ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE
March 24, 2017
3:30 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Natasha von Imhof
Senator Shelley Hughes
Senator Kevin Meyer

MEMBERS ABSENT

Senator John Coghill, Vice Chair
Senator Bert Stedman
Senator Bill Wielechowski

COMMITTEE CALENDAR

OVERVIEW: ALASKA'S SEAFOOD INDUSTRY

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

CHRIS HLADICK, Commissioner
Department of Commerce, Community and Economic Development (DCCED)
Juneau, Alaska
POSITION STATEMENT: Commented on his and the department's place in the state's fishing industry.

TRENT HARTILL, Federal Fisheries Coordinator
Alaska Department of Fish and Game
Kodiak, Alaska
POSITION STATEMENT: Presented a high-level overview of fisheries management and jurisdiction in the State of Alaska.

GLENN MERRILL, Assistant Alaska Regional Administrator
National Oceanic & Atmospheric Administration (NOAA)
Juneau, Alaska

POSITION STATEMENT: Provided a high-level overview of the role of the State of Alaska in federal fisheries management.

ALEXA TONKOVICH, Executive Director
Alaska Seafood Marketing Institute (ASMI)
Juneau, Alaska
POSITION STATEMENT: Provided an overview on how ASMI brands the Alaska seafood commodity.

ANDY WINK, Seafood Economist
McDowell Group
Anchorage, Alaska
POSITION STATEMENT: Provided an overview of research contracted by ASMI since 1998.

NICOLE KIMBALL
Pacific Seafood Processors Association (PSPA)
Anchorage, Alaska
POSITION STATEMENT: Provided an overview of PSPA participation in marketing Alaska salmon.

MARK VINSEL, Executive Administrator
United Fishermen of Alaska (UFA)
Juneau, Alaska
POSITION STATEMENT: Provided overview of industry marketing initiatives, technology and modernization, and sustainable management.

ACTION NARRATIVE

3:30:14 PM
CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Hughes, von Imhof, and Chair Giessel.

OVERVIEW: Alaska's Seafood Industry

3:30:44 PM
CHAIR GIESSEL said the committee's agenda today was an overview of Alaska's seafood industry. She said this committee is very concerned about the vibrancy and success of Alaska's coastal communities, and control of our fisheries was one of the things that pushed Alaska to statehood. Senator Ted Stevens was instrumental in establishing Alaska's control over its fisheries with the Magnuson Stevens Act that will be 41 years old next

month. It serves a two-fold purpose: a spear against foreign fleets and a shield mandating sustainably managed fisheries. Senator Stevens' vision of value-added resources was extremely important and has guided the state and this industry since its inception.

3:31:39 PM
CHAIR GIESSEL said a panel of great presenters will show the interaction of local, state, and federal officials with private industry in sustainably managing the state's fisheries. She invited Department of Commerce, Community and Economic Development (DCCED) Commissioner Chris Hladick forward adding that he has a unique perspective having managed the seafood community of Unalaska in a previous position.

3:32:32 PM
CHRIS HLADICK, Commissioner, Department of Commerce, Community and Economic Development (DCCED), Juneau, Alaska, said his "journey of education and discovery about commercial fishing in Alaska" began on the Yukon River in the 1990s with meeting Sidney Huntington and learning about the chum fishery. In 1994 he went to Dillingham as its city manager and his fisheries education really took off. He said Bristol Bay is home to the largest red salmon fishery in the world and the history of the commercial salmon fishing in "the Bay" goes back to the late 1800s.

3:33:05 PM
SENATOR MEYER joined the committee meeting.

COMMISSIONER HLADICK said life in Dillingham revolves around fishing seasons and the quality of their fish is a source of pride for everyone in the community - and he includes fishermen and processors that come from Outside as part of the community, because they all contribute.

In 2001, the commissioner said he moved his family to Unalaska, home to the International Port of Dutch Harbor. He was aware of inshore/offshore fishing, but had no idea what he was getting himself into. He learned what ground fish are and the importance of the Bering Sea to the Alaskan and the U.S. economy not to mention the fact that its products are delivered worldwide. The shipping infrastructure in Unalaska can ensure that fish arrives on a scheduled service virtually anywhere on the globe.

He also learned about the North Pacific Fisheries Management Council and that Alaska has the best managed fisheries in the

world, bar none. Fish stocks are managed with input from all sectors of the industry and government and rely upon sound science. It's a process that works.

COMMISSIONER HLADICK said one of the reasons he wanted to move to Unalaska was because it ranks in the top schools in Alaska on a regular basis and it also has the Coast Guard, an integral component of any fishing community in Alaska. If a ship gets in trouble in the Bering Sea or any Alaskan waters, there is only one group to call: the U.S. Coast Guard.

COMMISSIONER HLADICK said seafood is a bright spot in Alaska's economy, and others will testify about the numbers of jobs and total value created, but the competition is fierce. There are more options for fish protein alternatives coming on the market every day. But he has also learned that the fishing industry can turn on a dime to get things done to adapt to markets. One year, surimi is the optimal product sought by the market, the next is filets: the equipment in the plant gets taken out and new efficient equipment gets installed in a matter of months. Government could never respond this fast. The fishing industry is dynamic and ever vigilant in responding to market demands, which can make it a bit of a roller coaster for them and the community in which they reside.

He said they would also hear today from the Alaska Seafood Marketing Institute (ASMI) and the job it does for Alaska. As commissioner of DCCED, he is on over 20 boards, but he is honored to be on the ASMI board working with industry members to promote the best Alaska has to offer.

Anyone who has been to Unalaska realizes that commercial fishing is not just about the boats, not just the processors; it's also about support industries: welding, trucking, cold storage, fuel and equipment, ship supply, bulk food supply, having capable labor 24/7, and it's having everything available 24/7. It's the contractors that build the docks, the power plants, living quarters, and processing facilities that all provide jobs and hard dollars into the community. It's a symbiotic relationship between industry and the community, with both benefits.

Communities have a host of responsibilities in their link to the economy. Capital projects include public facilities: docks, landfills, power plants, waste water and drinking water facilities, clinics, schools, public services such as police as well as fire and emergency medical services (EMS). Often the

community provides the public library, the only place for workers to go and check their email.

So, you may ask how that is different than anywhere else in Alaska. Commissioner Hladick said it's different, because there is an ebb and flow to fishing seasons creating peaks and valleys in utility and service demand. Unalaska is a community of 4,500 people, but 32,000 airplane seats are sold each year destined for Unalaska. All services are staffed appropriately to meet this demand. For instance, the water plant in Unalaska provides up to 7 million gallons a day to meet the demands of the processing plants. This utility is the fifth largest water supply in Alaska based on volume. Municipal government can never let up on planning and maintenance.

In summary, he said living in rural Alaska in fishing communities has been an incredible experience for himself and his family. The exposure he has gotten while working with multiple state and federal agencies has been a learning opportunity of a life time. While the commercial fishing industry is dynamic and has many complexities regarding the plethora of federal and state agency regulations, there is tremendous opportunity for innovation to increase the value of Alaska's seafood products. The seafood we produce comes from an incredible renewable resource and it is managed wisely, he said, and he is honored to come to know many of the players in the industry and know that every day they work to sell the brand and maintain the highest quality seafood possible wild sustainable seafood to the world. "It's a great story and I'm proud to be part of that story."

3:39:27 PM
CHAIR GIESSEL thanked Commissioner Hladick for his remarks and finding no questions, she said the committee would go on to the interaction between state and federal agencies, and welcomed the Alaska Department of Fish and Game (ADF&G).

3:40:05 PM
TRENT HARTILL, Federal Fisheries Coordinator, Alaska Department of Fish and Game, Kodiak, Alaska, said he would present a high-level overview of fisheries management and jurisdiction in the State of Alaska. In general, there are two primary regulatory bodies in Alaska that are responsible for fisheries management: one is the Alaska Department of Fish and Game (ADF&G), and the regulations that govern these fisheries are developed through the Alaska Board of Fisheries. These fisheries generally occur from zero to three nautical miles. The other primary agency is

the National Marine Fisheries Service (NMFS) and the regulations for these fisheries are developed through the North Pacific Fishery Management Council (NPFMC). These fisheries occur from 3 to 200 miles offshore. He noted that the ADF&G commissioner has a dedicated seat on the NPFMC, so the state has a role in assisting in the development of regulations and fisheries management in the federal fisheries.

3:41:46 PM
Within these two management bodies there are three general types of fisheries: a federal fishery that occurs in federal waters from 3 to 200 nautical miles offshore and those regulations are guided by the Council process. The harvest in these fisheries is deducted from a federal total allowable catch (TAC), the target amount of catch for vessels to take.

The second type of fishery is a parallel fishery and that occurs inside state waters. It is managed by the ADF&G through the Alaska Board of Fisheries. The unique nature of this fishery is that the Board of Fisheries generally adopts the federal rules and regulations that occur in the adjacent federal waters. This provides a seamless transition for the fishery participants 0 to 200 nautical miles offshore. Despite the federal rules being adopted into state waters, it's still a state managed fishery and still falls under the Alaska Board of Fisheries jurisdiction. Harvest in these fisheries is deducted from the total federal TAC.

3:43:12 PM
SENATOR HUGHES asked if the TAC is per vessel or per region.

MR. HARTILL answered in open access fisheries, vessels compete for the amount of available TAC and there is no individual allocation. But some fisheries have individual allocations. His example is open access.

3:43:43 PM
The third type of fishery is a state-waters fishery that uses a guideline harvest level (GHL), which is analogous to the federal TAC. These fisheries are wholly within the Alaska Board of Fisheries process and only prosecuted from 0 to 3 nautical miles offshore.

3:44:08 PM
MR. HARTILL provided a map of state and federal fishery boundaries noting that some areas of state and federal areas align better than others, but in general there is pretty good

agreement between the state and federal government on where fishery boundaries occur.

MR. HARTILL said he would use the Pacific cod fisheries in the central Gulf of Alaska as an example of where some of the overlaps occur. The state has many fisheries and there is no single template that is used. The fisheries are generally geared towards the user groups, the areas, the fleets, and the target species. He explained that the acceptable biological catch (ABC) limit is a bright red line that the federal fisheries don't want to exceed. The total allowable catch (TAC) is an amount less than the ABC and is what they target to catch.

MR. HARTILL explained that the central Gulf of Alaska has an acceptable biological catch (ABC) and 75 percent of that is allocated to the TAC. That is further distributed between the two seasons, A and B, with a little bit more dedicated to the A season compared to the B season. Within each of those the Pacific cod is allocated to specific gear groups, and that is what actually hits the water. Twenty-five percent of that is allocated to the state waters fisheries in the form of GHL. That 25 percent is further distributed between the different management areas in the Central Gulf (Cook Inlet, Kodiak, and Chignik are the three state management areas). The different proportions of GHL are allocated to the gear types in these fisheries.

3:47:59 PM
SENATOR VON IMHOF asked if the A season and the B seasons are completely separate for the federal and state fisheries.

MR. HARTILL replied that they are completely separate.

SENATOR VON IMHOF said it seemed that some areas are getting fished twice.

3:50:14 PM
MR. HARTILL explained that the A season and the B season in the federal fishery can occur from 0 to 200 miles in the form of a federal fishery and the parallel fishery and the state season (GHL) starts when that fishery closes.

3:50:35 PM
SENATOR HUGHES said about 75 percent of the allocation goes to the 3 to 200-mile marker, leaving 25 percent for the smaller area and asked why. Are there more fish closer to land?

MR. HARTILL answered that when the state waters GHL fisheries were developed there had to be a starting point for allocation and one of the metrics that informed the Board of Fisheries in development of these fisheries is the historic proportion of the catch that occurs inside of three miles, and at the time it was about 25 percent. That is where the board started the allocation.

SENATOR HUGHES said she assumed that they have stuck with that proportion because it has worked well.

MR. HARTILL answered yes, and added there are GHL fisheries in many other areas of the state that might have a different percentage, which reflects historical participation in that area. Stakeholders drive the board process and can advocate and request modifications. For example, the board increased the allocation to the fisheries in the South Alaska Peninsula area from 25 percent to 30 percent. The beginning allocation amounts, and the ongoing management of each fishery is a Board of Fisheries job.

3:53:09 PM
MR. HARTILL said the next slides were a high-level overview of a federal fishery, a parallel fishery, and a state waters fishery, the take-away being the difference in management of the fisheries.

The federal Pacific cod fishery is 3 to 200 nautical miles offshore. The harvest limit is based on a fixed percentage of the Pacific cod ABC and there are specific gear sectors for trawl, long line, pot, and jig gear. There are also separate allocations for whether the operations are catcher vessels versus catcher processors.

3:54:40 PM
MR. HARTILL explained that the Parallel Pacific Cod Fishery occurs just in 0 to 3 nautical miles and is essentially a federal fishery that occurs inside state waters where the state adopts similar regulations. It is also called a concurrent fishery. It has a shared TAC, a single overall total allowable catch for all participants, whether they are inside or outside three miles, and the same gear and sectors that participate. However, the Board of Fisheries has provided some bottom trawl restrictions: the Gulf of Alaska has quite a bit of state waters that are closed to bottom trawl gear. The A and B seasons also apply during the parallel fishery. There is no gear limit, but

the board has developed some vessel length restrictions for certain gear types and in certain areas.

He explained that the differences between the parallel and the federal fishery are:
-the parallel fishery is open access. This essentially means that any vessel can participate as long as it follows the other rules, such as seasons and gear types. (The State of Alaska doesn't administer an FFP or an LLP program nor does it recognize the LLP or FFP requirements in the federal fishery.)
-the state also adopts most Steller sea lion protection measures, and
-the observer program requirements only apply to the federally permitted vessels.

3:56:35 PM
MR. HARTILL further explained that the state waters Pacific cod fisheries are only 0 to 3 NMI and were developed through the Board of Fisheries process; the harvest limits are based on a percent of the federal Pacific cod ABCs. The seasons are opened after the federal parallel fisheries close, which prevents overlapping fisheries from going on at the same time.

One of the key differences between the parallel and federal fisheries and the state waters fisheries is the gear. Most of the state waters Pacific cod fisheries are open to just pot and jig gear with a couple of exceptions: one in Prince William Sound and one in the Aleutian Islands. Both Prince William Sound and the Aleutian Islands are open to long line gear; the Aleutian Islands is also open to trawl gear.

MR. HARTILL said there are gear limitations: 60 pots and 5 jig machines, and most areas have vessel length limitations. The GHL fisheries have an access provision that is different than a permit system. The state implements an exclusivity requirement, essentially a way to control a vessel's participation in different registration areas in the same calendar year. So, some areas have more stringent requirements than others.

The state has Steller sea lion protection measures, but only the rookery protection measures. So, the federal haul out protection measures are not adopted in the state water's fisheries. There are no observer program requirements for the GHL fisheries.

3:58:25 PM
SENATOR VON IMHOF asked how long the parallel and federal fishery seasons are.

MR. HARTILL answered that a number of factors influence the season length: one is the size of the TAC and another is the participation in the fishery. In general, the fisheries close in February or March.

SENATOR VON IMHOF said that closure would amount to 30 to 60 days and asked if smaller boats will fish the state waters versus bigger boats fishing the federal waters. How do fishermen select which fishery to participate in?

MR. HARTILL replied that there is a lot of overlap. Many of the vessels will participate in both the federal parallel fishery and the state waters fishery, but many only participate in the state waters fishery. So, it's largely dependent upon the business plan and other opportunities that the vessel will have.

3:59:49 PM
MR. HARTILL summarized that there are two management jurisdictions in Alaska: federal and state. There are three types of groundfish fisheries: the federal, the parallel, and the state, and they have varying levels of overlap. There isn't a single form of fishery in Alaska; each is unique and highly dynamic across all of the areas.

4:00:50 PM
SENATOR HUGHES thanked Mr. Hartill for his presentation and asked how federal employees work together with state employees.

MR. HARTILL explained that the state has a good working relationship with the in-season federal management staff. Typically, as the federal fisheries begin to wind down (as they approach their TAC), the state will be in contact with them to determine the timing. The state has a time period unique for each area in regulation on when the state waters fishery will open. So, they have some flexibility in the timing of these closures on the federal portion and the opening on the state portion.

SENATOR GIESSEL thanked Mr. Hartill for his very good presentation and welcomed Glenn Merrill to the committee.

4:02:50 PM
GLENN MERRILL, Assistant Alaska Regional Administrator, National Oceanic & Atmospheric Administration (NOAA), Juneau, Alaska, said he would provide a high level and relatively brief overview of the role of Alaska in federal fisheries management. Within

the federal system, many of the concerns and issues that residents of Alaska have are recognized through specific provisions in the Magnuson Stevens Act, which he would touch on briefly, as well as the North Pacific Fisheries Management Council (NPFMC) process. He would then provide examples of how NOAA coordinates with residents of Alaska as they manage the federally managed fisheries.

4:03:44 PM
MR. MERRILL said the residents of Alaska interface with the federal government for the day-to-day management of the federal fisheries through the North Pacific Fisheries Management Council (NPFMC), through cooperative management for a number of species, and ongoing research. The federal process is a very public process, because they the importance of engaging with the public seriously so that they understand the implications and the management process used at the federal level.

4:04:33 PM
MR. MERRILL acknowledged that the nuances of fisheries are complex, but Senator Stevens and other senators recognized the importance of having direct involvement by the stakeholders in the policy development process and that is unique about the way the fisheries are managed in Alaska through the Magnuson Stevens Act.

The NPFMC is a policy development body. It recommends policies to the federal government and the federal authorities are responsible for reviewing those policies to make sure they are consistent with existing laws, and then they implement the regulations that result from those policies. The State of Alaska is a key voting member on the NPFMC having 6 of the 11 voting seats. The ADF&G commissioner has one of those seats and the other five represent a variety of different interests from various communities and different fishery groups that are active in the fisheries.

The Magnuson Stevens Act requires balancing a lot of different interests in developing policies. Fisheries is complex; typically, restricting or limiting one fishery for one set of participants provides opportunities for others. The Magnuson Stevens Act recognizes that by requiring all of these policies to balance a range of "national standards." Four of the ten standards are: trying to achieve the optimum yield from the fishery, providing for fair and equitable allocations among residents of various states, providing for sustained participation in communities, and minimizing by-catch.

4:06:30 PM
MR. MERRILL used groundfish catch as an example of the balancing act. Groundfish refers to basically anything except for salmon, shellfish, herring, and halibut. He showed a chart of groundfish catch in the federal fisheries off of Alaska in metric tons for a number of years and explained that they have attempted to ensure that active fishermen are minimizing by-catch and they are doing a very good job of that from a groundfish perspective. Ninety eight percent of all of the groundfish that are harvested are retained. This is done through a variety of different regulations.

Key to that is Alaska's very robust scientific and research program and that includes science and research done in Alaska and what the federal government does in terms of grants that are active in a lot of these fisheries research areas. One of the hall marks of federal fisheries off of Alaska is that they are very linked to their science. That isn't the case in all areas in the nation.

MR. MERRILL stated that Alaska has the most effective monitoring, counting, and enforcement systems. It has the largest at-sea observer program in the nation; tens of thousands of days are observed on various vessels throughout Alaska. That provides very essential information that is used in their day-to-day management of the fisheries. There are limits on fishing capacity and on the total amount of catch that is allowed, and those are adhered to. Uncertainty in state management policies is recognized by having precautionary and conservative management. They want to understand the impacts of habitat and protections and how that can help all species moving forward.

4:09:33 PM
SENATOR VON IMHOF asked if the U.S. has a way to monitor foreign vessels that come into the Aleutians or Bristol Bay right at the 200-mile mark. How do you handle that?

MR. MERRILL answered that NOAA undertakes a robust enforcement process particularly with the U.S. Coast Guard and they have a monitoring system to ensure that vessels don't encroach into domestic waters. No foreign vessels are authorized to fish in U.S. waters. So, if a vessel were to cross over into our exclusive economic zone (EEZ) that would be a violation of laws that could be prosecuted. It is relatively rare, but they certainly keep an eye on it.

4:10:36 PM
SENATOR HUGHES asked how many foreign vessels hover within 100 miles of that 200-mile mark in any given year.

MR. MERRILL answered that it is difficult to know because it is such a vast amount of ocean, but they have joint enforcement agreements with Russia, Korea, and Japan, and other nations that border U.S. waters in the North Pacific. For the most part some vessels, including ours, will fish close to the line, because that happens to be where the stock is, and they are fishing off their allocations that are provided through their domestic management bodies. It is difficult to provide a precise number, but the idea is to better understand whether their vessels are increasing the amount of activities they have near Alaska's waters. They haven't seen a high degree of interest, but it is monitored.

4:12:00 PM
SENATOR HUGHES asked for a ballpark estimate.

MR. MERRILL estimated that probably a handful of vessels fish really close to the line, primarily between the U.S. and the Russian maritime boundary for pollock. That varies from year to year. Because they are fishing there doesn't necessarily mean that they are encroaching into U.S. waters; it could simply be that happens to be where the stocks are. Sometimes U.S. vessels get close to the line, as well.

4:12:42 PM
SENATOR MEYER asked how NOAA monitors these activities; by satellite, by drones? What jurisdiction do they have if someone is where they shouldn't be in our area?

MR. MERRILL answered that a variety tools are used: satellite, overflights with the U.S. Coast Guard, cutter presence, and reports from the fleet if they see vessels that are near the maritime boundary. Some vessels use an automatic identification (AIS) system.

4:13:31 PM
SENATOR MEYER asked what jurisdiction NOAA has.

MR. MERRILL replied that NOAA has a variety of enforcement tools: the domestic laws for one - the Lacey Act and Magnuson Stevens Act, for instance. A number of these countries are also members of various "regional fishery management organizations," that have agreed to certain provisions and restrictions on the

use of their vessels in high seas. If they have an issue with a vessel in those cases, then they can bring a case to the domestic body and address it. They have had some success with scrapping or removing several vessels from service for various infractions that have occurred over the years. This is an agreement on an international basis, as well.

Some of the domestic agencies have joint enforcement agreements with NOAA, he said. In other words, they would inform NOAA if they witness any vessel behaving in a way that would be inconsistent with their domestic laws or our domestic laws if that vessel were to transit back into their waters. Those incidents can be pursued through these joint agreements.

4:14:59 PM
MR. MERRILL highlighted that the NPFMC and NOAA are always looking at ways to innovate management. They have a very robust observer program, and one of the things the Council and the federal government has been responsive to and is trying to find better ways to gather at-sea information that is perhaps less onerous or less difficult than having observers on board vessels, which is a concern for some of the small-boat hook and line fleets. So, they have developed a series of arrangements with the fleet to have volunteers take cameras on board their vessels to see whether some video system could be used to detect the specific species that are being discarded at sea and measure those to use the information in their day-to-day management.

They just published yesterday a proposed rule that will look at ways to enshrine this in regulations that they hope to have in place for next year to provide an opportunity for some of these small boats to take a camera instead of a human on board. This kind of innovation has allowed Alaska to be at the forefront with its management by continuing to look at ways to work with the stakeholders, engage them in finding solutions to problems that they have, and yet at the same time recognize the importance of getting good data for management.

4:16:38 PM
MR. MERRILL highlighted a few places to look for information and context on the variety of groups that are involved:
-National Oceanic and Atmospheric Administration (NOAA) fisheries
-North Pacific Fisheries Management Council
-International Pacific Halibut Commission

4:17:08 PM

SENATOR GIESSEL thanked Mr. Merrill for his comments and said once the seafood is caught how it gets to market is another issue. She invited Ms. Tonkovich to talk about ASMI.

4:17:53 PM
ALEXA TONKOVICH, Executive Director, Alaska Seafood Marketing Institute (ASMI), Juneau, Alaska, said she would give a brief overview of how ASMI brands the Alaska seafood commodity. She would talk about the Alaska brand in the seafood market place, the global factors impacting the seafood, sustainability, eco-labels and marketing, and Alaska's responsible fisheries management from a marketing perspective.

4:18:10 PM
MS. TONKOVICH said ASMI is a public/private partnership between the Alaska seafood industry and the State of Alaska; they promote all commercially harvested seafood from the state and they are the official promotional arm for the State of Alaska.

ASMI's current budget breakdown demonstrates that they are truly a public private partnership and that ASMI is a good example of how industry, state, and federal governments collaborate to promote a U.S. product. ASMI is currently receiving money from the State of Alaska general fund and the Alaska seafood industry through a voluntary assessment, which is paid by processors through the State Department of Revenue. ASMI also receives federal funding through the U.S. Department of Agriculture's (USDA) Market Access Program, a federal grant which ASMI competes for annually. The funding goes towards promotion of U.S. agricultural commodities in international markets.

4:19:23 PM
MS. TONKOVICH said ASMI is part of a network of commodity boards and industry associations who also compete for the USDA grant funding and who also promote U.S. goods overseas. Some are public private partnerships with their state, like ASMI. Others are primarily industry driven. They all share the goal of raising the economic value of their goods and promoting state, country, and commodity brand and ASMI collaborates with these commodity groups and combines resources whenever it can.

MS. TONKOVICH said ASMI is the brand manager for Alaska seafood and they aim to promote that brand in the United States, as well as 27 other countries. While they strive to have some consistency in their brand, the same messaging attributes and aesthetic does not work in every market. Through market research, in-country expertise and close alignment with

partners, they strive to find a message and a promotional vehicle to suit each market and market segment. They use several different platforms; ecommerce, in-store retail promotions, and consumer advertising social media.

4:20:46 PM
She said ASMI uses many traditional means to promote the Alaska seafood brand like print advertising and in-store promotions, but thanks to the digital age there are new, exciting, and often less expensive ways to reach millions of consumers with their messaging. E-commerce is quickly becoming the new way that consumers shop for groceries, particularly in Asia, but also in parts of Europe and in the U.S.

Social media has changed the marketing landscape, as well. On the first "Alaska Wild Salmon Day" in August, ASMI engaged in almost exclusively on-line promotional activities. They didn't hold an in-person event and didn't pay for any advertising. They used public relations and primarily digital promotions such as snap-chat in highlighting the event on their social media. This was a lower cost effort than traditional promotion and they were still able to generate 94 million consumer impressions.

4:21:47 PM
MS. TONKOVICH said ASMI works with a number of different partners to promote the Alaska brand and customize their promotional efforts to build on the strong brand equity of these partners leveraging their budgets in addition to ASMI's as well as their customer base and media channels.

That ASMI and the Alaska industry has spent years building the strength of the Alaska brand, particularly in the U.S., is apparent. In 2015, for the first time ever, Alaska seafood became the number one brand among proteins on U.S. menus. "This is the first time we have ever managed to beat Angus beef," she exclaimed.

Each year ASMI conducts consumer research in most of its major markets and the latest U.S. research found that 94 percent of consumers are more likely to order seafood in restaurants when the word "Alaska" is used. These numbers aren't quite as high in international markets where Alaska has a less familiar origin to consumers.

4:22:48 PM
MS. TONKOVICH said ASMI's primary focus is to add value to the Alaska brand. However, many things that impact the value of the

seafood are outside of their control. A strong U.S. dollar makes Alaska's products more expensive compared to competitors in overseas markets. It also makes the U.S. market a desirable one for imported seafood. And Alaska faces fierce competition from farmed and imported seafood as well as other protein sources because the wild harvest is unpredictable. Things like the Russian embargo enacted in 2014 closed off our largest roe market and diverted farmed salmon into our major markets in Europe and the U.S.

MS. TONKOVICH said sustainability has long been a part of the Alaska brand. However, the ways in which they have messaged around this topic have changed in the last decade and a half. Around the year 2000, the failure of the EU common fisheries policy led to a collapse in EU fishery stocks, 80 percent of which were over fished. This prompted a fisheries sustainability movement and the heightened role of non-governmental organizations (NGOs) in sustainability. Wild capture fisheries, like Alaska seafood, have been on the forefront of these sustainability measures and are decades ahead of other fisheries and commodity groups.

4:24:40 PM
The fishery sustainability movement led to the formation of the Marine Stewardship Council (MSC) which is backed by the World Wildlife Foundation. It was formed to bring market pressure on companies to support sustainability. MSC needed a fishery to showcase this movement and Alaska salmon was the natural choice. Alaska saw a competitive advantage in marketing its sustainability and so the ADF&G signed on with the MSC to certify Alaska salmon.

Prior to MSC certification ASMI was already marketing sustainability, Ms. Tonkovich said, particularly in places like the U.K., the U.S., and Germany. After receiving MSC certification, ASMI began to use certification language in its marketing efforts and was able to capture some additional promotional efforts through MSC-themed activities; other Alaska species followed suit in gaining this certification.

As MSC grew globally, ASMI began to see it replace Alaska on packaging, in-stores, and in advertising. ASMI felt some erosion of the Alaska brand, because now Alaska salmon would be MSC salmon. And as MSC has expanded to include fisheries that are making progress toward but being not fully sustainable, Alaska fisheries were then grouped in with that broader group.

The Marine Stewardship Council (MSC) has taken hold particularly in Europe and is aggressively expanding to other markets. Despite Alaska's track record on sustainability, certification is a requirement in most of those markets and most customers are now demanding third party verification of sustainability. Given that certification is increasingly necessary for market access, she said, the industry and customers expressed the need to have a choice in certification programs, and so ASMI developed the Alaska Responsible Fisheries Management Certification (RFM).

4:26:15 PM
MS. TONKOVICH explained that RFM is an independent third-party certification of Alaska's seafood sustainability. Alaska salmon, halibut, black cod, pollock, cod, and crab are all certified by this standard, which is owned by the ASMI board. RFM is based on the United Nations Food and Agriculture Organization (FAO) code and guidelines.

4:26:36 PM
MS. TONKOVICH said fisheries management and certification, which is the focus of the RFM program, are only two aspects of sustainability, which is an evolving topic. Alaska does very well with its fisheries management thanks to the state and federal regulatory agencies and certification is available to major Alaska fisheries both through the RFM and the MSC. Another part of sustainability is full utilization. ASMI supports industry efforts through their technical program and through supportive programs initiated by groups like the Alaska Fisheries Development Foundation. Social responsibility is the coming trend in sustainability, and again the U.S. has strong regulatory agencies to manage this. It's not a part of the Alaska RFM program and it is not known how these trends will affect Alaska.

More broadly, to many, sustainability is about fishing families and communities. Alaska's fisheries are well managed so that the resource will be available for next generations and so that the Alaska industry will continue to support our communities. This is an important part of the Alaska story and a key part of its brand.

4:27:47 PM
MS. TONKOVICH said choice in certification isn't just important to Alaska, other FAO-based programs have gained momentum worldwide. Iceland and Louisiana have similar programs to Alaska's that are fully operational. Australia and New Zealand

are conducting feasibility studies, and Canada and Japan have expressed interest in forming similar FAO-based programs.

4:28:09 PM
MS. TONKOVICH said they are very proud of Alaska's responsible fisheries management program, as it is the first certification to successfully benchmark against a globally developed benchmarking standard through the Global Sustainable Seafood Initiative (GSSI), a platform to streamline sustainable seafood sourcing worldwide. Major companies have signed on that they will accept certifications that are benchmarked by GSSI. In fact, Walmart announced that it is changing to include GSSI certifications.

4:28:44 PM
MS. TONKOVICH said issues of social responsibility and ethical harvesting practices are the coming waves in the sustainable movement. This is in part to recent headlines about poor labor practices in other fisheries. Many major customers are beginning to feel at risk and are requesting more formal assessments, which will place an additional demand on Alaska industry to demonstrate its responsible practices. This is outside Alaska's RFM program and ASMI will look to industry as it crafts messages on these topics.

4:29:24 PM
SENATOR HUGHES asked at what point the RFM certification takes place.

MS. TONKOVICH answered that the RFM certifies major Alaska fisheries, so the fishery itself is certified, and anyone selling seafood can say it is certified sustainable seafood. There is also a mechanism through which people can get chain of custody, so they can have an audit of the fish from the moment it's caught to when it is processed and sold in a grocery store.

4:30:09 PM
SENATOR VON IMHOF asked what the additional cost to ASMI is to do this.

MS. TONKOVICH clarified that the RFM program is managed by ASMI and has a budget of $1 million per year.

4:30:51 PM
SENATOR GIESSEL thanked Ms. Tonkovich and welcomed Mr. Wink to the table.

4:31:08 PM
ANDY WINK, Seafood Economist, McDowell Group, Anchorage, Alaska, said McDowell Group has been a research contractor for ASMI since 1998. It tracks market conditions, informs industry and buyers about key trends, submits ASMI's federal grant application for MAP funds, and supports all ASMI's various programs with data and strategic consulting services. Beyond its work with ASMI, the McDowell Group has a long history of studying economic impacts in the seafood industry, outlining market conditions, and working on economic development projects for dozens of clients throughout the state.

In addition to seafood, they provide research services to the oil and gas, and the mining industry, health care, Alaska Native organizations, the maritime support sector, as well as government agencies.

MR. WINK said slide 2 graphed "Alaska Seafood Marketing Institute Volume and Value by Species (2011-2015)" with an emphasis on coastal impacts. He said it's important to understand where the value and the volume comes from. The graph included all commercial seafood harvest and its ex-vessel value (the value of the fish as it goes from the fisherman to the processors). He explained that some catcher-processors process seafood on the same boat it was caught. In those situations, they use an imputed ex-vessel price. Most of the harvest volume is dominated by pollock, cod, and Amendment 80 (A80) species, which includes mackerel, sole and flounder, and rock fish. Those three pieces of pie are about 81 percent of the volume and are primarily federally managed fisheries.

On the value side, the pieces are much smaller, about 42 percent between the three. The way to look at this is: yes, we catch a lot of high-volume low-value ground fish, but the value is represented by a very diverse portfolio of species. Frankly, a lot of states would count themselves lucky to have just one of these pie slices. Alaska accounts for 62 percent of the U.S. harvest volume; no one else comes close to producing that volume. Halibut, black cod, and crab is less than 3 percent of the overall volume, but almost over a quarter of ex-vessel value.

4:34:58 PM
MR. WINK showed a graph of production by product type averaged over 2013 and 2014, because some years can shift depending on the species that are caught. It basically indicates that Alaska produces mostly primary and intermediate products. So, most of

our production will be sold to secondary processors or distributors, and those buyers also buy species from other fishery producers and other aquaculture companies. So, Alaska is definitely competing in a global market place.

He also noted that a lot of Alaska production (about two-thirds of Alaska's seafood value) comes from foreign markets. Most of the value from filets comes from pollock, not salmon. Most of the headed and gutted (H&G) value comes from salmon, halibut, black cod, as well as Pacific cod.

4:36:27 PM
MR. WINK said slide 4 breaks down the ex-vessel value by Alaska residents versus non-residents. Non-residents out-earn Alaska residents overall, but it depends on which species you are talking about. In the federally managed fisheries, the high-volume ground fish tends to be more non-resident whereas salmon, halibut, and black cod tend to have higher percentages of resident earnings.

So, when one thinks about the Alaska fleet and the seafood that matters to it and what drives the value for that group, that is represented by another pie chart where salmon is almost half of the Alaska resident fleet's value.

4:37:31 PM
MR. WINK said slide 5 graphs the ex-vessel value over time (inflation adjusted in billions of dollars) using the U.S. dollar index. Back in the early 2000 Alaska had a real value crisis when companies and fishermen went out of business, especially in salmon harvesting. A lot of that was driven by the strong U.S. dollar at the time. There was also the misfortune of having relatively poor salmon runs in 2002 and 2003. But that salmon crisis led to a lot of investment and innovation, and the entire industry really got better. The products improved, and the efficiency improved, and as a result value went up. An important "tailwind" happened at that time in a weakening dollar (2000 - 2011) making the value of the fish go up. It probably would have continued the same trajectory, but 2010 and 2009 had very low pollock harvests. But since 2011, things have shifted and the values in the fisheries have declined, at the same time being driven by the stronger dollar.

So, in general, a weak dollar and low index, is good for Alaska's fishing economy: a strong dollar is bad. It just means that it takes more foreign currency for buyers to buy our products.

He pointed out that even this chart says a lot, but it understates the difference in market conditions between 2001/2002 and 2015. In early 2000, the Russian ruble was quite a bit stronger; the ruble in 2015 is actually 49 percent weaker than it was in 2002. That was particularly bad for Alaska because Russia catches a lot of the same species that we do. They have also seen larger harvests of pollock, up 96 percent since 2002. Their harvest of chum/sockeye/pink salmon are all up dramatically.

Alaska has also faced more competition from things like Atlantic cod. Between 2002 and 2015 Atlantic cod went up 44 percent and farmed Atlantic salmon went up 119 percent. At the same time, halibut and black cod - the two high-value species - have had their harvest volume drop 56 percent. So, even though the dollar index was technically higher back in the early 2000, a strong case can be made that market conditions now are even more difficult for Alaska seafood producers.

4:41:41 PM
MR. WINK, page 6, said the strong dollar isn't just affecting Alaska seafood, it's also affecting its two-other major natural resource industries: oil/gas, and minerals. Seafood volume is down 8 percent since 2011 through 2015 and we have had a first wholesale (when a product gets sold from the processor to a buyer) value change of an 8 percent decline (from $4.6 billion in 2011 to $4.25 in 2015).

Other industries have been impacted by the strong dollar, too, as well as other factors. Oil is down from $16.3 billion to $5.6 billion, a 59 percent decrease. Minerals, mainly gold and zinc, are down from $3.5 billion to $2.6 billion. In this context, seafood is not the only one being hit by "this currency truck."

4:43:06 PM
MR. WINK referred to slide 7 and said each year the total value is going to be driven by the catch volume and what it's worth and there are important changes over time in harvest volumes of different species. The main species to pick out are salmon, halibut and black cod, about a $300 million loss. Basically, the catch is down from 2011 even with slightly higher prices. Salmon had a larger harvest in 2015, but prices collapsed, partly due to the large harvest, but also due to the strong dollar and the fact that it was hard to find competitive buyers for some species for several reasons. In the end, the ex-vessel value went to 27 percent since the peak in 2011. That isn't good, but

considering that the dollar index gained 27 percent, that puts it in the appropriate context.

4:44:46 PM
MR. WINK referred to slide 8 and said the question is always what is going to happen this year. And there is good reason to believe the value might increase for the first time in a while. This year the salmon forecast is better: pinks are way up after an historically poor run last year; the sockeye forecast is down next year but prices are building, and demand is building for that. So, salmon values are expected to rebound in 2017.

The pollock harvest is expected to be down in the Gulf of Alaska and overall. There is more downside with pollock in terms of the value and they think it will probably be flat depending on how the roe harvest and roe markets go. Last year was a poor roe yield for pollock. A lot of pollock were caught, but the roe yield wasn't there.

Halibut and black cod quotas are up a little bit, not near they were historically, but trending in the right direction. There are strong prices, so they expect value to be up for that. Cod and flat fish both have seen better pricing, both slightly lower tax. One thing about expecting less harvest from pollock, cod, and flat fish, is that the biomass and the biological health of these species in the Bering Sea is doing very well and the acceptable biological catch in the Bering Sea for all ground fish is over 4 million metric tons. However, there is a hard cap in the Bering Sea of 2 million metric tons. So, no matter what the biomass is there, and how much they think they can successfully catch, the rule is not to cross that 2 million metric ton threshold.

4:47:29 PM
MR. WINK said slide 9 presented a table of the fishing and processor workers that were down a little bit over all looking at the difference between the peak in 2011 and 2015 data. Similarly, slide 10 presented a table for skipper counts and gross earnings by resident versus non-resident and indicates a bigger impact on residents.

4:48:13 PM
Slide 11 summarized fishing employment and earnings. Declining ex-vessel value has had a larger impact on the resident fleet, both in terms of employment and gross earnings. This resident fleet has more exposure to salmon and generally includes smaller, less efficient boats, which are impacted more by

pricing. Then it depends on which fishery gets hit with a poor harvest from year to year.

4:48:42 PM
MR. WINK said slide 12 graphed ex-vessel value by Alaska regions in 2013/2014 to see where fishing dollars go: Southcentral is the largest followed by Southeast and then Kodiak. Even though those three are the largest in terms of the piece of pie, the impacts and the money that goes to Western Alaska and Kodiak, as well, is proportionately larger than Southcentral and Southeast with the lower populations there. It is a huge part of the Western Alaska economy given that the pies for Southcentral and Southeast are so much larger.

4:49:39 PM
MR. WINK said slide 13 charts how this industry impacts coastal and rural areas in terms of permit holders, active skippers, and two categories for non-ground fish ex-vessel value comparing 2011 vs. 2016 and 2011 vs. 2015. Basically, they have seen less participation and less employment, but the gross earnings really took a hit from 2011 to 2015/16.

4:50:25 PM
MR. WINK said lower employment and lower revenues results in less residual economic impacts due to spending and taxes. While the values grew permit values also grew, as well as boat values and quota values. So, a lot of things got more expensive in the fisheries and then things started to cool down. In some cases, prices have come down, but in most cases, they haven't. Fishermen have less revenue, but they still have big bills.

The lower values also resulted in a balance sheet hit. Salmon permit values are something that can be tracked, and the total value of Alaska salmon fishing permits fell 21 percent in 2016, a loss of $175 million basically off of the balance sheets of commercial fishermen. Alaska residents bore over $100 million of that. Basically, they are seeing contraction and less value in both 2015 and 2016, and a significantly lower harvest volume in 2016.

4:51:51 PM
MR. WINK referenced slide 15, and said current market trends are low prices for Alaska pollock filets and that is usually the largest pollock product. Industry is competing fiercely with Russian product, which is typically sent to China and processed and then resold as a twice-frozen product. Encouraging things have been seen in terms of marketing of once frozen versus twice

frozen due to superior quality and hope that continues, because that has been a very beleaguered product.

Low salmon prices have been seen for a couple of years, but that in addition to the ASMI's work has really been important in building demand for salmon and cod, specifically sockeye and cod. Tremendous in-store demonstrations and promotions have been done throughout the U.S. and they are really making a difference.

Crab prices are at record levels and there is low tax, but there are some mixed results of good fishing where they thought stocks were lower, but fishermen are still finding the crab. We have strong prices and better halibut and black cod quotas, so that's a plus. Retailers overall are finding that consumer demand is fitting more and more each year with what Alaska's seafood attributes are. This is really encouraging going forward.

On the flip side, Russia still has a very favorable currency situation; it makes their cost of production much lower than Alaska's. Companies over there can really turn out high quality salmon, pollock, and crab, and Alaska must figure out a way to beat them in the marketplace. In some cases that will be difficult.

MR. WINK said pollock roe is another beleaguered pollock product where supply has grown faster than demand for years, and that has resulted in very low prices. Historically, the pollock fishery really depended on roe, because it was a high margin product and paid a lot of the bills. That is not the case anymore. These are some of the big things the industry is facing. He closed by asked for questions.

4:54:48 PM
SENATOR GIESSEL, finding no questions, thanked him for his presentation and began taking industry presentations.

4:55:22 PM
NICOLE KIMBALL, Pacific Seafood Processors Association (PSPA), Anchorage, Alaska, showed a map of the nine communities in which shore-side processing plants are located and explained that like other trade associations for other resource industries a group of people came together over 100 years ago for this association and decided there were enough statewide and federal issues that they could collaborate on and have an interest in that they could work together on some of them. That is what PSPA does in

addition to just trying foster a better understanding of the seafood industry and its importance to Alaska.

4:56:48 PM
MS. KIMBALL said these member companies have about 31 different shore-side plants and two companies have floating processor vessels that only buy seafood and process it on shore. These companies purchase, process, and market hundreds of millions of pounds of pollock, cod, halibut, sable fish, and all the fisheries they have heard about today. They are dependent on state water fisheries and federal fisheries, large boats and small.

4:57:43 PM
MS. KIMBALL said she wouldn't cover the previously discussed issues, but focus on seafood value: $4.2 billion in wholesale value for all the seafood off Alaska annually. We typically harvest between 5 and 6 billion pounds annually under very conservative management. It's important because it generates almost $6 billion in economic activity in Alaska every year. Domestic markets are very important and key when there is a strong dollar, but some of the export markets are very critical for specific species. Alaska makes up 55 percent of all U.S. seafood exports.

She showed a chart of important species illustrating that Alaska is in a global fish market. The very tallest bar in 2015 shows that the global salmon market is dominated by farmed Atlantic salmon. Wild salmon is what Alaska provides and that is only about 28 percent of the supply. This makes Alaska price-takers, which means we don't have enough market share to really drive prices. This means we are linked to global price trends. So, as aquaculture or farmed supply increases, Alaska is linked to any price trends that they create. It's very important to understand that Alaska is a salmon state, and salmon creates the most economic activity in Alaska. So, all fisheries, in terms of jobs, income and total value among all species (from Mr. Wink's presentation) make up one-third of the total wholesale value of all fish species off Alaska. It's important to know where we fall in the global market.

4:59:00 PM
Pollock is another situation that has competing products (white fish products). Tilapia is one of those. One can see the global tilapia supply is about 5 million metric tons, and that greatly outweighs Alaska's total pollock supply of 3.5 million metric tons. Even the growth in some of these farmed white fish species

markets outweighs the total pollock supply from wild sources. That creates a big strain on harvesters and processors that are dependent on pollock. The market is depressed and it's in terrible shape for all the reasons they have heard today: competition, market increase in Russian production, a strong dollar, and a Russian embargo to the point that the U.S. can't export fish to Russia, but Russia can export fish into the U.S.

This is significant to Alaska because pollock is the state's highest volume fishery. It has long seasons and supports activity in a lot of different communities with processors from the Pribiloff Islands, the Alaska Peninsula, and Gulf of Alaska communities like Kodiak, King Cove, and Sand Point, not to mention Dutch Harbor. Pollock has the volume to keep processing plants in some communities operating nearly year-round, and that's important for job growth. Like salmon, pollock makes up about one-third of the first wholesale value of all seafood off Alaska; between pollock and salmon that's two-thirds, which is why she uses them as examples.

MS. KIMBALL noted that the Department of Labor and Workforce Development (DOLWD) came out with their unemployment rate of 6.4 percent for February. Unemployment fell in 10 different areas across the state and the regions with winter fisheries, the ground fish fisheries, had the lowest unemployment rates.

5:01:04 PM
MS. KIMBALL said she was really asked to talk about the key to seafood being control of supply. Buyers want to commit to those processing companies that they trust to follow through with supply and they only want to invest in species that are reliably available. So, generally that combination - volume and reliability - puts Alaska in a unique position despite all the other market challenges. In these highly competitive markets from species that have a controllable supply and low cost of production, the value is added to Alaska's seafood with investment in marketing, production, and management.

At each step of the supply chain everyone is adding money to increase the value. Harvesters and processors clearly have "sunk costs." Even though last year saw a terrible pink salmon run, everybody still had to make their boat payment, have crew ready, and processing plants. When the fish don't materialize those costs are lost. Retailers and food services are a little bit different. They have sunk costs, as well, but they aren't tied to a specific species or specific product. They can walk away to some other species or product.

5:02:28 PM
MS. KIMBALL said Alaska competes by pushing out new product development to find new seafood products that major buyers are going to want to push out to their consumers. So, creating new fish consumers is a major objective all the time. She listed some of the domestic buyers indicating that a strong dollar is putting more emphasis on domestic markets. The main message from this slide is because Alaska doesn't have the marketing budget to move the whole needle on U.S. seafood demand, it needs to leverage the marketing budgets of these major buyers to tell that story for us. In other words, we need them to use their marketing budgets to say why Alaska seafood and Alaska wild seafood is the best product. A foot-long wild caught Alaska pollock is a new product from Subway; it's in 1,000 stores. That took two years of research and development by one of PSPA's processing company members. Alaska pollock is coated in sea salt and pepper breading; it's precooked (to meet the customer's food safety requirements), but the marketing around it is interesting: it's no longer a "fish" sandwich; it's wild caught Alaska pollock, recognizing that pushing the Alaska brand is good for them in selling more fish. She showed a short YouTube video of a McDonald's Filet-O-Fish, a product that has been around for 50 years, but they changed the marketing. That happened because one of their companies got McDonald's buyers to physically come out and go on these boats and experience the fishery. So, now they are using the fishery, fishery participants, crew members, and social media to market that Alaska fish.

5:03:20 PM
MS. KIMBALL said she was also asked to talk about some investments in operations and facilities. There are a lot of demands on the industry to keep up with current infrastructure and a lot of the infrastructure is aging at the same time. As an example, in the past they have heard there is a lot of investment in new technology such as filet and vacuum packing machines, moving more from the canned salmon world into filets. That continues to happen. There has been a lot of investment in salmon oil extraction machinery to move into the nutritional supplement market. There has also been a lot of "boring investments" like moving from traditional lighting to LED lighting to save money, finding ways to self-power the facility in case the community can't handle that level of power generation. At present, salmon has been emphasized, especially in Bristol Bay, to using refrigerated seawater systems (RSW tanks) on fishing boats. The impetus comes from seafood

processing companies that are paying financial incentives to fishermen to meet certain quality standards.

In the future, there is still the possibility of new canning line technology and automation will likely replace some functions in processing plants due to minimum wage increases of 26 percent over the past two years. There are also going to be continued major capital expenditures to expand the existing fresh and frozen markets. Kodiak has a new facility; it didn't replace a processing plant or upgrade it, which is unusual. That plant rounded out all the product forms that that company could provide. It has state-of-the-art technology; it's highly computerized, but it offers some great long-term highly skilled positions for Kodiak residents.

5:07:21 PM
MS. KIMBALL said slide 11 was a "good visual" of how the seafood industry has survived in the Bering Sea/Aleutian Islands because of its stability due to the state management system based on sustainable yield and the federal systems that are based on the concepts in the Magnuson Stevens Act. It showed the biomass at over 21 million metric tons; fishing levels and catch limits are buffered before the catch is tabulated.

5:08:15 PM
MS. KIMBALL said seafood processors invest in this data, because getting a sustainability certification is key to competing globally. Meeting these global sustainability standards is a big win for fishermen in Alaska.

5:10:00 PM
MS. KIMBALL said keeping Alaska seafood as a premium brand, which is what they are trying to do, and getting a higher value for that brand means not undermining any of the harvesting processing management systems that got us to where we are now. Part of that is this need for sustainable management. Without funding for weirs, surveys, and in-season management projects management becomes more conservative to account for uncertainty, which means less fish across the docks, less income for Alaskans, less tax revenue for the state, and less revenue sharing for coastal communities. So, they are always a strong advocate for keeping those biological systems running.

She said they had already talked about what puts those investments at risk and summarized the state-specific issues that can reduce risk, add stability, and help us compete in this difficult climate are environmental permitting, loan programs,

state marketing efforts, a commercial fisheries management budget, fishery management policy and regulations, and fish tax policy.

5:11:14 PM
MARK VINSEL, Executive Administrator, United Fishermen of Alaska (UFA), Juneau, Alaska, said he would touch on industry marketing initiatives, technology and modernization, and sustainable management. He said UFA is an umbrella association for 34-member groups spanning the fisheries throughout the state and offshore federal waters.

MR. VINSEL said from the fishermen sector everything relates back to ASMI and to processors, but he wanted to touch on three trends. One is direct marketing - fishermen selling their own fish, another one is regional marketing, and then community supported fisheries.

5:11:30 PM
MR. VINSEL said direct marketing can be done in four ways: one is just selling right off the dock and retail and to local restaurants, and the broader market of shipping outside of Alaska to U.S. consumers, and U.S. restaurant and caterers. All those businesses are different from just being a fisherman that delivers to processors.

He said in 2004 the salmon industry was bad, because there were a lot of fish, but the price wasn't paying for people to go out and fish. The legislature formed the Joint Legislative Salmon Industry Task Force. Over the next five years a total of 50 bills came out with ideas and concepts. SB 286 in 2004 streamlined the paper work and tax burden for direct marketers, which increased that effort. He explained that the opportunity for direct marketing varies by local community. Some communities don't have a local market to sell to - don't have the infrastructure, electricity costs, transportation, and a critical mass of other support services.

5:13:02 PM
MR. VINSEL said regional marketing was also spawned by the legislature in HB 419 that allowed a voluntary assessment of fishermen in each fishery in a region; they can vote to tax themselves 1 percent on their catch, which goes to a regional marketing association that can then invest as the local fishery needs to develop its fisheries. Right now, RSDAs include the Bristol Bay Regional Seafood Development Association (BBSDA), the Copper River/Prince William Sound Marketing Association, and

a few others where the impetus started but were not approved by the fishermen.

BBSDA identified the quality of fish coming to the processors as the problem and provided ice barges, equipment, moving of ice, and moving of fish. Copper River did a lot of branding, promotions, R&D on nutrition, and product development. These tools have allowed regional fishermen to go above and beyond in coordination with ASMI. ASMI only markets for the big picture of Alaska seafood.

5:14:43 PM
MR. VINSEL said an example of community supported fisheries is "Alaskans Own," which sells fish in Sitka and Juneau. It pays ahead on a subscription basis cutting some of the risk out of a fluctuating price at the dock. Some organic farmers do this in the Lower 48. The first one in fisheries was in Maine in 2007. Mr. Vinsel met the person who started it and introduced her to a few people in Alaska where the concept has gone forward. He found three or four more community entities in preparing for today. The Alaska Marine Conservation Council has spawned one that now services Anchorage, Mat-Su, Homer, Seward, and Fairbanks. This gives customers confidence in the chain of custody; they are supporting their local community and their fishermen stay local. It directly connects fishermen to their markets. All these rely on ASMI for materials: their promotions, their brochures, the on-line seafood directory, and chef collaboratives.

5:16:44 PM
MR. VINSEL said fishermen also directly interact with ASMI having three seats on the ASMI board, and there is a committee system where individual fishermen from different fisheries engage in ASMI planning.

Technological and modernization has helped improve the tough times in salmon. Chilling and freezing on board has been a big trend to the point that many processors won't take fish unless they are chilled either with ice or refrigerated salt water. This is a lot different than it was in 2000. Having quality fish provides an opportunity to compete against farmed fish.

A lot of fuel efficiency measures have progressed, although they all cost money. A fall McDowell study on vessel replacement in the North Pacific fleet (large offshore fleet) estimated $1.6 billion would be spent in the next 5-10 years on rebuilding and upgrades. The Port of Seattle commissioned the report and he

thought there were definite Alaska opportunities in that $1.6 billion. UFA members build large vessels in Ketchikan, Seward, Kodiak, and Wrangell. There are also opportunities for improvements on small boat fleets around the state.

Navigation technology has improved with using electronic vessel monitoring instead of an observer, and data networks for how and where people fish to help them avoid if suddenly there is a high level of by-catch in a certain area. These require investments, so both the Commercial Fishing Agriculture Bank and the Department of Commerce, Community and Economic Development (DCCED) loan programs have statutory requirements on their loans. New programs often come through the legislature for approval. There are fuel efficiency upgrades and some product quality improvements that have been spawn by the fishermen's needs. Especially as they are one of the very few tools in the toolbox for Alaska to favor its own residents with the DCCED loan programs.

5:19:13 PM
MR. VINSEL said sustainable management is required by the Alaska Constitution. UFA has a policy for healthy and sustainable management of fisheries and supports state management of salmon fisheries, escapement goal management based on biological data, local management that is adaptive and abundance-based and the use of the commissioner's emergency order authority on an active basis for the local management. That includes an opening when there is a whole surplus of fish coming through or a closing with no notice because there are no fish. UFA supports mixed stock management unless there are sustainability problems with the by-catch fish.

In practice, the cost and the importance of the biological information - weirs, counts, management plans - have thresholds. The board of Fisheries process creates these management plans for what can be foreseen and emergency authority for the things that can't be foreseen. Sustainability certifications bring an additional cost, which he calls the social license to operate. When MSC was started, Alaska was already there, so they came to us. The Marine Advisory Program does a good job of helping the next generation fishermen work through the difficulties of running a fishing business.

5:23:12 PM
MR. VINSEL summarized that Alaska feeds the world and there was both legislative and ASMI involvement in getting Alaska fish into the global food aid programs. Very little could be more

beneficial to people who suffer from no protein in their local area than a shelf stable can of pink salmon. "It's a super food."

CHAIR GIESSEL thanked the presenters.

5:25:02 PM
There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Committee meeting at 5:25 p.m.