

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND
TOURISM

February 13, 2014
11:19 a.m.

MEMBERS PRESENT

Representative Shelley Hughes, Chair
Representative Bob Herron
Representative Pete Higgins
Representative Harriet Drummond

MEMBERS ABSENT

Representative Lynn Gattis
Representative Craig Johnson
Representative Kurt Olson
Representative Lance Pruitt
Representative Geran Tarr

COMMITTEE CALENDAR

PRESENTATION: ALASKA SEAFOOD MARKETING INSTITUTE

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

TYSON FICK, Communications Director
Alaska Seafood Marketing Institute (ASMI)
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Provided an overview and answered questions.

ALEXA TONKOVICH, International Program Director
Alaska Seafood Marketing Institute (ASMI)
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Participated in an overview and answered questions.

ACTION NARRATIVE

[11:19:59 AM](#)

CHAIR SHELLEY HUGHES called the House Special Committee on Economic Development, Trade, and Tourism meeting to order at 11:19 a.m. Representatives Higgins and Hughes were present at the call to order. Representatives Herron and Drummond arrived as the meeting was in progress.

PRESENTATION: ALASKA SEAFOOD MARKETING INSTITUTE

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CHAIR HUGHES announced that the only order of business would be two presentations by Tyson Fick and Alexa Tonkovich of the Alaska Seafood Marketing Institute.

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TYSON FICK, Communications Director, Alaska Seafood Marketing Institute (ASMI), Department of Commerce, Community & Economic Development (DCCED), directed attention to a PowerPoint presentation entitled, "An overview of the Alaska Seafood Marketing Institute."

REPRESENTATIVE HIGGINS referred to the presentation, noting that of the 62,650 seafood workers in Alaska, over one-half are out-of-state residents [slide 3].

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MR. FICK said yes, adding that there is a higher percentage of Alaska residents fishing in the harvesting sector than of Alaska residents working in the processing sector.

CHAIR HUGHES asked of the over 35,000 workers who are not Alaska residents, how many are not U.S. citizens.

MR. FICK was unsure.

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ALEXA TONKOVICH, International Program Director, ASMI, DCCED, estimated one-third.

REPRESENTATIVE HIGGINS requested general information on seasonal employees such as where they are working, and for what periods of time.

MR. FICK suggested much of the requested data can be found in the report prepared by The McDowell Group entitled "Economic Value of the Alaska Seafood Industry" and dated July, 2013. The report includes in-depth employment and economic information for Alaska as well as the U.S. He offered to research any additional information needed.

CHAIR HUGHES said a summary of the economic report would be helpful, specifically on the economic benefit out-of-state workers provide to the state.

MR. FICK advised the committee that the seafood industry benefits almost everyone in Alaska; one advantage not often mentioned is the "backhaul freight fee." Shipping companies estimate that the cost of shipping to Alaska is reduced by 10 percent because of the frozen seafood leaving Alaska. Alaska is the largest seafood producer in the U.S., producing 57 percent of its seafood, and produces less than 2 percent of the seafood on the global market [slide 4]. Mr. Fick said the composition by volume of Alaska's seafood harvest is very different compared to its value [slides 5 and 6]. For example, salmon is 12 percent of the volume, but 29 percent of the value; crab is [2] percent of composition and 16 percent of value. The funding to support ASMI comes from a 0.5 percent tax at ex-vessel, and the way to increase the value of the industry is to get the maximum value from each fish harvested. He continued, noting that the ex-vessel value of Alaska seafood has generally increased over the last 10-15 years [slide 7]. Alaska has had a commercial fishery since 1880 and two important dates in its history are Statehood in 1960, when sustainability and sustained yield principal were written into the state constitution, and when the Magnuson-Stevens Fishery Conservation and Management Act of 1976 extended control of U.S. waters from three to two hundred miles offshore, keeping out foreign fleets and pirate fishing. The result was a steady increase from about 25-50 million fish harvested per year, to a record in 2013 of 272 million fish harvested in Alaska during salmon season. A preliminary breakdown of the 2013 harvest indicated pink salmon was the largest species by volume, and pink and sockeye salmon were the largest two species by value [slide 9]. Again, over the last 10 years salmon ex-vessel value continues to grow in spite of increasing supply world-wide.

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REPRESENTATIVE HIGGINS observed that over 1 billion pounds of salmon was harvested last year, yet there are low numbers of salmon taken in [Alaska] rivers. He suggested a sport fisherman may believe commercial fisheries take too much.

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MR. FICK deferred the question to the Alaska Department of Fish & Game (ADF&G) as it sets escapement goals and manages the fishery. The job at ASMI is to tell the impressive story of the results of commitments to time and area closures, the limited entry permit system, and other management tools. He acknowledged that challenges continue with Chinook salmon in large areas of the state such as on the Yukon River, where there are a large summer chum run and a distressed king salmon run at the same time. Mr. Fick opined it does not do the king salmon any favors to over-escape the chums and add to the competition in freshwater, or to take out kings while targeting a summer chum fishery. Therefore, ADF&G has developed a dip-net fishery and a fish wheel fishery at Kaltag.

REPRESENTATIVE HERRON expressed his belief that Representative Higgins is noting an irony in that the state promotes sustainability, and ASMI is "bragging how much we harvest."

CHAIR HUGHES informed the committee the Board of Fisheries adopted proposals regarding Cook Inlet fisheries that are affecting the Susitna River drainage. She asked whether ASMI has heard any concerns about those proposals and their impact on the salmon harvest in 2014.

MR. FICK was unsure and again deferred to ADF&G because it works to maintain a sustainable harvest status. He reiterated that ASMI sees a remarkable situation in that 40 years after the Magnuson-Stevens Act, there are more fish in Alaska waters than previously.

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CHAIR HUGHES inquired as to where the pink and sockeye salmon are fished.

MR. FICK responded that 65 percent of the sockeye harvested in Alaska come from Bristol Bay, and others come from Chignik, Cook Inlet, and Southeast; pink salmon come from Southeast and Prince

William Sound. He offered to provide more detailed information. In further response to Chair Hughes, Mr. Fick opined that the price of salmon has increased along with the demand because of great marketing. He acknowledged that farmed salmon introduced large numbers of consumers to salmon, and ASMI used that opportunity to turn them to the best salmon in the world via a great, recognized brand: The Alaska Brand. Again, Alaska seafood is the second most commonly specified brand on U.S. menus, behind Angus beef [slide 11]. Surveys show that consumers are likely to recommend Alaska seafood first and Alaska salmon second [slide 12]. In further response to Chair Hughes, he clarified that the survey was of U.S. consumers. As much as possible, ASMI coordinates its marketing efforts with Alaska Grown, TravelAlaska, and individual companies [slide 13].

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A video was shown from 11:37 a.m. to 11:38 a.m. Mr. Fick said ASMI has been requested to provide seafood for some television and video productions, thereby having its message seen by millions at no cost.

REPRESENTATIVE HERRON told a personal story from the European Expo in Brussels, Belgium.

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MR. FICK turned to opportunities and challenges to the marketing of Alaska seafood. Social media is both an opportunity and a challenge because of misinformation. Other challenges include Fukushima [Daiichi nuclear power plant] misinformation and illegal, unreported, and unregulated (IUU) fishing that results in overharvesting in other countries, which lowers the market price for Alaska seafood [slide 15]. Marketing opportunities include: working with Kikkan Randall, an Alaskan Olympic skier [slide 16]; social media platforms, such as a photo contest; and that ASMI has 80,000 internet fans. Returning to Fukushima radiation, ASMI serves as a conduit for good information from independent, state, national, and international groups that are conducting tests [slide 18]. Wal-Mart announced it will accept Alaska's Food and Agriculture Organization of the United Nations (FAO) Responsible Fisheries Management (RFM) certification and will continue to source Alaska salmon; ASMI and the seafood industry appreciate the support from the administration, legislature, and Alaska's Congressional Delegation on this matter [slide 19]. Mr. Fick further explained that using sustainability certification as a marketing tool was begun about

10 years ago by non-governmental organizations (NGOs); in fact, WWF started the sustainability certification label called the Marine Stewardship Council eco-label, and Alaska salmon was the third fishery to be certified. Subsequently, the eco-label certification was required for access to the marketplace, so three to four years ago ASMI looked for an alternative certification that would meet its customers' needs, but not pass along the high cost of logo licensing fees, or relinquish state sovereignty regarding fisheries management. The three primary concerns with the Marine Stewardship Council eco-label were: brand devaluation for Alaska; intrusion into fisheries management; and market access. The alternative label is now accepted in markets throughout the world, especially in Germany.

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CHAIR HUGHES questioned whether ASMI believes other major grocers will not cause a problem in the U.S.

MR. FICK said ASMI is very hopeful "that is the situation."

REPRESENTATIVE HERRON supported ASMI's good relationship with Alaska's Congressional Delegation; in fact, it was the delegation that convinced the federal government not to stop federal purchases of Alaska seafood because of the lack of certification from the "London-based logo master." He said, "Our congressional delegation has to be thanked for that."

MR. FICK then pointed out that there has been a very large harvest of pink salmon, thus efforts in pink salmon marketing have been expanded, especially for canned pink salmon. The challenge is to maintain the value, but not crash the market. One market was a \$20 million purchase by U.S. Food Aid [slide 20].

CHAIR HUGHES heard the use of automation in fish processing is increasing because increased productivity and technology help the Alaska fish industry compete; she suggested there may be equipment that could process fish into sushi for value-added product, and asked about other possible value-added processes.

MR. FICK confirmed the interest in value-added products; in fact, the utilization of the waste stream is of interest by the processing sector. All fish parts - except for fillets - can be used for fish oil, fish meal, and pet food, and 100 percent utilization is sought by the seafood industry. There are opportunities to derive value from waste for protein powders and

other products. There is interest also in more hand processing, but the speed of the runs and the energy needed for the processing plants are problematic.

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MS. TONKOVICH directed attention to a PowerPoint presentation entitled, "China Business: A Seafood Perspective," dated 2/13/14. She informed the committee she oversees ASMI's international program which covers 21 countries in Europe, Asia, and South America, and will focus on its activities in China. As previously discussed, in 2012 Alaska produced 5.4 billion pounds of seafood, which is 57 percent of the U.S. commercial harvest. Of that, 64 percent was exported, making Alaska the sixth largest seafood exporter following Norway, Russia, Vietnam, Chile, and Canada [slides 3 and 4]. She explained that China is Alaska's foremost export market for seafood, although the China, Korea, Thailand, Vietnam, and Central Europe markets are largely reprocessing markets. Japan remains the largest end-user market; however, over the past five years, the value of Alaska's seafood to China has nearly doubled [slides 5 and 6]. China is a major reprocessing center, exporting one-third of its seafood to Europe, one-third back to the U.S., and 17 percent to Japan. However, the increasing cost of doing business in China, and increasing wages, have shifted reprocessing to Thailand, Vietnam, and Indonesia, but China's domestic demand is increasing [slides 7 and 8]. China is a good customer because its gross domestic product (GDP) is increasing over 7 percent per year, which is expected to continue for the next five years. The U.S. is China's second largest trading partner, its third largest export market and its first source of imports; China is currently a \$250 billion market for U.S. companies. Furthermore, there are high levels of consumer confidence in China and retail sales are growing in the food service sector and for imported products. She advised that domestic food safety scandals have weakened trust in domestically-produced products and increased demand for imported food products and seafood [slides 9 and 10]. According to the FAO and the Chinese Ministry of Agriculture, seafood prices are expected to rise up to 70 percent by 2050 due to shortage of supply, growth in demand, and growth in wages [slide 11]. Ms. Tonkovich related that ASMI established an office in China in 1997 and has now has offices in Shanghai, Beijing, Guangzhou, and Hong Kong; its China program has always focused on building demand in the domestic market [slide 12].

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MS. TONKOVICH continued to explain that ASMI builds awareness through different strategies: create awareness of the attributes of Alaska seafood; create awareness of the variety of seafood; focus on new-to-market products such as pollock roe; educate on the use of frozen products; educate on how to store, handle, and prepare frozen products; and provide appropriate recipes. In response to Chair Hughes, she said consumer programs use recipe development and publications [slide 13]. Because China is a huge market, marketing is targeted at first-tier cities such as Shanghai, Beijing, Guangzhou, then at second tier cities along the coast. Marketing is also targeted at younger consumers, housewives, and higher-income consumers. On the trade side, ASMI works with importers and distributors that supply hotels and restaurants and large chain retailers; on the food service side, ASMI targets chefs, purchasing managers from hotels and restaurants, and food chains [slide 14]. Some of the activities sponsored by ASMI target consumer trade, hotels and restaurants, public relations, events, advertising, press campaigns, social media, trade schools, seminars and store promotions, hotel and restaurant promotions, chef competitions, and culinary school training [slides 15 and 16]. During a press campaign, ASMI submits articles for publication, works with the U.S. Department of Agriculture - which matches its funding -, occasionally participates in television, and utilizes billboards [slides 17 through 20]. Although Facebook is not allowed in China, ASMI has a web site and a blog on Sina Weibo [slide 21]. Retail promotions feature Alaska signage, demonstrations, tastings, and materials [slide 22]. She highlighted a promotion with Tmall.com, Asia's largest online retailer, during which over 33,000 items were sold over a period of nine days [slide 23]. Three trade shows and trade seminars are held that attract importers, retailers, wholesalers, and distributors to provide them with information about Alaska seafood and ASMI activities [slide 25]. When possible, ASMI brings buyers to Alaska to meet fishermen, go fishing, tour [processing] plants, and tour hotels and restaurants [slide 26]. Promotions of Alaska seafood also take place in restaurants, as do chef competitions [slides 27 and 28]. Finally, ASMI works with leading culinary schools to educate the next generation of chefs [slide 29].

REPRESENTATIVE HIGGINS asked whether ASMI was involved in the issue of the Chinese ban on geoduck.

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MS. TONKOVICH answered that ASMI does not lobby in China, but has monitored the situation and is in contact with the Department of Environmental Conservation, the U.S. Department of Commerce, the National Oceanic and Atmospheric Association, and National Marine Fisheries.

CHAIR HUGHES restated her question about Alaska's share of the world market.

MR. FICK said he would provide that information in terms of the value of the fish, which is more than its volume. Alaska harvests less than 2 percent of the global supply.

CHAIR HUGHES surmised there is 2 percent in volume, a higher percent in value, and room for growth.

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MR. FICK explained, "... with wild fisheries, is that it's all biological in terms of ... volume, there are some underutilized species, certainly some rockfish, herring ..., sculpin, cabazon, things like that that wouldn't be traditional markets that we would think of." However, these fish would not generate large additional volumes. In further response to Chair Hughes, he said ASMI was formed in 1981 and is a public-private partnership with the state and the Alaska seafood industry. It is funded from three sources: a voluntary 0.5 percent tax taken at ex-vessel that ranges from \$8-\$12 million; \$7.8 million of general funds (GF); and \$4.5 million of federal funds through the U.S. Department of Agriculture. There is a seven-member board of directors which consists of: five processors - Trident Seafood, Ocean Beauty Seafood Inc., Icicle Seafoods, Inc., Peter Pan Seafoods Inc., Kwik'Pak Fisheries, LLC; and two fishermen. In addition, there is a group of dedicated industry leaders serving on committees that provide information on challenges and opportunities. The mission of ASMI is to increase the value of Alaska seafood resource.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, Trade, and Tourism meeting was adjourned at 12:15 p.m.