

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

February 10, 2015

10:04 a.m.

**MEMBERS PRESENT**

Representative Louise Stutes, Chair  
Representative Neal Foster  
Representative Bob Herron  
Representative Jonathan Kreiss-Tomkins  
Representative Dan Ortiz

**MEMBERS ABSENT**

Representative Craig Johnson  
Representative Charisse Millett

**COMMITTEE CALENDAR**

OVERVIEW: ALASKA SEAFOOD MARKETING INSTITUTE (ASMI)

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

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

**POSITION STATEMENT:** Presented the overview of the Alaska Seafood Marketing Institute (ASMI).

**ACTION NARRATIVE**

[10:04:42 AM](#)

**CHAIR LOUISE STUTES** called the House Special Committee on Fisheries Committee meeting to order at 10:04 a.m. Present at the call to order were Representatives Stutes, Foster, Herron, and Ortiz. Representative Kreiss-Tomkins arrived as the meeting was in progress.

**OVERVIEW: ALASKA SEAFOOD MARKETING INSTITUTE (ASMI)**

[10:05:36 AM](#)

CHAIR STUTES announced that the only order of business would be an overview from the Alaska Seafood Marketing Institute (ASMI).

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MICHAEL CERNE, Executive Director, Alaska Seafood Marketing Institute (ASMI), began the overview by introducing ASMI as a public private partnership between the State of Alaska and the Alaska seafood industry. As Executive Director, he explained that he reports to a seven member board, appointed by the governor, and supervises twenty full time staff located in Alaska and Seattle. In addition, there are four ex officio members: one from the governor's office, one from the Department of Commerce, Community & Economic Development (DCCED), and two legislators, one from each body. The institute is the official seafood marketing arm for the State of Alaska with a mission statement, which reads: To increase the value of Alaska seafood in the U.S. and worldwide.

[10:07:00 AM](#)

MR. CERNE explained that ASMI is primarily funded through a voluntary industry tax, of 0.50 per cent of the ex-vessel value, which is collected by the Department of Revenue (DOR) from processors and forwarded to the institute. The ex-vessel value is based on the price that the processor pays to purchase the catch from the fisherman. Other funding is received from a federal grant that averages about \$4.5 million and the state is required to match the grant. Thus, the state contributes \$4.5 million in matching general funds (GF) and provides an additional, unrestricted GF allocation of about \$1.8 million. He directed attention to the committee handout, page titled "ASMI Funding," to point out the line labeled "Voluntary Industry Tax and Carryforward," in the amount of \$13,324.6 million, to tell the committee that ASMI is a cash based agency and, as such, requires maintaining a bank balance. Thus, the board required the institute to create a \$10 million reserve, which is included in the carryforward total. The fishing industry is volatile and fluctuations require this offset reserve to keep ASMI functional.

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REPRESENTATIVE FOSTER asked what the projected difference is between the FY 15 and FY 16 budgets.

MR. CERNE responded that it has been reduced by 14 percent, or approximately \$1 million.

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MR. CERNE continued, and said that due to the market commodity competition for the variable federal grant money, the matching GF also changes, and makes the carryforward/reserve an essential aspect of the budget. Should the grant money be reduced or eliminated in a given year, the carryforward amount would allow ASMI to maintain the international program. The international program is the largest program that ASMI operates, and keeping it viable allows the institute to (a) either adjust the spend plan for the following year, or (b) seek alternative funding. The third reason to maintain the carryforward reserve is to allow response to unforeseeable dynamics in the global seafood market. The major seafood competition for Alaskan products, comes from Norway, he said, which maintains a marketing agency budget of \$75 million, or about two thirds more than ASMI's. The ASMI budget covers aspects of marketing programs, both national and international for food service and retail, as well as expenditures for communications, technical support, food aid, and fiscal and administrative costs. One of ASMI's greatest strengths, he opined, is ASMI's robust committee work, which includes: four committees focused on species specific marketing issues; three marketing committees; a technical committee focused on food safety and quality; and a customer panel that represents Alaska's worldwide customers. The members of these committees are seasoned seafood industry leaders, who provide marketing insights and support, as well as approve the institute's annual budget.

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REPRESENTATIVE KREISS-TOMKINS asked which markets have Alaska and Norwegian products competing head to head.

MR. CERNE responded that the majority of the competition is in overlapping markets where Alaska operates in 21 countries and Norway in 25.

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MR. CERNE reviewed the foodservice promotional programs that ASMI pursues, with activities which include: use of Alaskan seafood in 28 national/regional restaurant chains; product distribution to 14 foodservice distributors to supply Alaskan products for kindergarten through high school food programs; conducting events at 6 different universities; attending conferences and events to educate chefs and buyers, such as at the Culinary Institute of America, the National Restaurant Association, the International Association of Chefs, and Disney Corporation; and research for future targets for promotion of products such as fish sandwiches/tacos.

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MR. CERNE provided that for each single dollar allocated by ASMI to partner with a restaurant chain, the result is a 10:1 return ratio, with the chain spending \$10.00 promoting the Alaska seafood and ASMI brand logo. The Alaska seafood brand is the number two nationally ranked brand that is requested in restaurants; number one is Black Angus beef. The ASMI retail program works with stores throughout America to not only promote Alaska sea foods, but to educate the sales representatives behind the counter to answer consumer questions. Retail point of sale materials are created and distributed to support in-store promotion and sale activities. For example, in response to the record 2013 harvest, a massive pink salmon campaign was hosted in 2014. The aggressive promotion was funded with \$1.5 million from the carryforward fund, to an unqualified success. He described how research is conducted for future promotions, based on bar code analysis. Information gleaned from the reports provides a means to establish competitive pricing and product types demanded by the consumer. Retailers benefit from this research he reported, and described how one national retail chain doubled its sales of coho salmon, and tripled the sale of chum salmon, based on the marketing strategies devised from this type of research sharing. Mr. Cerne encouraged committee members to visit the newly designed ASMI website, for a firsthand experience of its effectiveness. Further, he said consumer polls indicate that, not only is Alaska wild preferred to farmed or other sourced seafood products, but are more likely to be recommended above any other source of protein.

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MR. CERNE reviewed the estimated market share by value, for 2013, explaining that, while the U.S. is the largest single consumer for Alaska seafood products, two-thirds are exported,

making the international program the largest marketing facet with an annual budget allocation of \$8-\$9 million. The agency is active in 21 countries, with 8 regional programs serving Japan, China, Europe, and Brazil.

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REPRESENTATIVE KREISS-TOMKINS asked what market has seen the most growth over the last ten years.

MR. CERNE offered to provide further information, and disclosed that the domestic market in China is growing.

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CHAIR STUTES asked what percentage of Alaskan fish are shipped to Asia for reprocessing and then sent back to the U.S. for market distribution.

MR. CERNE said about 90 percent of the catch is handled in that manner and he offered to provide further information on the actual volume represented.

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MR. CERNE moved to the international marketing program, to report on ASMI's presence at the global trade shows. As the 6th largest seafood exporter, Alaska's had a large footprint at 25 international shows, for targeting the seafood industry, distributors, hotel/restaurant buyers, chefs, and major retailers. The agency does all of the ground and leg work to allow Alaska based companies to showcase their products at venues that otherwise would not be available to them. The largest show is the annual Global Seafood Expo, held in Brussels, where seafood sales were projected to be \$544 million. At the recent gathering, ASMI hosted 22 companies, 11 of which were smaller Alaska based operators, which ASMI subsidized and assisted in promoting their products. The Brussels show draws over 30,000 attendees with representatives from 140 countries. He said a major change is occurring in the Asian market, where a shift is being made to on-line promotions and internet purchases. He said this has been very productive approach; a one week promotion resulted in approximately \$1 million in sales. Along with outreach, ASMI hosts delegations arriving in Alaska for press and trade trips from areas such as Brazil, Germany, Europe, and Japan, providing them with firsthand knowledge of Alaska seafood.

10:26:00 AM

MR. CERNE reviewed the results of the outreach program in China to report that 91 percent of the consumers consider Alaska seafood to be a better quality product than the competition, 76 percent report purchasing Alaska seafood in the past year, and 92 percent stated they would buy Alaska seafood if they knew it was "wild, natural, and sustainable." He said new market exploration is ongoing and test markets have recently occurred in Dubai, Mexico, and Brazil. Brazil has proven to be a success story and an office that ASMI established there three years ago has seen orders increase in magnitude. Southeast Asia is now being explored and shows were attended in Manila, and Singapore.

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MR. CERNE reported that the communications program oversees the areas of public relations, social media, press tours/events, media requests, outreach, and an image library, as well as providing information services. The program is funded for \$1.5 million, an investment which equates in an earned media return of about \$59 million, or the extrapolated cost to produce the media coverage and stories generated by the program. The in-state and industry outreach included media coverage in various magazines, major newspapers, and a number of television opportunities. He played a recent clip from a popular television series episode of "Master Chef," which featured the main ingredient of Alaskan, wild caught, King salmon. He explained that the show was a result of a long standing relationship with the producers. Also a partnership with Princess Cruise Lines has been finalized for the upcoming Alaskan cruise season, and will provide additional exposure through on-board demonstrations and promotions; an area that holds a high potential for growth.

10:32:27 AM

MR. CERNE moved to the global food aid program to state that ASMI works with government and non-government organizations to provide food aid in global settings to relief hunger. He reported that, as a result of these efforts, recent product distribution has included: \$42 million of canned pink salmon, newly developed products, and under-utilized species and byproducts. He said the technical program is stipulated in statute, which requires the agency to include activities such as: making resources/expertise available to industry and buyers

to ensure seafood safety and quality; labelling and product certification; and contributing to the U.S. Department of Agriculture (USDA) nutritional database.

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MR. CERNE continued with a discussion of the challenges and opportunities that ASMI has identified. The Bristol Bay run of sockeye salmon was 14 percent higher than predicted, and promotion of the product is underway with the forecast of another record year. The Frasier River, in Canada, will also be contributing to the excess supply of sockeye on the current market. The Russian trade embargo has had an impact on Alaska seafood products and alternative markets are being explored. Illegal Russian crab continue to impact the Alaskan market, and ASMI is diligently working to educate legislators and world leaders on this topic. The economic analysis shows a negative impact on crab prices due to more illegal Russian crab being available on the market than legal Alaskan crab. He pointed out that competition in the market place can be healthy but also provides challenges, and remarked on global and national market dynamics including the effects of tilapia prices as well as protein sources that compete with seafood for a place on the dinner plate: beef, chicken, and pork. Further, he compared Alaska's limited fiscal ability to respond to market fluctuations with that of other states, and nations and provided pertinent anecdotal situations regarding the sales of Maine lobster, varying pork prices, and the Norwegian Atlantic cod catch. He reiterated that these competitive situations can provide opportunities but most often create challenges given the fiscal divide. Like all state supported entities, ASMI is facing a funding cut; \$1 million. The reduction is compounded by a prediction from the agency's contract economist of \$300,000-\$800,000 less in industry revenues for 2015, and the direction for the agency to assume the new responsibility for seafood certification, with a conservatively estimated cost of \$600,000; an expenditures that ASMI will need to absorb in the current budget.

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MR. CERNE reviewed the Marine Stewardship Council (MSC) seafood certification process to highlight the significant, costly changes, which have been the impetus for developing the Responsible Fisheries Management (RFM) plan. He explained that not all fisheries enjoy the level of sustainable management by which the Alaskan fisheries are governed. About 15 years ago,

there was a marketing movement, in response to conservation organization concerns for fisheries to be identified based on management practices and a certification method was adopted in many markets; the MSC. Compliance requires a third party to act as the certifier, and, since 2000, Alaska has partnered with the MSC. The expectation has been that an eco-label, indicating a sustainably harvested product, informs the consumer and demands a higher price. The MSC is a private organization, founded by the World Wildlife Foundation (WWF). It has changed the fee structure and upgraded the standards for use of the touted eco-label. These changes have created a steadily rising bar of excellence but has resulted in an erosion of the iconic Alaskan brand. The focus is being placed not on the origin of the product but rather the MSC rating standard, applied to product labels on a global basis. The ramifications of this are having far reaching effects, which include: reducing Alaskan premium products to a common commodity status; interfering with the governance of Alaska resources by imposing private interests changes through restricted market access; and the realization that what started out as an asset and reward for well managed fisheries has become a major cost and control issue. In 2010 the industry requested ASMI to take action and the RFM certification was created, in accordance with worldwide standards and directives, which all major Alaskan producers have joined; successfully withdrawing from the MSC umbrella. A backlash did occur among the environmental non-government organizations (eNGO), but support has also been evident. In 2014 ASMI hired a full time employee to take charge of the program, stabilize the standard, ensure international compliance, and provide public relations support. Retailers are becoming aware of the different standards and understand the flexibility that is inherent in having more than one certification.

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CHAIR STUTES asked whether any of the European suppliers have moved from the MSC to the RFM.

MR. CERNE said it may not be a choice of one or another, but the expectation is to have RFM recognized along with the MSC standard. An international effort is being made to create a benchmark standard for seafood eco-labels for both aquaculture and wild caught products. The RFM program will be pilot tested against the new standard being established by the Global Seafood Sustainability Initiative (GSSI). He reviewed the state and federal support that ASMI has received from Alaska's top

officials and congressional delegation to support the certification and marketing efforts.

10:53:40 AM

MR. CERNE summarized the economic impact of the Alaskan seafood industry, stating that it is directly responsible for over 60,000 workers, and another 10,000 jobs indirectly. One in every eight workers in Alaska are in some way related to the seafood industry. Seafood contributes over \$100 million in local and state tax revenues. Finally, he underscored, seafood is the largest private sector employer in Alaska, expending more labor income than mining and tourism combined. In finishing he provided a graph to indicate the steady growth in the value of Alaska seafood.

10:54:52 AM

CHAIR STUTES announced the upcoming meeting, and thanked the day's participants.

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 10:55 a.m.