match with the industry, declaring that this leveraged "marketing access program funds" to support the international marketing efforts. He explained that the three sources, industry funds, state funds, and federal marketing funds, comprised the ASMI budget. He shared that the fishing industry, in 2009, had generated more than \$4.6 billion in economic value, was the major employer in Alaska, and had contributed more than \$1.45 billion in labor and income.

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MR. RIUTTA stated that Alaska was the dominant seafood producer in the United States, with more than half the seafood produced for market. He shared that, in 2010, the Alaska fish harvest was the 11th highest since statehood.

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MR. RIUTTA addressed slide 4, "U.S Per Capita Protein Consumption 2009," and compared fish consumption with that of beef, pork and poultry. He noted that only 16 pounds of seafood was consumed per capita in the U.S. and he conjectured that people would experience an improvement in health if more fish products were consumed. He shared that Alaska produced about 90 percent of the salmon in the U.S., but only 12 percent in the global market. He pointed out that a lot of the global production was farmed fish from Chile, Canada, and Norway. Alaska produced about 2 percent of the global market for all seafood. He clarified that this necessitated for ASMI to market itself as an entity, not a commodity, in order to command a better price.

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MR. RIUTTA moved on to slide 5, "Alaska Seafood Production By Type," a graphic indicating the species value versus volume, and pointing to black cod, halibut, shellfish, and salmon as higher value-to-volume products. Each of these stood on their own as a product, as opposed to being an ingredient. He declared that the fishing industry had a high impact on the economies of rural communities, slide 6, "Impact on Rural Communities." Referring to slide 7, "What is the Alaska Seafood Marketing Institute?", he explained that ASMI was a partnership between the state and the industry, and its job was to market Alaska seafood. He reported that ASMI had a Board of Directors, comprised of five processors and two commercial harvesters, who were appointed by the governor.

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MR. RIUTTA indicated slide 8, "ASMI Mission Statement," and declared that ASMI was focused on increasing the economic value of Alaska seafood and maintaining market access. He showed slide 9, "Lead by Industry," which listed the Board of Directors. He noted that ASMI also had a Customer Advisory Panel which advised on how best to approach the marketplace.

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MR. RIUTTA, reflecting on slide 10, "ASMI Builds 'Alaska' Brand," said that AS 16.51.110 required that ASMI promote every Alaska product equally, not by brand or region. He noted that sustainability, as defined in the Alaska State Constitution, was a basis for Alaska seafood products.

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MR. RIUTTA shared slide 11, "The Alaska Brand," which listed the consumer descriptors associated with Alaska seafood. Directing attention to slide 12, "Alaska Seafood Audience," he said that although the Baby Boomer Generation was the target audience, Generation Y had been recently added as a target group. He indicated slide 13, "ASMI Domestic & International Programs," and described the six marketing programs: retail, foodservice, international, consumer public relations, seafood technical, and global food aid.

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MR. RIUTTA discussed the domestic retail marketing program, slides 14 and 15, which worked to align the Alaska Seafood Industry with retailers across the US, and support their sales and marketing programs through in-store promotions, consumer advertising, public relations, and trade advertising. He described other advertising strategies, including co-branding with Alaskan Brewing Company and partnering with individual stores.

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MR. RIUTTA described the ASMI work in domestic foodservice marketing, slides 16 and 17, with restaurants, universities, chef networks, and broad line distributors to promote Wild Alaska Seafood products.

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MR. RIUTTA shared some activities that ASMI cooperated in to promote Alaska seafood on campuses, slide 18.

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MR. RIUTTA said that international marketing was paying off in key markets, including Japan, the European Union, Brazil, and China, slides 19 and 20. He declared that this marketing was only limited by the money.

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MR. RIUTTA stated that the Alaska Canned Salmon Global Food Aid program, created in 2005, had brought canned salmon to areas of need, slide 21. He shared that many countries which had

received salmon through food aid programs were now buying ASMI products.

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MR. RIUTTA discussed slide 22, "Seafood Technical," which outlined the technical program for guidance to the seafood industry in food safety, quality, nutrition, food labeling, environmental issues, and cargo handling. He stated that this technical program, focusing on sustainability, offered guidance from point of harvest to the end user. He moved on to slides 23 and 24, "Communications," and said that the communications program supported the marketing staff in its outreach. He shared the many materials available, including recipe cards, cookbooks, and training materials. He shared the development of Alaska Seafood University, and its on-line courses, which had been incorporated into the training for many of the large retail chains.

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MR. RIUTTA moved attention to slides 25, 26, and 27, which depicted Seafood shows and Expositions around the world. He said that a partnership with Rei Munoz and her artwork had helped to make the seafood show in Boston a success in 2010. He described that the largest seafood show in the world was in Brussels, Belgium, which had garnered \$634 million in projected sales for ASMI. He discussed some of the other international events including Hong Kong, Poland, and Germany.

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MR. RIUTTA briefly mentioned that the social media programs on You Tube, twitter, tumblr., and Facebook, slide 28, were important to get the message out to the Generation Y audience.

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MR. RIUTTA discussed some of the "Recent Challenges," slide 29. He pointed to price resistance, growth in farmed salmon, currency fluctuations, and world economics as challenges to ASMI.

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MR. RIUTTA directed attention to slides 30, 31, and 32, noting the attacks on Alaska salmon producers when they withdrew from

the MSC certification process in January 2012. He summarized that Alaska had been with the MSC (Marine Stewardship Council), which certified seafood as sustainable, for more than 10 years. He reflected that the Alaska salmon producers had asked ASMI to refocus its efforts for an alternative to the MSC recertification. He explained that the new certification was defined by the FAO (Food and Agriculture Organization of the United Nations) code of conduct for responsible fisheries management, and the ISO 65 standards, the toughest certification standards in the world. He declared that this had resulted in "quite a pushback by both the MSC and a number of their sponsors since we brought that program to market, claiming it's not equivalent, it's not worthy, it's a step backward for the sustainability movement, and a lot of other things."

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MR. RIUTTA provided a quote, slide 31, from Mike Sutton, of the Monterey Bay Aquarium and a founder of MSC. "Alaskans are going to regret the path they are trying to go down." He reported that there was now a concentrated effort to discredit the Alaska hatchery program which was a model for world hatcheries.

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MR. RIUTTA explained the issues, slide 32, with MSC and why Alaska had withdrawn. He said that market access had become restricted, as MSC certification was now necessary in some states and countries. ASMI had viewed this as a long term problem, because MSC was influenced by its funders, which included the World Wildlife Fund and other non-governmental organizations (NGO). He noted that ASMI had developed the Alaska Seafood brand, and did not want to be swallowed into the MSC brand. He mentioned other associated cost increases by the MSC.

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MR. RIUTTA provided a flow chart, slide 33, "What should be the role of the NGO?" to define what ASMI would like to see as the role of an NGO. He pointed out that the fishery governance decisions were controlled by legal mandates, FAO guidance, the competent authorities, the stakeholders, and the NGOs. After the decisions for governance were made, they were imposed on the fishery and the fishermen. The fishermen then had the option of selling to the processor, or producing and direct marketing their own product. He pointed out that the certification

programs had been established for enforcement prior to the sale to the market, and these certification products were becoming mandatory. He clarified that this mandatory requirement gave NGOs greater influence over fisheries governance. He acknowledged that in areas of bad governance, this was effective, but that in Alaska, with strong governance, this kept the standards in flux. He shared that the biggest concern of the seafood industry was that NGOs could stop fisheries from sending their product to market, without the NGO having to participate in the governance process. He stated that governments should have the responsibility for establishing certifications. He listed some of the disagreements with the MSC, including its proposed separation of hatchery and non-hatchery fish, and separation into multiple geographic regions. He declared that Alaska could take care of any fisheries management problems, if they arose, as it was the "law of the land." He declared that the current certification program was "absolutely adequate and it gets the job done." He agreed that the MSC had a role, but that it should not interfere, as "a single private entity who has their own private standard, to give them the sole authority to decide who can sell seafood to the public and who cannot, is problematic in the view of the industry." He declared a need for competition in the marketplace, slide 34.

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REPRESENTATIVE KAWASAKI asked if there were other states, countries, or nations that were removing themselves from the MSC labeling system.

MR. RIUTTA replied that no others were currently leaving MSC, although not every country had entered into it. He reported that Alaska was now using the same program as Iceland, Responsible Fisheries Management Certification. He noted that Canada, and a few other countries, were also contemplating the Alaska model for certification processes as an alternative to the MSC.

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REPRESENTATIVE KAWASAKI asked, as the Canadian fishery used more farmed fish, why it had not left the MSC.

MR. RIUTTA explained that this certification was for wild capture fisheries, and that there was a separate certification for farmed fish.

MR. RIUTTA, in response to Representative Kawasaki, said that MSC was the best known certification program for wild capture fisheries. He shared that Alaska salmon fisheries were concerned that MSC would become the sole gate keeper to the market. He explained that Alaska had returned to the source of the certification programs, the FAO code of conduct for responsible fisheries management, which had been developed by more than 70 nations. He shared that MSC had increased this standard and its application, but that it was a changing standard without any return to the agreed upon FAO code.

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MR. RIUTTA, in response to Representative Miller, stated that MSC were the initials for the Marine Stewardship Council, and FAO were the initials for the Food and Agricultural Organization of the United Nations.

REPRESENTATIVE MILLER asked for an update to the labeling for genetically modified, or farmed, fish.

MR. RIUTTA offered his belief that although labeling was not nationally required, Alaska did require it. He pointed out that consumer demand was to know the origin of the product. He said that this was a current discussion in the U.S. Congress.

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MR. RIUTTA, in response to Representative Kawasaki, explained that Germany and the United Kingdom (UK) were strongholds for the MSC certification, as Germany especially was "heavily influenced by green environmental groups," and retailers were required to have MSC certification in order to market wild capture seafood. He acknowledged that this represented a problem for Alaska seafood marketing in Germany, and that Alaska needed to educate these countries that Alaska was the gold standard for salmon fisheries management. He shared that only a few retailers in the U.S. had insisted on MSC certification, while most preferred the FAO designation, in lieu of any eco labels, which allowed an inclusion with their corporate social responsibility programs. He explained that the Magnuson - Stevens Fishery Conservation and Management Reauthorization Act was a requirement for sustainable seafood, hence any fishery in the U.S. had already been certified by law. He shared a concern that more countries would not buy Alaska seafood without the MSC certification, which he described as a "moving bar." He opined

that the initial MSC certification was "a really good balance between industry and the environmental world to try to ensure that all the world's fisheries were sustainable using market pressure" but that it had "begun to tilt" so that the seafood industry felt it had no input to the process.

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MR. RIUTTA returned attention to slide 36, which illustrated that the value of key commercial species had increased from 2004 to 2010, with the exception of 2009. He pointed out that the value of Alaska salmon had increased every year from 2002 to 2010, and although not on the graph, he shared that "the 2011 numbers were even better." He reported that this increase was directly attributable to investment incentives and the Joint Legislative Salmon Industry Task Force in 2002. He noted that aggressive marketing and investment in changes to the industry had given rise to the value of the canned and fresh products and stabilized the salmon market. He noted that ASMI performance was measured by the ex-vessel price of fish.

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MR. RIUTTA moved on to slide 37, a graph depicting consumer advertising and public relations campaign expenditures. He pointed out that, as funding had diminished, ASMI had focused on consumer public relations campaigns and, most recently, social media. He noted that the lower graph reflected the consistency of Alaska seafood exports for value and volume since 2004.

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MR. RIUTTA discussed slide 38, which reflected the sources of allocation for ASMI funding, including Federal Market Access Program (MAP), Seafood Assessment Tax, and State General funds. He expressed concern to the future cancellation of the MAP program, and those consequences for ASMI.

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REPRESENTATIVE KAWASAKI asked if the MAP funding was related to the state general fund match.

MR. RIUTTA confirmed that the MAP funding was tied to the state funding, which was a combination of industry and general funds. He repeated the funding sources he had described earlier: the

seafood industry self-assessment tax, and state general funds, which were used to leverage the MAP funds.

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REPRESENTATIVE KAWASAKI asked if ASMI had taken advantage of every available federal dollar. He asked if MAP funding was capped.

MR. RIUTTA replied that MAP funding was capped at \$200 million, and that ASMI was leveraging this funding as heavily as possible.

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MR. RIUTTA directed attention to slide 39, which provided the ex-vessel value trend versus the ASMI funding trend, and he noted the fairly parallel trend lines on the graph. He concluded that reasonable investments in advertising increased the overall value of the seafood harvest.

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MR. RIUTTA analyzed slide 40, the FY 2012-2012 budget figures, by component, and he pointed out that although ASMI expected to receive about \$500 million less in MAP funding, the seafood industry and general funds should cover the loss. He moved on to slide 41, "FY13 Governor's Operating Budget," which depicted the ASMI expenses.

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MR. RIUTTA, in response to Chair Thompson, agreed that, initially, it would probably be more costly to market Alaska seafood in Europe without the MSC certification.

CHAIR THOMPSON offered his belief that ASMI was a very successful program, and that it was necessary to educate the markets that Alaska's seafood standards exceeded those of MSC.

MR. RIUTTA agreed, stating that both standards accomplished the same thing, both were good programs, and that it was all about sustainable seafood. He said that the new program in Alaska, Responsible Fisheries Management, was based on the FAO code, and that Alaska had gotten the idea for this alternative from Iceland.

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BRUCE WALLACE, Member, Alaska Seafood Marketing Institute Board (ASMI), commented that the shift from the MSC certification had been discussed extensively among the United Fisherman of Alaska. It had been generally agreed that it was not acceptable to allow an NGO to determine the MSC certification. He clarified that the fishermen had agreed with the fish processors to make this change.

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**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 6:10 p.m.