

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES

February 6, 2014

10:07 a.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Eric Feige
Representative Lynn Gattis
Representative Craig Johnson
Representative Kurt Olson
Representative Jonathan Kreiss-Tomkins

MEMBERS ABSENT

Representative Bob Herron

COMMITTEE CALENDAR

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 204

"An Act relating to a product development tax credit for certain salmon and herring products; and providing for an effective date."

- HEARD & HELD

OVERVIEW ALASKA SEAFOOD MARKETING INSTITUTE (ASMI)

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 204

SHORT TITLE: SALMON & HERRING PRODUCT DEV'T TAX CREDIT

SPONSOR(S): REPRESENTATIVE(S) AUSTERMAN

04/11/13	(H)	READ THE FIRST TIME - REFERRALS
04/11/13	(H)	FSH, FIN
02/05/14	(H)	SPONSOR SUBSTITUTE INTRODUCED
02/05/14	(H)	READ THE FIRST TIME - REFERRALS
02/05/14	(H)	FSH, FIN
02/06/14	(H)	FSH AT 10:00 AM CAPITOL 120

WITNESS REGISTER

REPRESENTATIVE ALAN AUSTERMAN

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SSHB 204, as the sponsor of the bill.

ASTRID ROSE, Staff
Representative Austerman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified and answered questions on SSHB 204 for the sponsor of the bill, Representative Austerman.

JOSEPH JACOBSON, Director
Division of Economic Development
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint during discussion of SSHB 204.

BRUCE TANGEMAN, Deputy Commissioner
Office of the Commissioner
Department of Revenue
Anchorage, Alaska

POSITION STATEMENT: Answered questions during discussion of SSHB 204.

JOE PLESHA, Chief Legal and Regulatory Officer
Trident Seafoods
Seattle, Washington

POSITION STATEMENT: Testified in support of SSHB 204.

TOM SUNDERLAND
Vice President of Marketing
Ocean Beauty Seafoods
Seattle, Washington

POSITION STATEMENT: Testified in support of SSHB 204.

BRUCE SHACTLER, Director
Global Food Aid
Alaska Seafood Marketing Institute (ASMI)
Juneau, Alaska

POSITION STATEMENT: Testified in support of SSHB 204.

JULIANNE CURRY, Representative
United Fishermen of Alaska
Juneau, Alaska

POSITION STATEMENT: Testified in support of SSHB 204.

MICHAEL CERNE, Executive Director
Alaska Seafood Marketing Institute (ASMI)
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint presentation titled "An overview of the Alaska Seafood Marketing Institute."

ACTION NARRATIVE

[10:07:43 AM](#)

CHAIR PAUL SEATON called the House Special Committee on Fisheries meeting to order at 10:07 a.m. Representatives Seaton, Kreiss-Tompkins, Gattis, and Johnson were present at the call to order. Representatives Olson and Feige arrived as the meeting was in progress.

HB 204-SALMON & HERRING PRODUCT DEV'T TAX CREDIT

[10:08:08 AM](#)

CHAIR SEATON announced that the first order of business would be SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 204, "An Act relating to a product development tax credit for certain salmon and herring products; and providing for an effective date."

[10:08:35 AM](#)

REPRESENTATIVE ALAN AUSTERMAN, Alaska State Legislature, introduced SSHB 204, as the sponsor of the proposed bill, which described the need for legislation to address world-wide hunger through the production of dry salmon product. He said that Western Alaska had historically not processed as much salmon as possible, as there was a lot of foregone harvest due to economics and its remoteness. He reported that its good herring fishery with the ability to market herring could expand the processing industry to both herring and salmon at the same time. He stated that research by the Alaska Seafood Marketing Institute (ASMI) had shown that there was a herring market, and that there was anticipation for the processing industry to invest for both in Western Alaska. He reported on the waste products from the processing industry, and, although the majority were ground up and dumped into the ocean, there were a few places, including Kodiak, where chicken feed was made from the waste. He shared that there was a world-wide demand for high protein to feed the world's hungry population, and he

mentioned high protein powder. He pointed out that the European Union was working on phasing in 100 percent retention for all species caught, possibly by 2020, and he surmised that this would also occur in the United States. He suggested that the processing industry should be ready for this, and noted that the Environmental Protection Agency (EPA) was also working toward the elimination of dumping waste into the water. Hence, the timing for the ability to process the waste stream and the herring was nearing.

[10:13:35 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked why ground fish and other species were not included for the tax credit in the proposed bill.

REPRESENTATIVE AUSTERMAN replied that this had been discussed, and that the ground fish industry had already been making strides in this direction, noting the equipment developed for surimi production. He offered his support, but noted the necessity to review the holistic view for how groundfish was caught and processed. He stated that there was a goal for on-shore processing and the benefits that it brought, instead of a "floating fleet." He said that it was these issues which had kept groundfish from being included in the proposed bill.

[10:15:17 AM](#)

CHAIR SEATON directed attention to page 1, line 7, of the proposed bill which read: "in a shore-based plant or on a vessel." He expressed his concern for an expansion that would also include federal fisheries in federal waters, as vessels would return to another state without any benefits going to the State of Alaska. He asked if there were other situations where this additional benefit would be lost, and the money was only serving a private business.

REPRESENTATIVE AUSTERMAN expressed his agreement, suggesting that the committee have a discussion for any changes.

[10:17:01 AM](#)

CHAIR SEATON referred to page 3, line 26, and asked about the intent for the word "freeze." He said that the tax credit would not be extended to things already being done, as the proposed bill was based on value added. He asked if there was intent for a restriction on freezing to only apply to herring and salmon.

REPRESENTATIVE AUSTERMAN replied that this was language that came from Alaska Department of Fish & Game, and he deferred to the department.

10:18:16 AM

ASTRID ROSE, Staff, Representative Austerman, Alaska State Legislature, on behalf of Representative Austerman, sponsor of , reviewed the key points of the sponsor substitute to the proposed bill, which included the addition of "herring" wherever there was already "salmon." She directed attention to page 3, line 16, and said that a "qualified investment" now included new parts necessary for, or costs associated with, converting a canned salmon line to produce can sizes other than 14.75 ounces and 7.75 ounces. She relayed that these can sizes were specific as these were already standard market sizes, and the proposed bill incentivized new markets and new value added products. She directed attention to page 3, line 26, and the addition of "freeze, scale, grind, separate meat from bone," which were not included in the previous version.

10:20:22 AM

REPRESENTATIVE JOHNSON questioned the size of the cans and asked if it was necessary to make this a specification.

MS. ROSE explained that the statute had detailed pop-top can production which was the previous incentive, so this current proposal would exclude these can sizes as they were the current market size.

CHAIR SEATON asked for clarification to the reference to can size, and stated that the two provisions differed. The first provision excluded "beyond heading and gutting," while the second provision replaced "the incentive for pop-top can production to any size beyond the ... industry standards."

REPRESENTATIVE FEIGE shared that this was not incentivizing industry standards.

CHAIR SEATON expressed his agreement that the intent of the proposed bill was an attempt to "get new product forms" and new markets. He pointed out that there had been a previous incentive for pop-top cans as a new market form. He offered his belief that consumers had not been as interested in these, hence the subsequent shift to the current can sizes.

REPRESENTATIVE JOHNSON suggested that the language be inclusive and without limitations, in order to create durable legislation that it would not be necessary to change in the near future.

CHAIR SEATON opined that a different can, though not a different size could require different equipment, and expressed his agreement with Representative Johnson.

[10:24:00 AM](#)

MS. ROSE noted that the Department of Commerce, Community & Economic Development would also testify to the necessity for language regarding can size. She directed attention to page 4, line 8, which added "new canning equipment for herring products;" because salmon canning equipment already existed.

CHAIR SEATON clarified that the referenced herring canning equipment would not be the same as existed in the traditional lines, in order to qualify for a tax credit.

MS. ROSE offered her belief that this was the intent.

MS. ROSE moved on to page 4, lines 10-11, which read: "equipment used to transform salmon or herring byproduct that is discarded as waste into saleable product." She referenced earlier testimony by Representative Austerman for the use of byproducts. Moving on to the changes at the end of page 4, she reported that this reiterated the cost associated with converting the canned salmon line, and that the changes on page 5 reiterated the use of by-product for a saleable product. She noted that there were other small changes to the proposed bill which she had not addressed.

[10:26:42 AM](#)

JOSEPH JACOBSON, Director, Division of Economic Development, Department of Commerce, Community & Economic Development (DCCED), said that the limitations to the size requirement had been an industry request through Alaska Seafood Marketing Institute (ASMI), and he reported that the aforementioned 14.75 and 7.75 ounce cans were not the right sizes for the market. He reiterated that this was not intended to incentivize investments in can sizes already identified by the industry as not representing their best interests, but to also not be too specific. He opined that there was an attempt with the language of the proposed bill to avoid revisiting it in future years. He

pointed out that they had avoided use of specific terms to allow more latitude for product. In reference to the earlier questions for the inclusion of groundfish, he reported that the fiscal note had been minimized by consideration for only specific fisheries which did not operate year round and were not federal fisheries.

[10:30:17 AM](#)

CHAIR SEATON asked for clarification that equipment on these smaller floating processors which was predominantly used for salmon or herring would not come under federal groundfish regulations and would be under state rule. The larger processors, although still able to process herring and salmon, would not receive a tax credit unless salmon and herring processing was more than 50 percent of their use.

MR. JACOBSON expressed his agreement, allowing that there may be some exceptions.

[10:32:04 AM](#)

REPRESENTATIVE FEIGE surmised that incentive for further development of the herring catch and its products would not compete with the sport fish industry. He asked if an expansion to include groundfish would include species that were part of the sport fish industry.

MR. JACOBSON replied that this could be expanded as much as desired, although the addition of species and processing "becomes cumbersome in drafting a clean piece of legislation." He allowed that any addition could create competition, hence the desire to limit the proposed bill to these two species.

[10:34:26 AM](#)

MR. JACOBSON, referring to a PowerPoint titled "Alaska North to Opportunity," said that the Department of Commerce, Community & Economic Development supported the proposed product development tax credit as it promoted development of value-added salmon and herring products, which led to greater product diversity, stimulated product development of underutilized species and waste byproduct, softened the financial impact of potential changes to EPA regulations for effluent in non-remote locations, and incentivized investments to produce canned salmon in sizes appropriate for today's market conditions. He declared that it

also supported Alaska's fishing communities, slide 2, "Key Benefits of Product Development Tax Credit."

CHAIR SEATON stated that, at this was the first hearing on the bill, it was not his intent to move the bill today.

MR. JACOBSON continued his slide presentation, slide 3, and pointed out that, although Alaska produced over 95 percent of all salmon in the U.S., this was only one third of the global wild salmon supply. He reported that the only way to increase the value of the resource was through investment in product development, innovation, and other ways to add value. Moving on to slide 4, "Alaska Salmon Value, 2008-2012," he pointed out that the ex-vessel and first wholesale prices had gone up considerably. The value added products had increased the commodity stability in the market with its commitment to product quality improvement. He acknowledged ASMI's marketing efforts to create the brand, and market product diversification, including salmon burgers, canned salmon, and salmon jerky. He pointed out that product diversity proportionately increased the ex-vessel value more quickly, slide 5, "Ex-Vessel price has grown faster than 1st-wholesale." He reiterated that added value was a key element in the salmon industry sales portfolio. Directing attention to slide 6, "Yet there are some clouds on the horizon... ", he remarked that the current can sizes for canned salmon were out of touch with the market, as there was a greater demand for smaller cans and smaller portions. He noted that the 2013 pink salmon harvest was the largest on record, which had led to a glut of supply and a potential downward pressure on prices. He said that some "non-remote" seafood processing centers in Alaska, including Petersburg, Sitka, Juneau, Cordova, and Ketchikan would be impacted as they were remote in terms of access to resources and transportation.

[10:41:29 AM](#)

MR. JACOBSON discussed slide 7, "Too much supply... (cases of canned salmon)" which reflected the inventory level from September 2008 to September 2013 for canned sockeye and canned pink salmon. He noted that the inventory of canned pink salmon had almost doubled. He addressed slide 8, "Too Many Ounces, Too Much \$\$\$ (price per case)" which indicated that the inventory for canned pink and sockeye salmon had almost doubled since 2005. He explained that the salmon industry needed cans as a way to get product through its processing plants. He reported that the price point threshold had been reached, which would start to affect market shelf space. Moving on to slide 9,

"Potential EPA Guidelines (and cost)," he reported that there would not be any variance, as the rule would apply regardless of year-round or seasonal basis. In the absence of full utilization, without the investment to use all of the product, it would be required to haul waste to deep ocean discharge sites, and this did not take into consideration weather or mooring needs. He estimated the cost per pound to be from \$0.21 - \$0.56 per pound for disposal, which could have a huge impact on the money going back into Alaska communities.

[10:44:21 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked about the variables and the timeline for EPA enforcement on these regulations.

MR. JACOBSON replied that the comment period closed in early March. He said that work with the industry was continuing through the governor's office to ensure industry and seafood processor perspective. He stated that it was unclear when the regulations would be implemented, most likely after the upcoming salmon season.

REPRESENTATIVE KREISS-TOMKINS, acknowledging that he did not have expertise, suggested that existing regulations were already being overlooked, and he asked if these were existing regulations now being imposed by the EPA.

MR. JACOBSON expressed his understanding that these regulations had "been on people's radar for a while." He stated that the opinion of the state was that the existing regulations for discharge were effective and safe, and that the state permitting process could address these needs. He said that he could only speculate what the plan was from the EPA.

[10:46:53 AM](#)

MR. JACOBSON addressed slide 10, "Waste-Byproduct Opportunities," and discussed the opportunities for value-added products and the many options to claim the tax credit, which included nutritional supplements, pet food, and leather. He indicated that this laundry list could only grow as an extra value was captured from items that would otherwise be discarded. He moved on to slide 11, "Active Herring Permit Holders," which depicted the decrease in permit numbers since 2005. He suggested that an increase to value added products could lead to more active engagement in this fishery. Directing attention to slide 12, "Total Value of Alaska Commercial Salmon Fishing

Permits," he reported that the tools for product quality marketing and added value had increased the total value of the commercial salmon fishing permits. Maintaining the diversity and keeping waste discharge costs to a minimum should allow the trend to continue to improve.

MR. JACOBSON indicated that "Resident Participation," slide 13, in the fisheries had increased steadily, even while the salmon numbers had not increased. He pointed out that the recognition for economic opportunity would create more involvement in the Alaska fishing industry. He presented slide 14, "Gross Revenue from Fisheries Business Tax and Utilization Credits Claimed," which reflected this information on an annual basis. He stated that this small investment could lead to a great return to the state. In response to Chair Seaton, he stated that the administration was in support of the proposed bill.

[10:51:49 AM](#)

REPRESENTATIVE KREISS-TOMKINS acknowledged that slide 14 was a good quantitative overview of the tax credits, and asked what kind of industry investments had been made since 2003 that took advantage of this program.

MR. JACOBSON offered to confer with Department of Revenue for a more substantive answer, as opposed to a generic answer.

[10:53:35 AM](#)

BRUCE TANGEMAN, Deputy Commissioner, Office of the Commissioner, Department of Revenue, in response to Chair Seaton, via teleconference, said that the department would like to work with Mr. Jacobsen to provide a response to the question from Representative Kreiss-Tomkins.

[10:54:10 AM](#)

JOE PLESHA, Chief Legal and Regulatory Officer, Trident Seafoods, explained, via teleconference, that Trident Seafoods was a seafood processing company with plants in Ketchikan, Wrangell, Petersburg, Cordova, Kodiak, and Sand Point among others. He stated that the proposed bill would help to improve the value of the Alaska salmon and herring fisheries for the processors, communities, and fishermen who were dependent on the fisheries. He declared that the inclusion for production of byproducts from fish waste was very important and was a great way to add value to this resource. He reminded the committee

that, although most Alaska communities were currently exempt, the EPA was requiring in every other state that all seafood processing waste be screened and then barged or produced into fish meal. He stated that, as the EPA was reviewing this for Alaska, it would be necessary for modifications in the processing industry. He stated support for the proposed bill.

10:57:03 AM

TOM SUNDERLAND, Vice President of Marketing, Ocean Beauty Seafoods, noted that Ocean Beauty was a shore side processor and that diversification within the market was necessary to protect from market swings for any particular commodity or product. He relayed that the salmon market was now experiencing price resistance and the industry was trying to defend its gains against this price pressure with market adjustments, such as the can size offered. He declared that consumers bought these products by absolute retail price, not per pound similar to other commodities. He offered examples of other consumer products where the size had migrated down. He declared that the by-product utilization was also an important area as value gained from parts of the fish currently not being used would offset any loss in other areas. He stated that the proposed bill was about product development, and, although it was not a solution for issues with the EPA, it would be an important help.

11:01:14 AM

BRUCE SHACTLER, Director, Global Food Aid, Alaska Seafood Marketing Institute (ASMI), said that he was the practical application person, and that this bill represented a host of legislation that had governed the fisheries industry. He reported that during the period of low prices, about 90 percent of all salmon was canned. He declared that the incentives to make new investments in new products saved the wild salmon industry from farmed salmon programs. He explained the \$3 billion industry that World Food Aid represented with canned salmon that had now evolved with demand for other shelf stable protein. He declared that the herring roe harvest, a luxury market for Japan, had collapsed many years ago. He said that the herring were sex sorted and the male herring were sorted out and considered waste product. However, with four million tons of herring being consumed throughout the world, Alaska had decided to enter the market and use the male herring in order to bring an opportunity for value and economic development back to the herring fishery. He stated that United Fisherman of Alaska and the State of Alaska had helped fund this program. He

relayed that, although nine of ten new products were not successful, canned herring already had a market. He explained the food aid project which marketed for funding from governments, agencies, and NGOs. He spoke about the nutritional studies directed toward areas of Africa, with the study population showing phenomenal health benefits from herring consumption three times each day. He said that Alaska was also concentrating on the commercial market. He offered anecdotes about the use of round tins, as no other equipment existed in the local processing plants. He stressed that this research and development was expensive and would be an important area for the state to make an investment. He reported on the demand for nutrition around the world. He noted that, although there was no limit on the budget for food in one of the large food aid programs through the Department of Agriculture, there was a budget limit for shipping, and the canned herring was heavy. He explained that producing a fish based high protein powder out of waste products minimized the shipping costs. He referenced an earlier program in Kodiak that had no outlet so it was abandoned. He offered some anecdotes of the development of protein powder and its uses, and the difficulties for finding a market. He offered his belief that the state could help develop the program, and he displayed a sample of the protein powder that was being used for food throughout the world.

[11:14:35 AM](#)

REPRESENTATIVE GATTIS asked about the ingredients of the protein powder.

MR. SHACTLER, in response, said that the ingredients were all food grade, with "no guts involved," primarily "heads and frames."

REPRESENTATIVE GATTIS offered an anecdote about a family food tradition. She asked if the protein powder used the entire fish, with the exception of the guts.

MR. SHACTLER said that this was considered a by-product. Research and development was expensive, so they were working with industry to use existing infrastructure for the new products. He said that once the market was created, there would be the incentive for private industry to take the lead. In response to Representative Gattis, he said that the powder was not tasteless, and was a little fishy and bitter. He described a pilot project in the Congo that was feeding about 1000 children for the next four months to study how it was used, as

the local diet did not include much protein and this was an important additive. He declared that the world food programs were clamoring for this sort of product. He surmised that a tax credit bill would bring this investment in to the state for economic development.

[11:19:16 AM](#)

CHAIR SEATON asked for clarification that the ingredients of this powder were "waste stream" from a filleted product, and did not include the guts. He suggested that the product could be frozen during the peak season fillet operation, and then made during the shoulder season when the equipment and the personnel were available.

MR. SHACTLER expressed his agreement that the waste could be frozen during the peak of the season and then canned after the prime season.

[11:21:35 AM](#)

JULIANNE CURRY, Representative, United Fishermen of Alaska, reported that United Fishermen of Alaska (UFA) consisted of 36 member associations and more than 450 businesses and individuals participating in fisheries throughout Alaska. She testified in support of SSHB 204 which was consistent with a long standing UFA priority for the consideration of modification to current raw fish tax rebate provisions to encourage processor investment in herring and other processing equipment, as well as modernize canning equipment, and increase energy efficiency. She said that the proposed bill allowed the processing sector to encourage innovation and provide incentives for response to changing market demands.

[11:23:13 AM](#)

CHAIR SEATON posed a question to the industry, directing attention to page 3, line 14 [11] which removed the word "salmon" for product development tax credits, and he asked for further interpretation of the ongoing language. He offered his belief that a misrepresentation would not be fraudulent, as the product development, the use of the equipment, or the amount of product could have significantly changed. He asked for the intent of that wording to be clarified.

CHAIR SEATON said that SSHB 204 would be held over.

OVERVIEW: Alaska Seafood Marketing Institute (ASMI)

[11:25:21 AM](#)

CHAIR SEATON announced that the next order of business would be an overview by the Alaska Seafood Marketing Institute.

[11:25:48 AM](#)

MICHAEL CERNE, Executive Director, Alaska Seafood Marketing Institute (ASMI), presented a PowerPoint and indicated slide 3, "Impact of Alaska Seafood Industry," stating that fishing was big business in Alaska, and responsible for a lot of jobs, as well as tax revenue, as Alaska produced more seafood than every other state in the United States combined. He reported that Alaska would rank in the top 10 of seafood producing countries. Directing attention to slide 4, he explained each of the species harvested by volume, with pollock, Pacific cod, and other groundfish accounting for more than 80 percent. Referring to slide 5, the same chart expressed in value revealed that the lower volume fisheries, including salmon, crab, black cod, and halibut, accounted for almost 60 percent of the value. Slide 6, "Ex-Vessel Value of AK Seafood," depicted the tax base for funding to ASMI, as the seafood industry had agreed to a voluntary 0.5 percent tax on the value. He pointed out that this annual average price per pound was the metric by which ASMI performance was judged, although he acknowledged that there were many fish price factors outside of ASMI's control. Moving on to slide 7, "Exported Value of Alaska Seafood," he reported that the United States was the largest customer of Alaska seafood, even though 60 percent was exported, predominantly to Europe, China, and Japan. He presented slide 8, noting that Alaska ranked sixth in the world as a seafood exporter.

[11:29:14 AM](#)

MR. CERNE reviewed slide 9, "Historical Alaska Salmon Harvest," a graph showing the statistics from 1900 through 2010. He noted that the fish harvest during this time had increased from 25 million fish to more than 272 million fish in the current year. He lauded the efforts of the Alaska Department of Fish & Game and the Board of Fish. He presented slide 10, "Alaska Salmon by Species - 2013," which offered an estimated breakdown by each species, and reflected a harvest of more than 1 billion pounds of fish. He reported that 80 percent of the volume and the value was from pink and sockeye salmon. He declared that slides 11 and 12 reflected the value and the success of marketing by

ASMI for the fishing industry, and, despite a rising global supply of salmon, including farmed Atlantic salmon, the ex-vessel price of wild Alaska salmon had increased. He pointed out that the price for farmed salmon had dropped.

MR. CERNE stated that there was often surprise for the "breadth and the depth of the activities that we're involved in to market the state's seafood all over the world." He jumped to slide 35, "ASMI's WEEK AT A GLANCE," and he described the various retail and food service promotions being conducted during February. He reported that ASMI was working on a canned salmon marketing plan to sell the excess pink salmon from the current harvest. He shared that the ASMI public relations firm had secured an interview with Alaska Airlines magazine regarding the impact of the seafood industry in Alaska.

[11:36:06 AM](#)

MR. CERNE reviewed slide 36, "ASMI Budget," listing its revenue sources, which included the aforementioned industry tax, as well as general fund requests from the State of Alaska, and funding from the Federal Market Access Program. Directing attention to slide 37, "FY14 ASMI Program Budget," he described the program budget allocations, which included \$8 million for international, \$6 million for domestic, and \$4 million for administration. He described the structure and organization of the Alaska Seafood Marketing Institute, slide 39, noting that ASMI was a public/private partnership housed in Department of Commerce, Community & Economic Development. As the Executive Director, he reported to a seven member board, which was appointed by the governor and included five processors and two fishermen. He reported that there were also four ex-officio members of the board, one each from the senate, the house, the governor's office, and the department. He shared that there were eight very active volunteer committees which supported and guided the ASMI work through studies of specific issues and advice. He lauded the dedication, experience, and expertise of the committee members, many of whom were seafood professionals. He stated that the committees approved the budget and guided the marketing efforts, making ASMI an industry led organization. He pointed out that the ASMI international program was supported by six overseas marketing representatives in Europe, Japan, China, and Brazil. He noted that in 2010 ASMI had started a Customer Advisory Panel, comprised of eight to ten of the largest Alaska seafood customers worldwide. In response to Representative Olson, he said that there were two overseas marketing representatives in China, and another representative from China

on the aforementioned Customer Advisory Panel. He reported that this group was brought to Alaska each year for discussions on improvement, trends, and opportunities for ASMI.

11:40:41 AM

MR. CERNE addressed slide 40, "ASMI Mission:" and read: "increase the economic value of Alaska seafood," which he relayed was accomplished through a variety of ways, including brand awareness, long and short term marketing plans, collaboration with industry marketing, quality assurance, education, and research. He stated that ASMI had done a good job, as it was the second most recognized brand specified on U.S. menus and was the top choice amongst other seafood products.

MR. CERNE presented a brief video that highlighted the essentials of each ASMI program and what each did to support the fishing industry in Alaska. He said that the video was also available on the internet via YouTube. He directed attention to the focus on the emerging markets in Brazil and China, and the opportunity for growth that each offered. He mentioned the school lunch program of 2.5 million meals per day, and the desire to get Alaska pollock on that national menu. He stated that, as chefs had a tremendous amount of influence over consumer behavior, 26 chefs had been recruited as ambassadors of Alaska seafood. He pointed out that ASMI also sponsored Kikkan Randall, who was competing at the Olympics in cross country skiing, and who would promote the healthy aspects of Alaska seafood at various events upon her return. He reported that social media offered the opportunity to reach a younger generation, and that ASMI was taking full advantage of all the outlets, although it was a full time job to keep up. He addressed the rash of exaggerated claims in the press regarding the threats posed to Alaska seafood by the radiation from Fukushima, and explained that ASMI was working to share factual, science based information with its customers. Directing attention to slide 48, he reported that ASMI was working with the crab industry to combat, through education to consumers and buyers, the illegal and unregulated crab coming from Russia. He relayed that a big challenge to ASMI was the seafood third party certification, and he offered his belief that the current decisions by Wal-Mart to recognize Alaska salmon, sustainability practices, and the Responsible Fisheries Management (RFM) certification program "will be huge." Directing attention to slide 46, "Pinks!" he relayed that ASMI was working to help with the marketing of the excess inventory of canned pink salmon.

12:01:21 PM

MR. CERNE invited the legislative members to join ASMI at any global event.

12:02:15 PM

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 12:02 p.m.