

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES

February 26, 2019

10:00 a.m.

MEMBERS PRESENT

Representative Louise Stutes, Chair
Representative Bryce Edgmon
Representative Chuck Kopp
Representative Jonathan Kreiss-Tomkins
Representative Geran Tarr
Representative Sarah Vance
Representative Lance Pruitt

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION: AK SEAFOOD MARKETING INSTITUTE

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JEREMY WOODROW, Interim Executive Director
Alaska Seafood Marketing Institute (ASMI)
Juneau, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation about the Alaska Seafood Marketing Institute.

ACTION NARRATIVE

[10:00:36 AM](#)

CHAIR LOUISE STUTES called the House Special Committee on Fisheries meeting to order at 10:00 a.m. Representatives Kopp, Kreiss-Tompkins, Tarr, Vance, Pruitt, and Stutes were present at the call to order. Representative Edgmon arrived as the meeting was in progress.

Presentation: AK Seafood Marketing Institute

10:01:52 AM

CHAIR STUTES announced that the only order of business would be a presentation on the Alaska Seafood Marketing Institute.

10:02:31 AM

JEREMY WOODROW, Interim Executive Director, Alaska Seafood Marketing Institute (ASMI), provided a PowerPoint presentation about ASMI. He said his focus would be on providing an overview of ASMI's value to the seafood industry plus challenges and opportunities going forward.

REPRESENTATIVE TARR requested Mr. Woodrow to provide some information about his background.

MR. WOODROW said he is a lifelong Alaskan from Juneau and was raised in a commercial fishing family. He said he has worked with ASMI for a couple years and, in addition to being Interim Executive Director, serves also as Communications Director. He said he previously worked for the Department of Transportation & Public Facilities (DOTPF).

10:04:49 AM

MR. WOODROW, addressing slide 3 of his PowerPoint presentation [hard copy included in the committee packet], explained that ASMI is Alaska's official seafood marketing arm and a public/private partnership between the State of Alaska and the seafood industry. He spoke to how ASMI is funded in part by the seafood industry through a voluntary 0.5 percent assessment of ex-vessel value. He defined ex-vessel value as the first sale between a fisherman and a seafood processor. He explained how ASMI pools together these assessments, about \$8-9.5 million per year, to market the industry's products around the world.

10:06:02 AM

CHAIR STUTES asked how much funding ASMI receives from the State of Alaska.

MR. WOODROW said ASMI currently receives zero from the Unrestricted General Fund (UGF). In response to a question about funding for the travel industry, Mr. Woodrow said the

Alaska Travel Industry Association (ATIA) is to receive \$7.5 million in the governor's amended budget.

MR. WOODROW, referencing slide 4, summarized ASMI's recent annual budgets as well as its projected fiscal year 2020 (FY 20) budget. He highlighted the importance of operating from carryforward funds - "leftover industry funds that have been in the ASMI account" - as ASMI no longer receives state funding from the general fund. He said ASMI draws from its carryforward funds because its marketing budget currently exceeds revenues from federal and industry sources. Mr. Woodrow said he expects the ending carryforward funds for FY 20 to be between \$11-12 million. He said carryforward funds help carry the organization at the outset of the fiscal year until industry funds are received. He said ASMI's budget authorization usually exceeds its marketing "spend plan" because it is important for the organization to remain flexible should it be forced to respond to a crisis. He referenced the April 2011 Fukushima earthquake/nuclear disaster as an example.

[10:08:14 AM](#)

MR. WOODROW, addressing slide 5, said that ASMI was asked to draw down in its spending as it became less reliant on general funds. He said ASMI was actively seeking new funding sources. He announced that ASMI was recently awarded additional federal funding from the Agricultural Trade Promotion Program (ATP). The ATP funding is \$5.5 million to be spent on marketing activities over three years.

MR. WOODROW said the industry has the option to increase its voluntary tax to ASMI from 0.5 percent to 0.6 percent, which would result in an additional \$1 million annually. The 0.6 percent figure is the highest allowed by current statute. He said there have not yet been discussions to make this increase.

MR. WOODROW said that ASMI closed its Seattle office in 2018 in order to fulfill a goal of ensuring all ASMI positions were Alaska-based. He said ASMI reduced its spend plan over the past few years to provide a more sustainable budget to meet its revenues.

[10:10:13 AM](#)

MR. WOODROW moved to slide 6, titled "FY19 vs FY20 Amended Budget." He reiterated that ASMI expects not to receive any general funds from the state in FY 20. Mr. Woodrow pointed to a

sizeable reduction in ASMI's travel budget, which will be cut from \$368,300 in FY 19 to \$158,700 in FY 20. Mr. Woodrow said that this reduction will make it difficult for ASMI to fulfill its core mission. "It's really hard to market seafood outside of Alaska," he said, "if you don't travel outside of Alaska."

MR. WOODROW detailed ASMI's efforts to identify efficiencies and reduce travel costs. He said ASMI has reduced travel costs by 20 percent since FY 12 resulting in approximately \$100,000 in savings.

MR. WOODROW addressed slide 7, titled "What Does ASMI Accomplish for the State of Alaska?" He remarked on several notable returns on ASMI marketing efforts. He said online sales of Alaska Seafood in China reaped a sizeable return on investment (ROI), over \$1 million in product sold for only \$10,000 spent on advertising. He said partnerships with other agricultural brands allow ASMI to "stretch the dollar" in promoting Alaska Seafood.

MR. WOODROW pointed to another example in which a week-long promotion in Japan produced over \$223 million in sales on \$35,000 spent by ASMI. He emphasized the importance of strategic marketing plans that target specific times of the year that customers are more likely to purchase Alaska Seafood.

MR. WOODROW asserted that Alaska Seafood remains the number one ranked protein brand on menus nationwide.

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REPRESENTATIVE KREISS-TOMKINS, regarding the protein brand ranking, requested the source of the statistic.

MR. WOODROW said he could not recall the exact research firm but explained it is third-party research and not ASMI's own. He said he would have to get back to the committee with that information.

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REPRESENTATIVE EDGMON asked what the future held for market opportunities with China. He asked to what degree Governor Bill Walker's May 2018 trade delegation mission to China had helped ASMI "open doors."

MR. WOODROW explained that his final slide would cover that topic. He concluded slide 7 by highlighting recent research indicating that 71 percent of domestic seafood eaters are willing to pay more for seafood labeled with the "Alaska Seafood" logo.

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MR. WOODROW addressed slide 8. He referenced ongoing trade disputes with China and Russia as major challenges. He explained how the Russia embargo has led to a trade imbalance in which Russian seafood can be imported by the U.S., but Alaska Seafood cannot go there. He said this has forced the industry to seek out new markets for products that previously went to Russia. Mr. Woodrow also cited challenges relating to reduced harvest of high value species such as king crab, halibut, and sablefish, as well as the high price of key seafood species that create an entry barrier to some customers.

MR. WOODROW said ASMI emphasizes the story of Alaska Seafood, calling it "a great story to tell." He called the Alaska Seafood industry "the gold standard" of sustainability management. He said this resonates with customers worldwide.

MR. WOODROW addressed slide 9. He said ASMI's international program operates in 8 different markets in 31 different countries. He highlighted the success of ASMI's e-commerce platform in markets such as China and Japan. He detailed ASMI's trade missions and efforts to bring international buyers, chefs, and media members to Alaska. He announced that ASMI recently held its first Women of Seafood trade mission.

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REPRESENTATIVE VANCE, referencing slide 9, asked why there was an emphasis on a trade mission with Ukraine.

MR. WOODROW explained that this mission was in Dutch Harbor where ASMI highlighted the cod and pollock industries. He said that a lot of cod and pollock goes to Eastern Europe. He identified Ukraine as a specific market in that region ASMI wants to grow. He noted this is partially a reaction to not being able to sell in Russia. Selling to Ukraine, he said, ends up being a favorable opportunity for the seafood industry.

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MR. WOODROW addressed the final point on slide 9. He affirmed the benefit of participating in the Seafood Expo Global, the largest seafood conference in the world. He said ASMI hosts a pavilion at the Brussels-based conference that in 2018 generated \$52 million in onsite sales for the Alaska Seafood industry. He said the total projected sales generated through connections made at the conference will exceed \$640 million.

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CHAIR STUTES asked whether any other state or nation brands its seafood with its name. She remarked how she never sees king crab from Russia advertised as "Russian king crab," for example.

MR. WOODROW said other locations have realized how impactful it is to place an origin on their food labeling. He pointed to Norway and Iceland as examples that have begun major campaigns.

CHAIR STUTES asked whether those locations would differentiate between wild-caught and farm-grown in their branding and labeling.

MR. WOODROW responded that this remains to be seen.

[10:20:19 AM](#)

REPRESENTATIVE PRUITT related that he has heard people on the East Coast speak with pride about Atlantic farmed salmon. He asked if it is correct to assume some buyers prioritize farmed seafood over wild-caught.

MR. WOODROW confirmed Representative Pruitt's assessment. He indicated that farmed fish, especially salmon, dominates the markets. He said wild salmon only accounts for 15 percent of the global salmon marketplace, though many seafood buyers have developed an affinity for Alaska [wild] salmon. He said ASMI must be strategic with where it markets its products given Alaska's size relative to the rest of the global market.

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REPRESENTATIVE VANCE asked how much of that 15 percent is dominated by Alaska.

MR. WOODROW said it varies year to year. He mentioned that Alaska produces about 98 percent of the wild-caught salmon in the U.S. He said the majority of Alaska's global competition

comes from Russia. Russian production numbers, he explained, vary wildly year to year, but in 2018 they produced over a billion pounds of pink salmon. He shared the statistic that Russia produced more pink salmon in summer 2018 than Alaska has ever harvested in a single year of all its species [of salmon] combined. He said Russia's 2018 salmon haul represented nearly 50 percent of the global wild market.

[10:23:03 AM](#)

MR. WOODROW addressed slide 10. He highlighted efforts to reach domestic consumers through digital outreach, media relations, and live events held in New York City. He pointed to the considerable earned media coverage that results from hosting the New York events. He mentioned the success of ASMI's annual culinary retreat in building long-lasting relationships with chefs and media members who have become enamored with Alaska Seafood after visiting Alaska. He offered the statistic that, in 2018 alone, ASMI's public relations efforts resulted in 340 stories and just under a billion impressions.

MR. WOODROW addressed slide 11 and listed some of the restaurants, retailers, and organizations ASMI has worked with to promote Alaska Seafood to consumers.

MR. WOODROW addressed slide 12 and explained ASMI's developing partnership with Amazon Prime, Amazon Fresh, Serious Eats, and Simply Recipes. He explained that one common concern for seafood eaters is they don't know how to easily cook fish. Mr. Woodrow explained how consumers can now access online shoppable recipes that will automatically place an order for all the ingredients they need into their Amazon Prime box. He compared this process to similar meal delivery services like Blue Apron. Mr. Woodrow said ASMI is excited to see where this new trend can go.

[10:26:18 AM](#)

MR. WOODROW addressed slide 13. He highlighted ways in which ASMI works with the industry to ensure quality throughout the supply chain. He said ASMI develops buyers guides that help processors and sellers talk about Alaska Seafood more in-depth. He also highlighted research-based plans to increase the industry's value through creative utilization of resources.

MR. WOODROW addressed slide 14. He explained that ASMI operates the Alaska Responsible Fisheries Management (RFM) program, which

is a sustainable certification program benchmarked against Global Sustainable Seafood Initiative's (GSSI) standards. He said it's important to have a third-party certification to satisfy the needs and demands of buyers worldwide.

[10:28:40 AM](#)

MR. WOODROW addressed slide 16. He called Alaska Seafood "a cornerstone to Alaska's economy." He said it directly employs more workers than any other private industry in Alaska, about 60,000 workers annually. He said Alaska Seafood contributes approximately \$146 million annually in taxes to state, local, and federal government. He said Alaska Seafood also contributes approximately \$5 billion in economic growth to the State of Alaska. Mr. Woodrow noted that if Alaska were its own country, it would rank eighth globally in wild harvest volume.

MR. WOODROW addressed slide 17 and listed the top ports in Alaska ranked by value: Dutch Harbor, Naknek, Kodiak, Cordova, and Sitka. He emphasized that the seafood industry stretches statewide, from Utqiagvik to Dutch Harbor to Ketchikan.

MR. WOODROW addressed slide 18, which featured two pie charts displaying harvest volume and ex-vessel value of Alaska Seafood by species. He compared the dispersion of high-volume and high-value species to a diversified financial portfolio. He explained that this is beneficial because wild species can be a volatile resource that vary year to year, but very rarely is there a down year for all species in one year. He said the diversity of seafood species has led to a consistent return of about \$1.9 billion annually.

MR. WOODROW addressed slide 19, which featured line graphs plotting year-to-year trends in total harvest value and ex-vessel value. He pointed out that while total harvest volume has remained consistent over the past 15 years, ex-vessel value has trended upward. Mr. Woodrow asserted that this data reflects a healthy industry.

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MR. WOODROW addressed slide 20, titled "Product Type." He explained that 39 percent of Alaska Seafood products are headed & gutted (H/G) and wholefish. He said these products are sent elsewhere to be processed as they are not finished products. He highlighted the growing popularity of fillets versus canned

seafood. He attributed these trends to changes in seafood consumer demographics.

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CHAIR STUTES asked whether ASMI is pursuing any kind of value-added products generated in Alaska.

MR. WOODROW highlighted ASMI efforts working with the Kodiak Marine Science Center to produce more value-added products. He said ASMI works with the industry to identify hurdles to creating value. He identified the high cost of energy as one key hurdle. He said it can also be difficult to hire enough employees.

CHAIR STUTES asked whether there is a push within the state to educate Alaskans about Alaska Seafood.

MR. WOODROW responded that it is not a major priority. He said that Alaskans are a relatively small market share and many Alaskans catch their own fish and therefore don't buy Alaska Seafood. He mentioned the Alaska Marine Conservation Council's Catch 49 program that creates direct sales from Alaskan commercial fishermen to Alaskan seafood buyers.

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REPRESENTATIVE KREISS-TOMKINS asked how Alaska Seafood compares to other producers in adding value to its wild salmon product.

MR. WOODROW said he didn't have numbers for other countries. He said that, other than Russia, the other main countries producing wild salmon are Canada and Japan. He said he would investigate what value-added products they and other countries might produce. He pointed to smoked salmon as a significant value-added product that is dominated by farmed salmon.

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REPRESENTATIVE TARR, referencing a graph on slide 19, observed in the 2019 timeframe a decline in both total volume and ex-vessel value. She inquired as to the cause of that unusual trend.

MR. WOODROW said he did not know off hand and would have to look it up.

[10:38:48 AM](#)

REPRESENTATIVE KOPP asked whether Russia's major pink salmon haul is related to hatcheries.

MR. WOODROW confirmed that Russia has a large hatchery program. He noted that pink salmon live only two years, so even- and odd-year returns can vary.

REPRESENTATIVE KOPP referenced the fishmeal plant in Naknek and asked if there are any other plants dealing with fish by-products.

MR. WOODROW responded that there are plants across the state and nearly every plant is looking into expanding what it can do with fish by-products. He identified the Trident plant in Kodiak as an example, explaining that it fillets its pollock products and turns the rest of the fish into surimi.

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CHAIR STUTES mentioned a fishmeal plant in her district that also produces fish oil.

REPRESENTATIVE KOPP thanked Mr. Woodrow for ASMI's work in helping improve fish handling through the industry. He detailed damaging industry practices that, through awareness and education, have been curtailed.

MR. WOODROW credited one of ASMI's partners, the Bristol Bay Regional Development Association, for successes in quality control.

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MR. WOODROW moved to slide 21, titled "Factors Impacting Value." He identified large harvests, surplus inventory, and competition with other species as supply factors. He identified consumer preferences, new markets, and new products as demand factors.

MR. WOODROW moved to slide 22, titled "Currency Rates Impact Value." When U.S. currency value decreases, the value of Alaska Seafood products increase.

MR. WOODROW moved to slide 23, titled "Global Competition." He identified the primary competition or substitute for each species of seafood produced in Alaska. He said, for example,

that Alaska pollock most directly competes with Russia pollock, though he believes Alaska pollock to be of higher quality because it is not twice frozen. Mr. Woodrow praised black cod as a great product but noted that it competes with sea bass. He said that consumers do not necessarily know the difference between different seafood products. ASMI exists, he said, for the purpose of educating them.

[10:45:32 AM](#)

MR. WOODROW moved to slide 24, titled "Export Markets." He said 60 percent of Alaska's seafood harvest is exported internationally accounting for 60 percent of the industry's value.

MR. WOODROW referenced a world map on slide 24. He highlighted countries where ASMI has active marketing programs. He also noted some markets in which ASMI does not have an active presence. "Our funds are limited," he said, "so we can't be everywhere ...; we must be strategic."

MR. WOODROW acknowledged China's position as "a very important market to Alaska Seafood." He said most products sent to China are reprocessed and exported to other markets.

MR. WOODROW drew attention to ASMI efforts to expand operations in Brazil, which he called a "growing market." He mentioned that Brazil has the world's largest population of Japanese expatriates. "They obviously are seafood eaters," he said, explaining one reason ASMI sought to pursue business there.

[10:47:00 AM](#)

MR. WOODROW moved to slide 25, titled "US - China Tariffs." He explained that a 25 percent tariff was implemented by China in July 2016 that applies to Alaska Seafood exports to the Chinese domestic market. He clarified that this tariff does not apply to products sent to China to be reprocessed. He detailed the challenges associated with the tariff including the added difficulty of reaching the world's fastest-growing middle class. He shared statistics on the impact of the China tariffs to the Alaskan seafood industry including a 21 percent decrease in exports to China compared to one year ago.

MR. WOODROW addressed the retaliatory tariff implemented in September 2018 by the United States. He said there is currently a 10 percent tariff on Alaska Seafood products coming back to

the United States after having been sent to China for re-processing. He said these tariffs exclude salmon, cod, and Alaska pollock products, but stressed how much of a challenge these tariffs are on the Alaska Seafood industry. "We have put a lot of effort into growing the Chinese market," said Mr. Woodrow. He said the industry cannot just pivot toward new markets overnight.

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REPRESENTATIVE TARR requested clarification on the exact percentages of tariffs and the timeline of implementation.

MR. WOODROW clarified that there is a 25 percent tariff on Alaska Seafood products that enter the Chinese domestic markets and a 10 percent tax on Alaska Seafood products imported from China after reprocessing. He explained that these tariffs are on top of existing tariffs. He noted that the 10 percent tariff on imports was set to increase to 25 percent on March 1, 2019, but that date has been pushed back.

[10:52:06 AM](#)

REPRESENTATIVE VANCE asked whether there is a concern that Russia will fill the gaps left by Alaska in Chinese markets.

MR. WOODROW said China does not have a free trade agreement with Russia. He said it is unknown how much seafood is shipped from Russia to China though he suspected it is a lot. He added that Russia is known to ship sizeable amounts of seafood for processing in North Korea where it is then moved to China.

[10:52:54 AM](#)

CHAIR STUTES requested Mr. Woodrow to speak to the [National School Lunch Program] in relation to fish.

MR. WOODROW said that ASMI worked with Alaska's congressional delegation in Washington, D.C., to ensure the [National School Lunch Program] buys American seafood products and especially Alaska Seafood products. He said the program had previously been purchasing Russian pollock for school lunches. He said the change has been a major lift for the Alaska pollock industry resulting in \$30 million in sales.

[10:54:20 AM](#)

REPRESENTATIVE TARR asked whether there were other efforts to allow or expand the purchase of Alaska Seafood by federal food programs such as the Supplemental Nutrition Assistance Program (SNAP) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

MR. WOODROW said he would have to research that information and get back to the committee. He said he believed Alaska Seafood was available through one or both of SNAP and WIC. Mr. Woodrow also highlighted ASMI's work with SeaShare, an organization that donates seafood to food banks.

[10:55:55 AM](#)

REPRESENTATIVE PRUITT noted that ASMI has been running a deficit for several years. He asked what ASMI's plans were to ensure it does not run out of money in a few years.

MR. WOODROW said ASMI is trying to reduce its spend plan. He said ASMI should be operating at \$13 to 13.5 million per year, but they are spending more than that. He said the ASMI board of directors is working with staff to identify new funding sources through grants or additional federal monies. He reiterated the importance of sustainable budgeting but expressed apprehension to commit to cuts. "In marketing you get what you pay for," he said.

REPRESENTATIVE PRUITT asked at what point ASMI would decide to take preventative measures to ensure it does not hit a financial wall.

MR. WOODROW said that ASMI's internal budgeting projections have it drawing down its spending in the fiscal years following 2020, assuming no new funding sources are identified.

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REPRESENTATIVE EDGMON asked what impacts could result from a reduced ASMI spend plan.

MR. WOODROW said that ASMI's spend plan was considerably higher in previous fiscal years when it received general funds. When state funding was reduced, the ASMI board and staff decided to cut the advertising program for the domestic market. He said that Alaska Seafood currently enjoys a strong place in the market, but that will be impacted in the future if more funding cannot be identified.

MR. WOODROW offered Norway as a comparable competitor to Alaska Seafood. He said Norway's seafood marketing spend plan is \$50 million compared to ASMI's \$16 million. He reiterated that "you get what you pay for."

[11:01:51 AM](#)

REPRESENTATIVE TARR asked who has the authority to increase the industry's 0.5 percent tax to ASMI. She asked if that power belongs to ASMI's board or if there is a process for including all stakeholders.

MR. WOODROW cited current statute and explained that this power lies with the stakeholders who control 51 percent of the value in the industry. He clarified that this is seafood processors, not seafood harvesters. He said the ASMI tax can be changed through a vote by these stakeholders.

[11:02:54 AM](#)

CHAIR STUTES thanked Mr. Woodrow for his presentation.

[11:03:26 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 11:03 a.m.