

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SSHB 381
 Title: Wholesale Prices for Salmon
 Sponsor: House Special Comm. on Fisheries
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Develop
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		5.01				
300 CONTRACTUAL		55.01				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		60.01				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND		60.01				
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

The report requested of the Department of Commerce and Economic Development is an ambitious and complex undertaking. The fiscal note represents an estimate of the value of time and effort necessary to provide a useful level of accuracy and thoroughness. Major expenditures for Contractual Services are indicated, however, as much work as possible will be done in-house by employees of the

IV. ANALYSIS:

DCED and CFEC.

Prepared By: Richard E. Reynolds
 Division: Office of Commercial Fisheries Development

Phone: 465-2018
 Date: _____

Approved by Commissioner: Richard A. Lyon
 Department: Commerce & Economic Development

Date: 5/3/83

STATE OF ALASKA
FISCAL NOTE

Revision Date 1983

I. REQUEST

Bill/Resolution No: SS HB 381
 Title: Wholesale Price - Canned Salmon
 Sponsor: House Spec. Comm. on Fisheries
 Requestor: House Spec Comm on Fisheries

II. FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: Rev Coll & Mgt
 BRU, Program of Subprogram(s) Affected: Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-	25.5	28.0	30.8	33.9	37.3
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.9	2.5	2.5	2.6	2.6
400 COMMODITIES	-	.8	1.0	1.0	1.0	1.0
500 EQUIPMENT	-	1.0	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
TOTAL OPERATING	-	37.2	31.5	34.3	37.5	40.9
CAPITAL						
	-	-	-	-	-	-
REVENUE						
	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	37.2	31.5	34.3	37.5	40.9
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	1	1	1	1	1
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

None

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Paul W. Taylor
 Division: Audit Division

Phone: 465-2371
 Date: April 28, 1983

Approved by Commissioner: [Signature]
 Department: Revenue

Date: 5/2/83

Distribution:
 Original to Legislative Finance

IV. Analysis

This bill rewrites AS 43.00.035 pertaining to the reporting of average wholesale prices of canned salmon. The impact on the operation of the division would be to hire a tax examiner to be responsible for the compiling of this information and to obtain a computer terminal on which to key punch the data for various report forms.

The Department would like to recommend one amendment to the bill, that Sec. 1(d) be amended to show a reporting size for half-pound cans and quarter-pound cans of a forty-eight can case (as opposed to a forty-eight pound case).

Offered: 5/17/83
Referred: Finance

Original sponsor: House Special Committee
on Fisheries

1 IN THE HOUSE BY THE RESOURCES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 381 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to wholesale prices for salmon; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.80 is amended by adding new sections to read:

10 Sec. 43.80.050. REPORTING OF WHOLESALE CANNED SALMON PRICES.

11 (a) A fish processor engaged in the business of selling canned salmon
12 products at wholesale shall submit to the department, on a form pro-
13 vided by the department, a semi-annual report of the prices received
14 by the processor or an affiliate of the processor for the sale of
15 canned salmon. Not later than April 30 of each year a processor shall
16 submit a report for the period October 1 - March 31. Not later than
17 October 31 of each year a processor shall submit a report for the
18 period April 1 - September 30.

19 (b) A report submitted under this section shall, for sales to
20 buyers that are not affiliates of the processor, include a description
21 of the products and the quantity sold by species and unit-of-sale
22 category and the wholesale prices received. If a processor sells no
23 canned salmon products during a reporting period the report for that
24 period shall include only a statement of that fact.

25 (c) A sale to an affiliate of the processor may not be included
26 in a report submitted under this section by a processor. However, a
27 processor shall report sales by an affiliate at wholesale of canned
28 salmon that was obtained from the processor. The report shall include
29 a description of the products and the quantity sold by the affiliate

1 by species and unit-of-sale category and the wholesale prices received
2 by the affiliate.

3 (d) Information shall be reported for the following unit-of-sale
4 categories:

- 5 (1) 48-pound case of one-pound cans (48 cans);
- 6 (2) 24-pound case of one-half-pound cans (48 cans);
- 7 (3) 12-pound case of one-quarter-pound cans (48 cans); and
- 8 (4) 48-pound case of four-pound cans (12 cans).

9 (e) A person excluded from the fisheries business tax under
10 AS 43.75.017 is exempt from the requirements of this section.

11 Sec. 43.80.055. WHOLESALE PRICE AVERAGES. (a) Based on the
12 information provided in reports submitted under AS 43.80.050, the
13 department shall determine the statewide average wholesale prices paid
14 to fish processors and their affiliates for the sale of canned salmon.

15 (b) The department shall determine under this section the month-
16 ly and annual wholesale price averages for each species of canned
17 salmon in each unit-of-sale category.

18 Sec. 43.80.060. REPORT TO LEGISLATURE. Not later than the 15th
19 day of each regular legislative session the department shall submit to
20 the legislature a report of statewide average wholesale canned salmon
21 prices.

22 Sec. 43.80.065. CONFIDENTIALITY OF REPORTS. Information in
23 reports submitted under AS 43.80.050, and price averages calculated by
24 the department from the information in the reports, are public infor-
25 mation, except that information that identifies or could be used to
26 identify a particular fish processor is confidential.

27 Sec. 43.80.095. PENALTY. The department may levy and collect a
28 civil penalty of \$50 per day on a fish processor that fails to submit
29 a report as required under AS 43.80.050.

1 Sec. 43.80.100. DEFINITIONS. In this chapter,

2 (1) "affiliate of the processor" means a person that di-
3 rectly or indirectly, through one or more intermediaries, controls, is
4 controlled by, or is under common control with, the processor;

5 (2) "control" means

6 (A) owning directly or indirectly, or having the power
7 to vote, not less than 10 percent of any class of voting securi-
8 ties of a corporation; or

9 (B) influencing or affecting in any substantive manner
10 the election of a majority of the directors or trustees of a
11 corporation;

12 (3) "department" means the Department of Revenue;

13 (4) "fish processor" means a person engaging or attempting
14 to engage in a business for which a license is required under AS 43.-
15 75.010 - 43.75.055;

16 (5) "wholesale price" includes all receipts, whether in the
17 form of money, credits, or other consideration, from the sale of a
18 finished canned salmon product at less than retail, without deduction
19 for the costs of property sold, materials used, insurance, labor,
20 services, labeling, transportation, storage, interest, taxes, losses,
21 or any other expense except

22 (A) cash discounts allowed on sales, not to exceed one
23 and one-half percent; and

24 (B) commissions actually paid to independent brokers,
25 not to exceed five percent.

26 * Sec. 2. AS 43.80.035 is repealed.

27 * Sec. 3. Not later than the 30th day of the Second Session of the
28 Thirteenth Alaska State Legislature, the Department of Commerce and Eco-
29 nomic Development in conjunction with the Commercial Fisheries Entry

1 Commission and the Department of Revenue, shall submit to the legislature a
2 report on the possible development of a program to determine wholesale
3 price averages in the state for fresh, frozen, canned, and cured salmon
4 products. The report shall include the department's findings and recommen-
5 dations on

6 (1) the benefits and costs to the state and the commercial fish-
7 ing and processing industry of reporting and collecting wholesale price
8 information and determining price averages;

9 (2) the appropriate methodology and procedures that could be
10 used for reporting and collecting price information;

11 (3) the appropriate agency to determine wholesale price averages
12 for salmon; and

13 (4) the need for and methods of eliminating duplication of
14 reports required of fish processors and commercial fishermen by state
15 agencies, including a plan for the sharing of information among state
16 agencies.

17 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

*R/o 6/1/83
Rec'd after bill
reported out 4/6/83*

I. REQUEST

Bill/Resolution No.: CSSSHB 381
 Title: Wholesale Prices for Salmon
 Sponsor: House Special Comm. on Fisheries
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Develop.
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		5.0				
300 CONTRACTUAL		55.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		60.0				

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		60.0				
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Richard E. Reynolds Phone: 465-2018
 Division: Office of Commercial Fisheries Development Date: _____
 Approved by Commissioner: Richard A. Lyon Date: 6/1/83
 Department: Commerce & Economic Development

Distribution:

Original to Legislative Finance
 Copy to Office of Management and Budget (for Legislature introduced bills)
 Copy to Department (for Governor introduced bills)
 Copy to Sponsor
 Copy to Requestor (if different from Sponsor)

3/8/83

CSSSHB 381 - Fiscal Note Analysis

The report requested of the Department of Commerce and Economic Development is an ambitious and complex undertaking. The fiscal note represents an estimate of the value of time and effort necessary to provide a useful level of accuracy and thoroughness. Major expenditures for Contractual Services are indicated, however, as much work as possible will be done in-house by employees of the DCED and CFEC.

HB 381: An Act relating to wholesale prices for salmon; and providing for an effective date:

There are two key sections in HB 381. Section 1 discusses the reporting of wholesale canned salmon prices to the Department of Revenue. Section 3 requires the Department of Commerce & Economic Development, in conjunction with the Commercial Fisheries Entry Commission, to report to the Legislature on a plan for the development of a program to determine wholesale price averages in the State for fresh, frozen, canned, and cured salmon products. Specifically, the Department of Commerce and Economic Development is asked to address the benefits and costs to the State and industry of such a program, to set forth methodologies for reporting and to propose an organization structure. This report is due in February of 1984.

It is our understanding that there is no accurate source of wholesale fish prices either in terms of fish sold by fishermen to processors or by processors to wholesalers. The Department of Fish and Game's "fish ticket" - the receipt of sale between fisherman and processor - does not mandate disclosure of price. The National Marine Fisheries' pink sheets are compilations of wholesale prices but are generally considered "list prices" rather than "actual prices." It is only when one gets to Japan and Europe that fish auction and commodity prices are reported publicly. In fact, only when one gets to the retail shelf can one establish a fish price and by that time the product has incorporated significant value added. All this is not to say that fish tickets, pink sheets, annual reports of processors and the like are not valuable, it is simply to say that verification of wholesale prices is impossible.

Why should there be wholesale price reporting? Certainly good wholesale price averages can assist processors in investment, operating and pricing decisions; it can be used for post season price settlements between fishermen and processors; and where regulation exists with the stated objective of promoting a healthy industry, as is the case with the Commercial Fisheries Entry Commission, wholesale price information can assist in the regulator's efforts to promote an optimal system. In the broadest sense, reduction of price uncertainty carries with it an implicit reduction in costs.

There are, however, costs associated with wholesale data collection, verification, inventorying and dissemination. There are significant costs to both processors and government. In the area of canned salmon, as the bill indicates, there are a discrete number of products, say 20, for which wholesale data can be averaged without excessive administrative costs. But when one gets to fresh and frozen products one must consider method of catch location, grade and other factors, easily over one hundred variations with all the implicit administrative costs and implications of confidentiality problems. In fact, we are dealing with a continuum of products and not clear differentiations. The challenge is to develop a method of collecting data in a manner that is simple, accurate, and yet in enough detail to be of value to the industry. In studying the issue and preparing a plan it will be critical for us to fully understand these benefits and costs and to address them objectively.

If enacted, the Department of Commerce and Economic Development will bring together the skills of its Office of Commercial Fisheries and Division of Finance and Economics, working in close concert with the research division of the Commercial Fisheries Entry Commission and in cooperation with the Department of Fish and Game, the Department of Revenue, and the Alaska Seafood Marketing Institute, and certainly in close cooperation with the industry. Rather than one plan, what we would like to do is clarify the issue and present optional approaches with the benefits and costs associated with each approach. We also hope to incorporate the findings of the Comprehensive Alaska Seafood Market Information System study under development within the Office of Commercial Fisheries, the expanded efforts into marketing by the Department of Commerce and Economic Development, and the development of a fisheries strategic development plan by the Office of Commercial Fisheries and the Division of Finance and Economics.

We support this bill and are prepared to provide our part in carrying the requirements of HB 381 in a comprehensive and objective manner. We also welcome your guidance.

For the Commissioner
Richard A. Lyon
Richard A. Lyon, Commissioner
Department of Commerce & Economic Development

DATE: MAY 18, 1983

May 11, 1983

Ms. Adelheid Herrmann
Representative
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Ms. Herrmann:

On behalf of Sealaska Corporation and its subsidiaries, I have had the opportunity to review proposed Senate Bill No. 279, "An Act relating to wholesale prices for canned salmon; and providing for an effective date." Sealaska Corporation agrees with the general intent of such legislation but it recommends the amendment of the following provisions:

Section 43.80.050. REPORTING OF WHOLESALE CANNED SALMON PRICES.

(a) "A fish processor engaged in the business of selling canned salmon products at wholesale shall submit to the department, on a form provided by the department, a semi-annual report of the prices received by the processor or an affiliate of the processor for the sale of canned salmon. Not later than April 30 of each year a processor shall submit a report for the period October 1 - March 31. Not later than October 31 of each year a processor shall submit a report for the period April 1 - September 30."

The aforementioned is recommended to be amended as the following:

(a) "A fish processor engaged in the business of selling canned salmon products at wholesale shall submit to the department, on a form provided by the department, an annual report of the prices received by the processor or an affiliate of the processor for the sale of canned salmon. Not later than April 30 of each year a processor shall submit a report for the period October 1 - march 31."

While as a matter of public policy we believe that this legislation would benefit all parties, the statutory

May 11, 1983

requirement of providing a report twice a year would be burdensome. Moreover, we do not see the necessity of providing such reports on a more than annual basis.

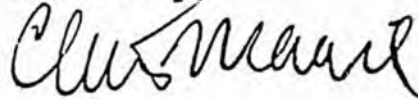
We recommend that Section 43.80.100 section (5) be amended to add a section "c."

(c) Promotional Discounts to Customers.

Promotional discounts are a regularly and ordinary part of sales to customers based upon supply and demand in the market place. These discounts vary from month-to-month and are generally characterized by a temporary reduction in price based upon a particular sales campaign. By accounting for the existence of promotional discounts the wholesale price under this Act would better reflect the actual receipts or other consideration received by fish processor during any given period.

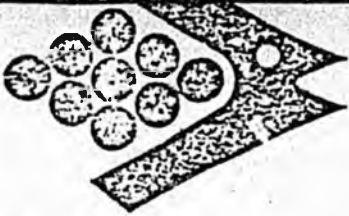
I do hope that you will take these proposed amendments into serious consideration during your deliberations.

Sincerely,



Chris E. McNeil, Jr.
Vice-President Counsel,
Secretary

cc: Byron I. Mallott, Chairman & Chief Executive Officer
John Peterson, President, Ocean Beauty Seafoods, Inc.
Sam Kito, Kito & Associates



WHITNEY-FIDALGO
SEAFOODS, INC.

2360 WEST COMMODORE WAY
BOX C99308, SEATTLE, WA. 98199
PHONE (206) 285-0300 TELEX 32-8886

APR 22 1983

April 20, 1983

The Honorable Mae Tischer
House of Representatives
State of Alaska
Mail Stop 3100
Pouch V
Juneau, Alaska 99811

Which Bill to this please

RE: Average Wholesale Prices

Dear Representative Tischer:

The Legislature of the State of Alaska is considering a bill to require salmon processors to provide the State with information as to the wholesale price of salmon sold. The information used to be reported to the Department of Revenue for taxation purposes because that is how the State of Alaska determined the tax it would charge the various seafood processors. This method of taxation was changed to a simpler cents per pound method which is now used for taxation purposes. The sole purpose for obtaining an average wholesale price for salmon is to allow some of the fishermen and some of the processors to utilize that as a basis for determining what price will be paid to fishermen.

I respectfully submit that this is not a valid purpose for requiring all salmon processors to submit reports in significant detail for the amount of money they receive for the salmon they processed and sold. I further submit that it is none of the State of Alaska's business for a capitalistic and competitive company to reveal how much it obtained for the products that were harvested in Alaska. Without a taxing purpose or some other compelling reason to know, the State is not entitled to actual wholesale prices. Whitney-Fidalgo Seafoods not only objects on the basis that it appears to be unconstitutional, we further object upon the basis that it will be extremely expensive to compile

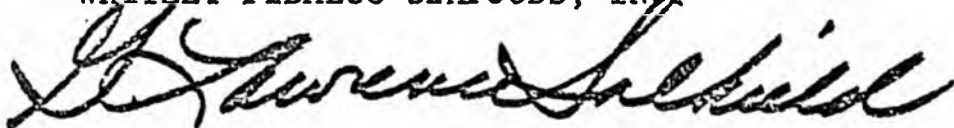
The Honorable Mae Tischer
Page Two
April 20, 1983

reports of the nature required by any of the acts being considered by the Legislature. One of the drafts submitted by the Honorable Jalmer Kerttula indicates that a particular processor should not be identified and the information "may be released only to the Commercial Fisheries Entry Commission for the purpose of carrying out the official business of the Commission." I cannot see anywhere in the Legislative Rules or Regulations indicating it is in the official business of the Commission to establish or assist in establishing fish prices between independent fishermen and processors. Any way you analyze the situation, you keep coming back to the sole issue that its purpose is to establish prices between some fishermen and some processors, which is not the business of the Commission nor the State Legislature, for that matter. The fishermen and processors are capable of establishing fish prices. It is not something for the State to legislate.

We would respectfully request you reconsider supporting this type of legislation and allow free enterprise to handle these problems in its own way.

Sincerely yours,

WHITNEY-FIDALGO SEAFOODS, INC.



G. LAWRENCE SALKIELD
President

GLS:dmo

NEIBRO PACKING COMPANY

WE'VE MOVED
4242 22nd AVENUE WEST
SEATTLE, WASHINGTON ~~98122~~ 98199



(206) ~~527XXXX~~
285-3941

March 22nd, 1983

The Honorable Adalheid Herrmann,
Alaska State House of Representatives,
Pouch V,
Juneau, Alaska 99811.

Dear Adalheid:

I understand that legislation may be introduced providing for the accumulation and compilation of wholesale price information on Salmon.

I was alarmed at the scope of the proposed legislation and want to give you my views on it since I believe its genesis was brought about in part by the Bristol Bay Fishing Agreements which we have signed with the Alaska Independent Fishermens Marketing Association and other non-member fishermen.

Our Agreements call for the following information:

"the Industry average wholesale price, net of discounts, for sales of Canned Salmon between the dates of August 1 of the season involved, to March 15 of the year following the season involved."

This information applies to Tals and Halves cans only, and exactly parallels the information which the Department of Revenue compiled in previous years (and is still compiling on canned Pink Salmon) with the exception of the time period of sales, and we would respectfully request that provision be made to accumulate and report this limited amount of data.

My understanding of the proposed legislation is that it would require reporting every month - 12 months a year - for each of the following:

1. Sales by area of production,
2. Sales by species,
3. Sales of canned by four different can sizes,
4. Sales of fresh - in any number of different forms and differing markets,
5. Sales of frozen - in any number of different forms and differing markets,
6. Sales of cured,
7. Sales of any specialty pack by type of pack, etc.


For Industry the cost and time required to accomplish this reporting would be both tremendous and impractical, and for the Department of Revenue it would most certainly involve a significant additional workload and expense to compile and report this vast amount of data.

At a time when this industry is fighting for its economic survival, while the State also has serious financial concerns, it seems inappropriate to burden either of us with this ill-advised and costly, expanded requirement which doesn't appear to serve any useful purpose.

I thank you for your consideration of my comments.

Respectfully yours,

NELBRO PACKING COMPANY.



T. K. Beeston.

TEB:bb

c.c. Robert Heath,
Commissioner of Revenue,
Pouch S,
Juneau, AK 99811.



SEAFOODS, INC. DEXTER HORTON BLDG., SEATTLE, WASHINGTON 98104 • (206) 624-4344 • TWX 910-444-1638

February 22, 1983

Ms. Adelheid Herrmann, Chm.
House Fisheries Subcommittee
Pouch V
Juneau, Alaska 99811

Dear Ms. Herrmann:

Peter Pan Seafoods, Inc. has recently signed a three year agreement with the Alaska Independent Fishermen's Marketing Association. This agreement provided for a base price on reds with an additional payment based on the net selling price.

The Alaska Department of Revenue figure would be used if it is available.

It is our understanding that there is no legislation on the books which would permit the Department to do this although such legislation is being considered.

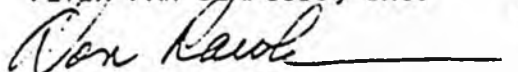
We are currently negotiating with the Western Alaska Cooperative Marketing Association and it is possible we will have a similar type of agreement with them. We would then have approximately 200 boats under such an agreement.

At the present time we know of one other company that has such an agreement but it is likely that more agreements of this type are forthcoming.

We feel it would be a great service to the fishermen and processors in Bristol Bay if the Department of Revenue would compile such information for reds and we urgently request that you introduce and support the necessary legislation.

Very truly yours,

PETER PAN SEAFOODS, INC.


Don Rawlinson, Vice-President
Bristol Bay Operations



P.O. BOX 1186

JUNEAU, ALASKA 99802

"DEDICATED TO THE PROFESSIONAL FISHERMAN"

May 6, 1983

Honorable Adelheid Herrmann
Pouch V
Juneau, Alaska 99811-3100

Dear Representative Herrmann:

Our association is in support of SSHB 381. Not only will this provide information for price settlements between processors and fishermen, but it will provide the public, including state officials, with more precise information about the value of the state's salmon resource. This information will be useful in aiding the development of an industry that is more profitable for the private sectors, and also extracting the highest value from the resource, building a broader and larger tax base, in the process.

Wholesale values are also important to consider in land planning, and development, especially where conflicting uses call for judgments about what particular, or mix, of uses is the best overall use.

It seems very important to us to move ahead on the development of a methodology for collecting wholesale values for fresh, frozen, and cured product forms. The trend in the salmon industry is to a higher and higher percentage of the catch to be processed and sold in these forms. According to industry sources, the 1982 pack saw only 32% going to canned product. Further, the greatest potential for growth in sales and increases in value, probably lies in the non-canned market.

Thank you very much for your interest in this important matter.

Sincerely,

Geron Bruce
Geron Bruce
Executive Director



700 14TH STREET
BELLINGHAM, WASHINGTON 98225

January 28, 1983

(206) 734-1876

POSITION PAPER on legislation requiring the Alaska Department of Revenue to collect wholesale price data from Salmon Processors for canned salmon (and other processed forms of salmon) originating in Alaskan jurisdiction.

From: AIFMA COOP., of Naknek, Alaska.

As AIFMA is a Cooperative Marketing Group of Bristol Bay Gillnetters and comprise the single largest such group in Bristol Bay (probably the state); and that the size of the Bristol Bay Red Salmon Production is equal to or larger than the combined total production of red salmon in the rest of Alaska; the ex-vessel price in Bristol Bay will set the standard for red salmon prices elsewhere. Further, the economic value to the state is of such a magnitude that it is in the interest of the State to promote an orderly harvest of the resource. Additionally, because of the price disputes resulting from last minute bargaining tactics of the processors, Bristol Bay has been plagued, in recent years, by lengthy price disputes which have resulted in a under-harvest of the fish and thus an economic loss to the citizens of the State.

It is therefore, held by AIFMA COOP., that the State of Alaska should, in its' best interest, legislate to accommodate the conditions of the price settlement which AIFMA and Nelbro Packing Company arrived at on December 1, 1983 for the Red Salmon Seasons of 1983, 1984, 1985. This agreement appears to have set the standard for settlement with other processors in Bristol Bay and has generated interest in other Alaska Salmon Fisheries.

The key point is for a law to require the Alaska Fish Processors to report to the state their wholesale prices for canned salmon; for a period from August 1 of each year to March 15 of the following year. The length of time of this period is essential in order to obtain statistically significant data, which can be used to base the ex-vessel price. The reporting period under the old law only covered approximately 20% or so of the actual wholesale transactions and was subject to much speculation concerning manipulation of the price. The longer reporting period should, by historic standards cover approximately 55% of the wholesale sales and thus significantly reduce the possibility of market manipulation.

Assuming that the data generated by this legislation is the key to future price settlements throughout Alaska Salmon Fisheries, this



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BELLINGHAM, WASHINGTON 98225
(206) 734-1876

data must be collected for all species of salmon (REDS, CHUMS, PINKS, COHO, KINGS). Further, for the purposes of the present price settlement the data must include one pound talls and one-half pound cans. Looking into the future, it would appear to be prudent to include the one-fourth pound cans as well.

Under the old system the discount allowed for promotion and brokerage (about 6.8%) should not be altered as they have already been accounted for in the completed settlement and changing them could disrupt this agreement.

An area that needs to be considered also is the frozen product. This product has grown rapidly in Bristol Bay and Alaska and now comprises near half of the total production. The market for frozen salmon is very volatile and numerous problems arise; but the State should have available the value of this product in its various forms. Given the inherent mistrust between fishermen and processors the area of the value of the frozen product desperately needs to be addressed.

For the sake of expediency the frozen reporting system should be dealt with in separate legislation.

AIFMA COOPERATIVE

A handwritten signature in cursive script that reads "Karl R. Hellberg".

KARL R. HELLBERG
PRESIDENT

KH:jk



UNITED FISHERMEN OF ALASKA

319 Howard Street, Suite #208
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Cass M. Parsons
Executive Director

April 28, 1983

ALASKA WHOLESALE AVERAGE

House Bill 381 and Senate Bill 279 are identical bills. They will repeal AS 43.80.035 and add a new section 43.80.050. The new section will add to or change the intent of the statute. Specifically, the new section:

- 1) requires average wholesale price reporting from processors for all species of canned salmon (now required only for pink salmon);
- 2) requires average wholesale price reporting ^{semi-}annually for each of the previous six months (now required annually for August through December only);
- 3) omits the necessity for a joint request for the department to require reporting from both a processor and a fishermen's organization;
- 4) changes the civil penalty clause for non-compliance from \$5,000.00 per report to \$50.00 per day;
- 5) adds that sales to affiliate companies will not be included in processor's wholesale price report but wholesale prices obtained by an affiliate shall be reported;
- 6) adds that the Department of Commerce and Economic Development in conjunction with the Commercial Fisheries Entry Commission will investigate developing a program to determine wholesale price averages for all product forms of seafood; investigation will include possible benefits, methodology, and cost estimates. The investigation will further include possible elimination of duplicative reporting requirements to state agencies by providing for information sharing.

Background & Original Intent:

The original intent of revising AS 43.80.035 was to expand the statutory authority of the Department of Revenue to require processors to report monthly wholesale prices for all species of canned, fresh, frozen and cured salmon. The department would, in turn, compile and publish a statewide average wholesale price for each month for all species and all product forms.

Fishing groups, cooperatives and marketing associations have come forward to request this information for several reasons:

1. Fishermen would like to negotiate fish prices based on a figure which represents the true market value of the product and the current market situation and allows individuals and associations to "share the risk" with processors.
2. Fishermen feel that wholesale prices compiled by the department have proven to be the most credible information available short of an audit.
3. Canned salmon sales now comprise less than 50% of the total; other product form prices need to be considered to reflect the true scope of sales.
4. Fishermen want to develop a more sophisticated and less harmful (i.e., prolonged strikes) method of arriving at price settlements. Along with run forecasts, market projections and estimates of demand, the average wholesale value of fish sold during the previous 12, 6 or 3 months will assist fishermen and processors arriving at a price which truly reflects the market.

Present Legislative Intent:

The present legislation is a compromise bill from the above intent in that it doesn't compile an average wholesale price for frozen, fresh or cured salmon products, but this legislation will assist the industry this year for two reasons:

1. Contracts have been signed between fishermen and processors which requires wholesale average prices for sockeye salmon from August through March annually. This bill will fulfill that requirement and any other contract settlements based on wholesale canned salmon prices for any species.
2. Language included in the bill will allow the Department of Commerce and Economic Development and the Commercial Fisheries Entry Commission to investigate developing a program to include compilation of wholesale prices for all product forms of salmon, including fresh, frozen and cured. The two agencies will investigate the benefits and costs to the state of a program such as this and the most appropriate methodology for collecting the information.

A compromise was necessary due to opposition from the processors to the intent of the legislation; that is, to require processors to make available prices paid them for sales of salmon, and specifically, fresh and frozen prices. Major opposition to the bill would have killed its chance of passage this legislative session. The processors have agreed that this bill is the least troublesome for them at the present and have agreed not to mount opposition.

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State Involvement:

The state is and should continue to be involved in this effort for several reasons:

1. The citizens of the state have a right to know the value of the fishing industry to the state's economy. Any industry subsidized in full or in part should be accountable to the public. Are state monies benefitting the citizens of the state?
2. The state has spent hundreds of thousands of dollars on market studies which were designed to assist fishermen and processors engaged in pre-season price negotiations and to assist all participants develop a better understanding of the marketplace. However, all of these studies have cited inadequate data as being the major hindrance to a conclusive market analysis.
3. The state acts as mediator in strike situations. Prolonged strikes cost the state money in terms of decreased revenues from ex-vessel based taxes and in direct state participation during strikes.

STATE OF ALASKA
FISCAL NOTE

*Rec'd 6/1/83 p.m. after
will R/O - Figures the same
as those on file attached*
Revision Date . 1983

I. REQUEST

Bill/Resolution No: CSSSHB 381 (Resources)
Title: Wholesale Price - Canned Salmon
Sponsor: House Spec. Comm. on Fisheries
Requestor: Resources Committee

II. FISCAL DETAIL

Agency Affected: Department of Revenue
Program Category Affected: Rev Coll & Mgmt
BRU, Program of Subprogram(s) Affected:
Audit Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-	25.5	28.0	30.8	33.9	37.3
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.9	2.5	2.5	2.6	2.6
400 COMMODITIES	-	.8	1.0	1.0	1.0	1.0
500 EQUIPMENT	-	1.0	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
TOTAL OPERATING	-	37.2	31.5	34.3	37.5	40.9
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	37.2	31.5	34.3	37.5	40.9
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	1	1	1	1	1
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

None

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Robert R. Kessel
Division: Audit Division

Phone: 465-2320
Date: May 20, 1983

Approved by Commissioner: Joseph K. Dondura
Department: Revenue

Date: 5/31/83

Distribution:

Original to Legislative Finance
Copy to Office of Management and Budget (for Legislature introduced bills)
Copy to Department (for Governor introduced bills)
Copy to Sponsor
Copy to Requestor (if different from Sponsor)

IV. Analysis

This bill rewrites AS 43.80.035 pertaining to the reporting of average wholesale prices of canned salmon. The impact on the operation of the Division would be to hire a tax examiner to be responsible for the compiling of this information and to obtain a computer terminal on which to keypunch the data for various report forms.

Offered: 5/17/83
Referred: Finance

Original sponsor: House Special Committee
on Fisheries

1 IN THE HOUSE BY THE RESOURCES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 381 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to wholesale prices for salmon; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.80 is amended by adding new sections to read:

10 Sec. 43.80.050. REPORTING OF WHOLESALE CANNED SALMON PRICES.

11 (a) A fish processor engaged in the business of selling canned salmon
12 products at wholesale shall submit to the department, on a form pro-
13 vided by the department, a semi-annual report of the prices received
14 by the processor or an affiliate of the processor for the sale of
15 canned salmon. Not later than April 30 of each year a processor shall
16 submit a report for the period October 1 - March 31. Not later than
17 October 31 of each year a processor shall submit a report for the
18 period April 1 - September 30.

19 (b) A report submitted under this section shall, for sales to
20 buyers that are not affiliates of the processor, include a description
21 of the products and the quantity sold by species and unit-of-sale
22 category and the wholesale prices received. If a processor sells no
23 canned salmon products during a reporting period the report for that
24 period shall include only a statement of that fact.

25 (c) A sale to an affiliate of the processor may not be included
26 in a report submitted under this section by a processor. However, a
27 processor shall report sales by an affiliate at wholesale of canned
28 salmon that was obtained from the processor. The report shall include
29 a description of the products and the quantity sold by the affiliate

1 by species and unit-of-sale category and the wholesale prices received
2 by the affiliate.

3 (d) Information shall be reported for the following unit-of-sale
4 categories:

- 5 (1) 48-pound case of one-pound cans (48 cans);
- 6 (2) 24-pound case of one-half-pound cans (48 cans);
- 7 (3) 12-pound case of one-quarter-pound cans (48 cans); and
- 8 (4) 48-pound case of four-pound cans (12 cans).

9 (e) A person excluded from the fisheries business tax under
10 AS 43.75.017 is exempt from the requirements of this section.

11 Sec. 43.80.055. WHOLESALE PRICE AVERAGES. (a) Based on the
12 information provided in reports submitted under AS 43.80.050, the
13 department shall determine the statewide average wholesale prices paid
14 to fish processors and their affiliates for the sale of canned salmon.

15 (b) The department shall determine under this section the month-
16 ly and annual wholesale price averages for each species of canned
17 salmon in each unit-of-sale category.

18 Sec. 43.80.060. REPORT TO LEGISLATURE. Not later than the 15th
19 day of each regular legislative session the department shall submit to
20 the legislature a report of statewide average wholesale canned salmon
21 prices.

22 Sec. 43.80.065. CONFIDENTIALITY OF REPORTS. Information in
23 reports submitted under AS 43.80.050, and price averages calculated by
24 the department from the information in the reports, are public infor-
25 mation, except that information that identifies or could be used to
26 identify a particular fish processor is confidential.

27 Sec. 43.80.095. PENALTY. The department may levy and collect a
28 civil penalty of \$50 per day on a fish processor that fails to submit
29 a report as required under AS 43.80.050.

1 Sec. 43.80.100. DEFINITIONS. In this chapter,

2 (1) "affiliate of the processor" means a person that di-
3 rectly or indirectly, through one or more intermediaries, controls, is
4 controlled by, or is under common control with, the processor;

5 (2) "control" means

6 (A) owning directly or indirectly, or having the power
7 to vote, not less than 10 percent of any class of voting securi-
8 ties of a corporation; or

9 (B) influencing or affecting in any substantive manner
10 the election of a majority of the directors or trustees of a
11 corporation;

12 (3) "department" means the Department of Revenue;

13 (4) "fish processor" means a person engaging or attempting
14 to engage in a business for which a license is required under AS 43.-
15 75.010 - 43.75.055;

16 (5) "wholesale price" includes all receipts, whether in the
17 form of money, credits, or other consideration, from the sale of a
18 finished canned salmon product at less than retail, without deduction
19 for the costs of property sold, materials used, insurance, labor,
20 services, labeling, transportation, storage, interest, taxes, losses,
21 or any other expense except

22 (A) cash discounts allowed on sales, not to exceed one
23 and one-half percent; and

24 (B) commissions actually paid to independent brokers,
25 not to exceed five percent.

26 * Sec. 2. AS 43.80.035 is repealed.

27 * Sec. 3. Not later than the 30th day of the Second Session of the
28 Thirteenth Alaska State Legislature, the Department of Commerce and Eco-
29 nomic Development in conjunction with the Commercial Fisheries Entry

1 Commission and the Department of Revenue, shall submit to the legislature a
2 report on the possible development of a program to determine wholesale
3 price averages in the state for fresh, frozen, canned, and cured salmon
4 products. The report shall include the department's findings and recommen-
5 dations on

6 (1) the benefits and costs to the state and the commercial fish-
7 ing and processing industry of reporting and collecting wholesale price
8 information and determining price averages;

9 (2) the appropriate methodology and procedures that could be
10 used for reporting and collecting price information;

11 (3) the appropriate agency to determine wholesale price averages
12 for salmon; and

13 (4) the need for and methods of eliminating duplication of
14 reports required of fish processors and commercial fishermen by state
15 agencies, including a plan for the sharing of information among state
16 agencies.

17 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

BACKGROUND ON CSSS HB 381: "An Act relating to wholesale prices; and providing for an effective date."

The current form of HB 381 is a compromise between the fishermen's original request and the processor's objections to it. The bill now sets up a procedure for reporting of wholesale prices for canned salmon. Processors will report their monthly prices semi-annually and the Department of Revenue will compile the information for release to the public and inclusion in an annual report to the legislature. The bill also directs the Department of Commerce in conjunction with the Commercial Fisheries Entry Commission and the Department of Revenue to complete a study on the feasibility of collection of wholesale information on all product forms of salmon.

Fishermen intended that the legislation set up a procedure for monthly wholesale price reporting on all product forms of salmon. Among the reasons for this information, fishing groups have cited:

1. Fishermen would like to negotiate fish prices based on a figure which represents the true market value of the product and the current market situation and allows individuals and associations to "share the risk" with processors.

2. Fishermen feel that wholesale prices compiled by the department have proven to be the most credible information available short of an audit.
3. Canned salmon sales now comprise less than 50% of the total; other product form prices need to be considered to reflect the true scope of sales.
4. Fishermen want to develop a more sophisticated and less harmful (i.e., prolonged strikes) method of arriving at price settlements. Along with run forecasts, market projections and estimates of demand, the average wholesale value of fish sold during the previous 12, 6 or 3 months will assist fishermen and processors arriving at a price which truly reflects the market.

Processors have opposed the fishermen's broad ranging bill, citing excessive costs and unclear benefits. Comments were given which indicated that reporting on all product forms of salmon would be impractical considering all the species, gear types, processing stages, and size ranges which are sold on both the fresh and frozen markets.

The compromise included the most important data collection for fishermen and deleted the most objectionable for processors. Fishermen's groups are supporting this legislation while processors are not actively opposing it.

Attached are:

Fiscal Notes and Explanation
Fishermen's Letters
Processor's Letters

For more information contact:

Mel Monsen 465-4924

FISCAL NOTE EXPLANATION - CSSS HB 381

CS SS HB 381 had two fiscal notes attached by the House Special Committee on Fisheries. The fiscal notes total \$ 97,200.00.

The first fiscal note, by the Department of Revenue, covers operating costs required by section one of the bill. Section one directs the Department to determine wholesale prices for canned salmon. To do this the Department estimates they will need \$ 37,200.00 in FY 84; this covers a new tax examiner and a computer terminal.

The second fiscal note, by the Department of Commerce and Economic Development, covers costs for compliance with section three of the bill. Section three sets up a feasibility study to address the entire issue of wholesale price collection by the State. The Department projects spending \$ 60,000.00 to complete the study.

Copies of both fiscal notes are attached for your information.

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