

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

January 28, 2020

10:02 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 Mark Neuman

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Daniel Ortiz

COMMITTEE CALENDAR

PRESENTATION: THE VALUE OF ALASKA'S SEAFOOD BY THE ALASKA
SEAFOOD MARKETING INSTITUTE

- HEARD

PRESENTATION: DIVISION OF COMMERCIAL FISHERIES RETURN ON
INVESTMENT BY ADF&G

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JEREMY WOODROW, Executive Director
Alaska Seafood Marketing Institute (ASMI)
Department of Commerce, Community, and Economic Development
Juneau, Alaska

POSITION STATEMENT: Offered a Presentation on The Value of
Alaska's Seafood.

SAM RABUNG, Director
Division of Commercial Fisheries
Alaska Department of Fish & Game (ADF&G)
Juneau, Alaska

POSITION STATEMENT: Offered a presentation on The Division of Commercial Fisheries Return on Investment.

ACTION NARRATIVE

[10:02:07 AM](#)

CHAIR LOUISE STUTES called the House Special Committee on Fisheries meeting to order at 10:02 a.m. Representatives Stutes, Edgmon, Vance, and Neuman were present at the call to order. Representatives Kopp, Kreiss-Tomkins, and Tarr arrived as the meeting was in progress. Also in attendance was Representative Ortiz.

PRESENTATION: The Value of Alaska's Seafood by the Alaska Seafood Marketing Institute

[10:02:54 AM](#)

CHAIR STUTES announced that the first order of business would be a presentation on The Value of Alaska's Seafood by the Alaska Seafood Marketing Institute.

[10:03:26 AM](#)

CHAIR STUTES stated she had invited Representative Ortiz, the Chair of the House Fish & Game (DFG) finance subcommittee to the meeting, as the presentations being heard were designed to set the stage for the budget discussion in the following subcommittee meeting. Chair Stutes explained that Alaska sees an amazing financial return on every dollar it invests in commercial fisheries. She expressed that, when making funding and budget decisions, it is crucial to consider that commercial fisheries more than pay for themselves and other industries. She explained that some of the return on investment seen from fisheries could be best explained by the Alaska Department of Fish & Game (ADF&G) Division of Commercial Fisheries "division," while other indirect benefits could be better explained by the Alaska Seafood Marketing Institute (ASMI).

[10:04:26 AM](#)

JEREMY WOODROW, Executive Director, Alaska Seafood Marketing Institute (ASMI), Department of Commerce, Community, and Economic Development, offered a PowerPoint presentation on The Value of Alaska's Seafood. He explained that the presentation would be covered in two parts: the first part would be the economic impact of Alaska seafood; the second part would be what impacts that value from a global perspective.

[10:05:35 AM](#)

MR. WOODROW explained that ASMI is the official marketing arm for Alaska seafood. The ASMI is a public/private partnership between the State of Alaska and the seafood industry. He pointed out that the mission of ASMI is to maximize the economic value of seafood resources. He explained that ASMI accomplishes this mission in three different ways, by: protecting and building the Alaska seafood brand worldwide, developing markets for seafood products around the world, and working directly with the seafood industry to ensure that their missions align.

[10:06:12 AM](#)

MR. WOODROW referenced The Economic Value of Alaska's Seafood Industry report [handout included in the committee packet]. He explained that Alaska seafood is the cornerstone of Alaska's seafood economy. Referencing slide 4 of the PowerPoint presentation, he pointed out that Alaska employs over 60,000 workers annually and contributes millions of dollars in federal, state, and local taxes. He emphasized that the seafood industry is not only large for Alaska, it is also a driving force in the overall U.S. economy. He added that the Alaska seafood industry employs workers from every U.S. state annually.

[10:07:23 AM](#)

REPRESENTATIVE NEUMAN added that sport fisheries in Alaska have a huge economic impact as well; it's not only commercial fishing that makes an impact. He gave saltwater salmon fishing in Matanuska-Susitna (Mat-Su) as an example of this. He asked Mr. Woodrow whether he knew what the economic impact of the sport fisheries might be.

[10:08:02 AM](#)

MR. WOODROW answered that sport fisheries have a well-noted impact and are considered by ASMI when it comes to fisheries management. He explained that the economic impact of sport

fisheries was not included in this presentation and he would be speaking only about commercial fisheries.

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CHAIR STUTES noted that the committee could address this issue at a following meeting if Representative Neuman would like.

[10:08:28 AM](#)

REPRESENTATIVE NEUMAN replied that he would be glad to work with Chair Stutes and her staff to arrange that.

[10:08:33 AM](#)

MR. WOODROW, referencing slide 5, explained that the ADF&G would touch on this topic in its presentation as well, but he was going to refer to it more from an investor's standpoint. He pointed out that the volume of fish harvested in Alaska fisheries stays consistent "year-over-year." He said that Alaska fisheries are "fully exploited," which means they are mature, maximized, and stable. He explained that what will be fished in Alaska each year can be expected, because the fisheries are managed to be sustainable. He added that the ADF&G could explain this more than he could. Referencing slide 5, he pointed out that the ex-vessel volume in Alaska has stayed mostly consistent, while the ex-vessel value has continued to climb. He said that the climbing ex-vessel value is a good thing and is one of the reasons for organizations such as ASMI. He explained that "ex-vessel" is the term used to describe the first sale between fishermen and whoever purchases the fish from them and processes it for supply chains.

MR. WOODROW, referencing a chart on slide 5, showed that the ex-vessel volume in Alaska was dominated by a couple of major species, primarily Alaska pollock. Alaska has a lot of high-value, low-volume species, such as halibut, sablefish, and crab, which represent only 2 percent of the total volume, but comprise over 25 percent of the total value. He highlighted that Alaska has an array of species that fit in well with markets around the world.

[10:10:14 AM](#)

REPRESENTATIVE TARR asked Mr. Woodrow whether his presentation would address any fishery closure announcements and concerns regarding overall population health.

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MR. WOODROW responded that he would be touching on those topics; however, he is not a sustainability or management expert and wouldn't be able to explain those topics in depth.

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CHAIR STUTES added that Sam Rabung from the Alaska Department of Fish & Game, Division of Commercial Fisheries "division", would be offering a presentation after Mr. Woodrow and he might be able to touch more in depth on those topics.

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REPRESENTATIVE TARR clarified that she was referring to a recent announcement about a federal closure for pollock fisheries and wanted to understand how that relates to Alaska fisheries.

[10:11:10 AM](#)

MR. WOODROW replied that he thinks Representative Tarr might be referring to a federal closure for cod fisheries and added that he would touch on that in a later slide in his presentation.

[10:11:26 AM](#)

REPRESENTATIVE VANCE asked Mr. Woodrow to give an update on Alaska seafood being marketed in the school lunch program.

MR. WOODROW responded that he would be touching on the school lunch program in a later slide in the presentation. Referencing slide 6, he stated that "first wholesale" is the term used to describe the next step of the seafood sale process in which the fish is processed and then sold to the next person in the supply chain. He added that Alaska seafood touches many hands before it reaches customers worldwide. Comparing slides 5 and 6, he pointed out that there is a lot of opportunity in the excess amount of fish between ex-vessel volume and first wholesale volume. He explained that it is a difference of 3 billion pounds of fish that could go to fish meal, pet food, pharmaceuticals, and nutraceuticals. He expressed that these are all ways to increase the value of a mature fishery.

[10:13:12 AM](#)

MR. WOODROW, referencing slide 7, showed that the total harvest volume in Alaska fisheries has stayed consistently between 5 and 6 billion pounds over the past 20 years. The ex-vessel value is continuing to climb due to steady values and continuing demands for Alaska seafood in world markets. He pointed out that 2009 had a low salmon and pollock harvest which brought down volume and prices. When those volumes recovered, the value recovered as well.

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MR. WOODROW, referencing slide 8, talked about different seafood products that Alaska exports. He explained that the largest portion of exports are headed and gutted (H&G) or whole fish, approximately 41 percent. Fillets are a growing portion of exports, considered to be value-added products, that enter the market as a final product. He said that surimi, which is a paste protein created from pollock used in a lot of seafood products, is a growing portion of exports. He explained that surimi is popular in Japan and is used in many ways, giving the example that children sprinkle surimi flakes shaped like Hello Kitty and Mickey Mouse on their rice. He stated that 66 percent of Alaska seafood value is exported and 33 percent stays in Alaska domestically. What that means is that the U.S. is overall the most important customer for Alaska seafood products; most of the high-value, low-volume species exported from Alaska enter the U.S. Most of the low-value, high-volume species, such as pollock, pink salmon, and flatfish species are exported to foreign markets.

[10:15:41 AM](#)

MR. WOODROW, referencing slide 9, gave a quick update on the key species of Alaska fish. He said that pollock continues to climb in value, represents a large portion of volume, and presents a lot of opportunity to grow value. He said that the Pacific cod supply is currently at a 20-year low; as Representative Tarr had alluded to previously, there was a federal closure of the fishery in the Gulf of Alaska. He added that if there was any caveat to the closure, it is that 96 percent of cod harvested in Alaska comes from outside of the Gulf of Alaska. He said that Alaska does still have a significant supply of Pacific cod; however, Alaska is a small contributor to the overall world supply of cod and does not have a driving influence on the overall market. He said that the sablefish harvest volume is recovering, but the biomass consists primarily of small fish. Small fish command a much lower value than large fish;

therefore, the biomass is not currently as valuable as it has been in years past. He added that if these fish continue to grow, then the fishery will rebound its value and become more valuable in subsequent years.

MR. WOODROW stated that halibut harvests are down to 20 percent of what they were in the early 2000s. He explained that, after halibut prices peaked, consumers reacted, and the prices have come down in recent years.

[10:17:32 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked Mr. Woodrow whether he could speak to ASMI's assessment on the market risks of experimentations around farmed halibut and farmed sablefish in relation to wild Alaska supplies.

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MR. WOODROW answered that farmed species are growing but are not yet a large portion of the market. He said that he foresees the challenge for Alaska seafood will come from the distance it has to markets and the time it takes for its supply to reach consumers. He explained that farmed species are primarily being grown in Norway and other parts of Europe, and they have the availability to deliver fresh product to market, which commands a higher price. He said that consumers have a mindset that they prefer fresh fish and it is easier to market for that. He pointed out that competition can already be seen with the Atlantic halibut supply. He stated that there has been a rebound in Atlantic halibut stocks, which he feels is a great sustainability story, but with that comes more competition for Alaska halibut.

[10:19:05 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked whether there is a belief that farmed halibut and farmed sablefish could become as robust an industry as the farmed salmon industry has become.

[10:19:17 AM](#)

MR. WOODROW replied that he has not seen a lot of good information regarding that topic yet. He pointed out that farmed salmon currently represents approximately 80 to 85 percent of the world salmon market, so he can see potential for that to happen with the halibut and sablefish fisheries as well.

[10:19:42 AM](#)

REPRESENTATIVE ORTIZ asked Mr. Woodrow whether he could speak to the reasons why halibut harvest levels are 20 percent of what they were in the early 2000s.

[10:19:57 AM](#)

MR. WOODROW answered that he is not an expert on why those fisheries are fluctuating, and that question would be better suited for a fisheries manager.

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REPRESENTATIVE NEUMAN asked Mr. Woodrow whether he has noticed a decline in targeted species compared to non-targeted species in the biomass, a decline in the total biomass, or a decline in ex-vessel volume over the last 20 years.

[10:20:41 AM](#)

MR. WOODROW replied that ex-vessel volume has been consistent over the past 20 years with a slight increase. Some fisheries, such as pollock, have continued to have high volume harvests. He said that Alaska's fisheries are very well managed and are considered the gold standard in sustainability. He explained that there have been some swings from year-to-year, but overall the volume has been consistent.

REPRESENTATIVE NEUMAN pointed out that he finds it interesting the ex-vessel volume has stayed consistent over the past 20 years, yet the total biomass has declined. He expressed that he thinks this is a result of important research and science that is funded by the state.

[10:21:49 AM](#)

CHAIR STUTES asked Mr. Woodrow to explain briefly why mariculture is not addressed in this presentation.

[10:22:13 AM](#)

MR. WOODROW explained that mariculture is not currently under ASMI's purview, although he believes there is an interest in changing the statute to have ASMI market it. He added that it is not considered to be part of ASMI's commercial portfolio yet

and guessed that if added, mariculture would be a very small percentage of overall volume. He clarified that the term mariculture means to use kelp or bivalve to grow oysters, clams, and geoducks.

CHAIR STUTES asked whether it is ASMI's wish to have mariculture added under its purview.

MR. WOODROW answered that at the most recent board meeting in November, ASMI's board passed a motion to support legislation that would amend the ASMI statutes to include mariculture under its purview.

[10:23:33 AM](#)

REPRESENTATIVE VANCE asked Mr. Woodrow whether 80 percent of Alaska salmon is farmed.

MR. WOODROW confirmed that that is correct.

REPRESENTATIVE VANCE expressed that 80 percent is an astounding percentage. She observed that she thinks Alaskans prefer wild caught Alaska fish over farmed fish, even though farmed fish is marketed as fresher. She explained that Alaskans aren't as concerned with freshness saying, "It's just as good in our freezer." She asked Mr. Woodrow to explain what the market feel is towards this, given such an opposite perspective in markets other than Alaska.

MR. WOODROW responded that Alaska salmon is a niche product in the overall market now. He stated that wild salmon represents only "about half of that." He explained that Alaska salmon dominates the U.S. market in terms of wild salmon, representing approximately 95 percent of the U.S. wild salmon catch. He said there are consumers with whom the characteristics of wild salmon resonate, and those are the consumers ASMI targets. These consumers see the value in purchasing a product from a wild and pristine place such as Alaska; they recognize that the frozen product from Alaska is as good or better than the fresh product they might get from a farmed fishery in Norway or elsewhere.

REPRESENTATIVE VANCE asked Mr. Woodrow whether Alaska is remaining steady, or gaining ground, in the farmed versus wild seafood markets.

MR. WOODROW answered that there are challenges for Alaska seafood in those markets. He stated that ASMI is seeing an

increased investment from seafood competitors and outside investments from other competing proteins. He explained that current data shows Alaska seafood is holding strong; however, as more investments are made by competitors there is a growing concern of a risk to Alaska's seafood market share.

REPRESENTATIVE VANCE commented that she believes it might be time to bring back the campaign, "Friends don't let friends eat farmed fish." She expressed that she felt it was a very effective campaign when she was growing up.

[10:26:22 AM](#)

CHAIR STUTES asked Mr. Woodrow whether ASMI exclusively promotes wild products.

MR. WOODROW answered that the only products commercially fished in Alaska are wild caught; therefore, wild, natural, and sustainable is an inherent part of ASMI's marketing strategy.

[10:26:46 AM](#)

REPRESENTATIVE TARR asked Mr. Woodrow whether Alaska seafood and Alaska salmon is still the most recognized brand(s) in the U.S.

MR. WOODROW answered that Alaska seafood is the most recognized protein brand on U.S. menus. He gave the example of Angus beef as another protein brand on U.S. menus.

REPRESENTATIVE TARR asked to clarify whether wild is part of the Alaska seafood marketing campaign or if consumers understand the implication that it's wild and not farmed.

MR. WOODROW replied that ASMI certainly hopes it is implied and that consumers are responding to it.

[10:27:35 AM](#)

MR. WOODROW, referencing slide 10, spoke about the economic value of Alaska seafood and the impact it has on jobs in Alaska and the U.S. He said the Alaska seafood industry employs approximately 60,000 Alaska residents and over 100,000 workers nationally. Alaska fisheries employ workers from every U.S. state, many of them involved directly with work on fishing vessels; however, there are several shoreside workers as well. He offered that the economic impact of Alaska seafood nationwide

is approximately \$14 billion, which is a significant number considering the size of Alaska and its fisheries.

10:28:22 AM

MR. WOODROW, referencing slide 11, explained that approximately half of the workers employed in the Alaska seafood industry work as commercial fishermen on fishing vessels. He expressed that he thinks Alaska fisheries are inherently designed to be inefficient, which he sees as a positive thing as it distributes the wealth of the industry among more people. He stated that many other fisheries in the world have several large fishing vessels with few workers, catching a lot of fish; however, only a few people benefit from that resource. He reiterated that Alaska fisheries allow many people to benefit from fishing as a public resource. He explained that the other half of the Alaska seafood industry's workforce is employed in processing jobs or the "management/hatcheries/other(s)" category. He said that his job would be placed in the management category, much like an ADF&G employee or a federal fisheries employee. The other(s) category includes jobs like retail and welding.

MR. WOODROW pointed out how the Alaska seafood industry compares to other employment sectors in Alaska. He said that seafood currently ranks just behind the visitor industry in employment. He added that the visitor industry has continuously grown in recent years; it was slightly behind the seafood industry in the last employment sectors study. The overall economic impact of the seafood industry at \$2.1 billion remains higher than the visitor industry at \$1.5 billion.

10:29:58 AM

CHAIR STUTES asked Mr. Woodrow if he knows how much state funding ASMI receives.

MR. WOODROW responded that ASMI receives no funding from the state. He expounded that the decision was made by a previous administration to bring ASMI's state funding portion to zero over the course of several years. As a result, ASMI is fully funded by the seafood industry and federal grants.

CHAIR STUTES asked whether Mr. Woodrow knows how much state funding the visitor industry receives.

MR. WOODROW replied that he does not currently have that information regarding the visitor industry.

10:30:42 AM

MR. WOODROW, referencing slide 12, spoke about the seafood industry's jobs distribution throughout Alaska. He explained that jobs are evenly disbursed across the regions in the southern part of Alaska where fish are harvested. There are a fairly significant number of workers in the Yukon-Kuskokwim region, relative to how small the fisheries in that region are. He pointed out that a healthy percentage of the workforce live in coastal Alaska; however, many people who live in Interior locations of Alaska, such as Fairbanks and Matanuska-Susitna (Mat-Su) Valley, participate in these fisheries. He also pointed out that Naknek has the second highest ex-vessel value in Alaska, which had increased from third highest in the previous study. He added, "That's not knocking Kodiak at all."

10:31:40 AM

CHAIR STUTES interjected that that is because, "Kodiak boys choose to deliver in Naknek and Dutch Harbor, I'm sure."

MR. WOODROW explained that this increase in value speaks to the volume of fish being caught in Bristol Bay recently; the past few years have seen some of the highest volumes ever recorded. The seafood industry in Bristol Bay has invested a lot of effort into increasing the value of its product, specifically sockeye salmon, through better refrigeration on fishing vessels and on shore.

10:32:13 AM

REPRESENTATIVE EDGMON pointed out, referencing slide 12, that there are no numbers from 2018 and asked Mr. Woodrow what the reason is for a two-year lag.

MR. WOODROW answered that the numbers shown fluctuate between 2017 and 2018 combined. He said the numbers do lag on some data, so ASMI tries to focus on the most recent complete data sets. He referenced how he had talked about the ex-vessel value of salmon in 2019 earlier in his presentation, even though the 2019 numbers for salmon have not been completed yet. This lag in data is because a lot of processors pay bonuses in the springtime for the previous year.

REPRESENTATIVE EDGMON asked to clarify whether a good portion of that data comes from the Department of Revenue (DOR).

MR. WOODROW answered that the data is received from several sources including: ADF&G, DOR, federal fisheries, and National Oceanic and Atmospheric Administration (NOAA) fisheries. Answering a follow-up question, he stated that there is not a clearing house or a single source that compiles this data.

[10:33:47 AM](#)

MR. WOODROW, referencing slide 13, stated that one of the values the seafood industry brings to Alaska is a lower cost of living. He explained that approximately one billion pounds of seafood are exported from Alaska per year in containers. The shipping containers are sent to Alaska full of dry goods, furniture, groceries, cars, and other various goods, and then leave the state full of fish. He said that this is a benefit to the Alaska seafood industry as well as Alaska residents. He added that the economic impact of this extends beyond just coastal communities; anywhere that has goods delivered in Alaska benefits as well.

[10:34:51 AM](#)

MR. WOODROW, referencing slide 14, explained that the seafood industry in Alaska contributes approximately \$172 million to taxes annually through state, municipal, federal, and salmon hatchery management pockets. He stated that if the value of every fishery in Alaska increased by just one cent, then the \$172 million dollars in taxes would increase by approximately \$1.8 million. If every specie's ex-vessel value increased by 10 cents it would equate to an \$11 million increase to state, municipal and federal taxes. He used this example to illustrate how even a small change in a fisheries value can have a significant economic impact to Alaska.

MR. WOODROW stated that the seafood industry in Alaska invests approximately \$100 million annually in capital improvements for processors and shoreside plants. The fleet continues to modernize; several of the vessels replaced in the past few years have been in service since the early 1970s and 1980s. He explained that the industry invests in replacing older vessels with newer ones that are more efficient, to stay competitive in the world market.

[10:36:09 AM](#)

MR. WOODROW, referencing slide 15, spoke about factors that impact Alaska seafood's value. He said that supply plays a major role in what Alaska can sell its fish for. He explained supply and demand; more fish means a lower value. He stated that inventory hold over can play a big role in value; if a processor has a difficult time moving its inventory in a particular season for reasons such as a large harvest or foreign trade policies, then the value on the next season's fish is likely to be lower. He stated that demand can increase the value of Alaska seafood. Consumer preferences toward wild fisheries and new markets and products can increase value as well. He explained that the value of Alaska seafood is dictated by prices in the global market; when the U.S. dollar is high, foreign buyers have less purchasing power, which drives down the value of Alaska species.

[10:38:10 AM](#)

MR. WOODROW, referencing slide 16, pointed out there is a 1:1 ratio of competition between every Alaska species caught, and a comparative species caught in other world markets. He gave an example of a recent dining experience he had at a white table restaurant in the Lower 48, where black cod and seabass were both on the same menu; these two fish species are considered comparable species. He explained that consumers are faced with a choice between comparable species like this a lot of the time, which is part of the competition in the seafood industry. He stated that Alaska salmon continues to face an uphill battle in world markets and Pacific cod is not a driver in the world market.

[10:39:09 AM](#)

MR. WOODROW, referencing slide 17, showed that Alaska makes up two percent of the global production volume of seafood in the world. If Alaska were its own country it would rank number eight in the world for wild seafood production. This means that 98 percent of the world market is direct competition for Alaska seafood. He explained that there is not enough protein to meet the demand in the world, which means that the value of all the fish in the world market will continue to increase.

[10:39:59 AM](#)

MR. WOODROW, referencing slide 18, explained that Alaska seafood is exported primarily to China, where it is then processed and re-exported to European and other Asian markets. A small

percentage of the processed fish from China comes back into the United States; however, most of the product entering the U.S. market is higher-value, lower-volume species directly from Alaska. He said that 90 percent of Alaska pollock enters the Chinese market.

[10:41:05 AM](#)

MR. WOODROW, referencing slide 19, spoke about some of the trade barriers in key world markets. He stated that tariffs on Alaska seafood into China are high at 37 to 42 percent, meaning that fish previously sold for \$1 a pound is being sold for \$1.42 a pound. This has essentially turned the Chinese domestic market off from many of Alaska's seafood products. He expressed that this has created an inventory hold-over that is burdening Alaska. He stated that the European Union (EU) has near free-market access to bringing seafood products into the U.S. Alaska does not have this same advantage in entering EU markets. He noted that ASMI is waiting to see what happens with Brexit. Initial reports indicate that Brexit might be beneficial to the seafood industry, but it is too soon to know at this point. He explained that Brexit is important because the United Kingdom (UK) is a large buyer of Alaska salmon and pollock.

MR. WOODROW stated that Japan is the largest domestic customer for Alaska seafood outside of the U.S. He referenced that there have been recent "Phase One" free trade agreements between Japan and the United States; however, seafood has not been included in these agreements. He added that the U.S. Trade Representative (USTR) told ASMI that seafood will be a part of "Phase Two" negotiations, but there is no known timeline for these negotiations. He stated that there has been a trade embargo between Russia and the U.S. since 2014, which closes Russian markets to Alaska seafood while still allowing Russian seafood products into the U.S. He added that Alaska competes with Russia on many fish species, including: pollock, salmon, flatfish, and crab. Russia has many favorable agreements in markets in which Alaska seafood is sold, which is a detriment to the Alaska seafood industry.

[10:43:28 AM](#)

MR. WOODROW, referencing slide 20, spoke about threats and opportunities in the Alaska seafood industry. He stated that consumer confusion, on issues such as farmed versus wild and the health of the oceans, turns consumers off seafood. He said that increased investments in fisheries in Russia and Norway creates

increased competition in world markets, adding that Russia is investing millions of dollars to build a new fleet and improve processing. He stated that alternative proteins, such as the Burger King Impossible burger, the Beyond Meat burger, Toona, and other plant-based products, represent a small portion of the protein market currently; however, there is a lot of investment in these products and the competition they present to Alaska seafood might increase over time. Consumers are paying attention to these plant-based products and ASMI is watching to gauge consumer reactions to better understand how to position Alaska seafood in those markets.

MR. WOODROW summarized his presentation, saying he would like to end on a positive note. He reiterated that Alaska seafood is the number one protein brand on U.S. menus, the Alaska brand resonates with consumers worldwide, and Alaska fisheries are the gold standard in sustainable management. He expressed that consumers increasingly make purchasing decisions that align with their ethos, especially Millennial and Generation Z consumers. He stated that if the Alaska seafood industry continues to have healthy protein that is clean, sustainable, and healthful for the environment and consumers, then the value of Alaska seafood will remain high.

[10:46:39 AM](#)

CHAIR STUTES admonished herself regarding a comment she had made earlier saying, "I said our Kodiak boys and I should've said our Kodiak fishermen and fisherwomen."

[10:46:58 AM](#)

REPRESENTATIVE TARR asked Mr. Woodrow what ASMI's perspective is regarding sustainable fisheries management and ocean health given recent concerns about ocean acidification, warming waters, and other various concerns.

[10:47:42 AM](#)

MR. WOODROW answered that ASMI is focused on marketing Alaska seafood. He said that ASMI works closely with the ADF&G and federal managers to get the facts on what is going on in an alarming situation. This allows ASMI to educate reporters working for news outlets such as The New York Times or Bon Appetit Magazine, to ensure they are using the truth and not just sensational headlines when talking about Alaska seafood.

[10:48:13 AM](#)

REPRESENTATIVE ORTIZ asked for Mr. Woodward to clarify whether he had said ASMI hasn't received state funding in three years.

[10:48:23 AM](#)

MR. WOODROW clarified that fiscal year 2020 (FY 20) is the second full year ASMI has not received state funding. He answered a follow-up question, saying that ASMI has not seen a decline in its ability to achieve its mission. He added that ASMI has had to make changes to the way it does business; it no longer advertises domestically and is more strategic in how it uses its budget.

PRESENTATION: Division of Commercial Fisheries Return on Investment by ADF&G

[10:49:32 AM](#)

CHAIR STUTES announced that the final order of business would be a presentation on The Division of Commercial Fisheries Return on Investment by The Alaska Department of Fish & Game.

[10:50:17 AM](#)

SAM RABUNG, Director, Division of Commercial Fisheries, Alaska Department of Fish & Game (ADF&G), offered a PowerPoint presentation on the Division of Commercial Fisheries "division" return on investment by the ADF&G. He stated that this presentation is specific to the division, although ADF&G recognizes there is tremendous value generated from other fisheries as well. He stated that the division is tasked with assessing fishing stocks and populations and determining if there is a surplus that can be harvested in a sustainable way. He stated that one of the division's guiding principles is what it calls "maximum sustained yield". He explained that while the division's job is to provide opportunity to harvest the surplus, the Board of Fisheries is tasked with allocating the surplus.

[10:51:51 AM](#)

MR. RABUNG, referencing slide 2 of the PowerPoint presentation, stated that a large portion of his presentation was an overview of the topics Mr. Woodrow had just discussed in his presentation. He explained that the commercial fishing industry is the largest private-sector employer in Alaska; it directly

employs approximately 60,000 workers annually. Commercial fisheries in Alaska contribute approximately \$172 million directly in taxes, fees, and self-assessments, and an annual average of approximately \$5.6 billion in economic output to the Alaska economy. He explained that the division operates on a budget of approximately \$68 million, of which approximately \$36 million is from general funds.

[10:52:41 AM](#)

MR. RABUNG, referencing slide 3, provided a breakdown of where the major fund revenues for the division come from. He pointed out that the division receives approximately \$43 million of the total revenue of approximately \$74 million.

[10:53:02 AM](#)

MR. RABUNG, referencing slide 4, pointed out that the division's governor's budget proposal for FY 21 is approximately \$36.6 million of a total of approximately \$67 million.

[10:53:19 AM](#)

MR. RABUNG, referencing slide 5, pointed out the destinations of the \$172 million in taxes and fees from commercial fisheries in Alaska. He stated that the fees are administered through the DOR. He added that there are industry groups that fund a lot of assessment projects directly, which are not included on slide 5; if they were included the number of tax dollars would be higher.

[10:53:54 AM](#)

MR. RABUNG, referencing slide 6, explained that ex-vessel volume and ex-vessel value show the return on tax investments.

[10:54:10 AM](#)

MR. RABUNG, referencing slide 7, explained that the first wholesale value is what the processors receive when they sell the product, which is value added.

[10:54:21 AM](#)

MR. RABUNG, referencing slide 8, stated that the division manages the subsistence fisheries and most of the personal-use fisheries in Alaska. He said that data collected by the division is shared across all divisions at the ADF&G and share

the costs of projects and facilities with the other divisions as well.

[10:55:05 AM](#)

CHAIR STUTES asked Mr. Rabung whether budget cuts to the ADF&G directly affect revenue coming into Alaska by reducing the ability of the division to fully prosecute fisheries involved.

MR. RABUNG answered that Chair Stutes was correct: If the division can't manage a fishery sustainably, then that fishery can't be opened. He expressed that the division sets the bar high for sustainability requirements.

CHAIR STUTES stated that it sounds to her like the division must manage funds more conservatively when less funding is available.

MR. RABUNG agreed that that is correct. He added that if funding is eliminated on an assessment project it must close the fishery.

[10:56:54 AM](#)

REPRESENTATIVE EDGMON noted that the division's travel budget was cut substantially in the most recent budget. He asked Mr. Rabung whether he has a sense on what limitations that might impose on the division, given how many offices it has in remote locations.

MR. RABUNG replied that the division has reduced its travel to a point that it is only for "mission critical" situations. The primary travel that had to be eliminated was for industry outreach and stakeholder outreach, which can be very valuable to the industry. He said that the commercial fishing industry sees industry and stakeholder outreach as important enough to fund travel for it itself.

[10:57:59 AM](#)

REPRESENTATIVE KOPP stated that during his time as a sockeye fisherman in Bristol Bay, he had observed real time management and staffing at various locations, which allowed for a greater volume of catch and more money for the fishermen and the state. He explained that situations have happened in the last 10 years where the salmon runs have come super early and the counting stations weren't staffed, or the salmon runs came late and in large numbers and the counting staff had already left. He said

he observed the management approach default to a conservative one, resulting in over escapement in one situation and fishermen who were unprepared in another. He expressed that he encourages an accurate estimate on the part of the division for what its travel budget needs are for field workers. He said the fishing season is usually set to guessing a four- or five-week window of when the salmon runs will happen, but in order to hit that window accurately eight weeks are necessary. He stated that he understands this would cost more, but the science and management make more sense from a fisherman's perspective.

[11:00:10 AM](#)

REPRESENTATIVE NEUMAN asked Mr. Rabung whether the total biomass has increased, decreased, or stayed the same in terms of targeted species and non-targeted species over the last 20 years.

[11:00:29 AM](#)

MR. RABUNG answered that stocks of fish are cyclical in nature; highs and lows fluctuate from year-to-year. He expressed that he assumed Representative Neuman was referring to halibut fisheries which have been in the news recently. The targeted halibut fisheries have been decreasing, yet the non-targeted halibut fisheries have not. He explained that the International Pacific Halibut Commission (IPHC) manages these fisheries and the division does not have much say in the process of prosecutions in federal waters.

MR. RABUNG explained that over the course of the past several decades there have been many fluctuations in fishery stocks. He said that in the Kodiak area back in the 1980s king crab "was king," but a regime shift in the environment allowed pollock and groundfish to dominate the area. He said that the division is very aware of non-targeted species and is actively involved in talking with management authorities about it. He expressed that he couldn't speak too much more on the topic as it is slightly out of his purview and there is an "international nexus to that."

[11:02:35 AM](#)

REPRESENTATIVE NEUMAN stated that biologists he has spoken with from British Columbia have expressed that the total biomass has decreased to 20 percent of what it used to be. He explained that the decrease in non-targeted species is creating a

situation where targeted species, such as out-going salmon, are being picked off by predators at higher rates. He expressed that considering the low volume of the total biomass, combined with concerns regarding the environment, such as ocean acidification and warming, it might be worth considering talking about whether biologists should manage more conservatively or not. He said that he thinks it's important to have a conversation about science and funding in order to manage resources for a sustainable future.

[11:04:04 AM](#)

CHAIR STUTES expressed that the return on investment Alaska receives from fisheries is impressive. She explained that very few state investments compare in return on investment to that of commercial fisheries. She stated that her goal in this hearing was to clearly show that commercial fisheries pay their own way in Alaska. She expressed that investments in fisheries lead directly to opportunity, great returns to the general fund, and produce many benefits for Alaska's economy. She concluded that targeted increases to the ADF&G's budget should be considered, and hopes this hearing made the value of doing so clear.

[11:05:37 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was [adjourned] at 11:06 a.m.