

HB

358

**FISCAL NOTE**

**STATE OF ALASKA**  
**1992 LEGISLATIVE SESSION**

**BILL NO. CSHB358**

Revision Date: "WORK DRAFT"  
 Title: Alaska Seafood Marketing Institute

Department Affected: UNIVERSITY OF ALASKA  
 BRU: Public Service  
 Component: School of Fisheries

Sponsor: Rep Kubina  
 Requestor: Rep C. Davidson

Component Serial No: 1566

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY93	FY94	FY95	FY96	FY97	FY98
PERSONAL SERVICES	98.0	99.0	104.0	109.0	114.0	120.0
TRAVEL	27.0	29.0	30.0	30.0	32.0	32.0
CONTRACTUAL	23.0	23.0	24.0	24.0	25.0	25.0
SUPPLIES	5.0	5.0	6.0	6.0	7.0	7.0
EQUIPMENT	9.0			2.0	2.0	2.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>160.0</b>	<b>156.0</b>	<b>164.0</b>	<b>171.0</b>	<b>180.0</b>	<b>186.0</b>
<b>CAPITAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>REVENUE FD SOURCE</b>						

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	160.0	156.0	164.0	171.0	180.0	186.0
FEDERAL FUNDS						
OTHER FUNDS						
<b>TOTAL</b>	<b>160.0</b>	<b>156.0</b>	<b>164.0</b>	<b>171.0</b>	<b>180.0</b>	<b>186.0</b>

**POSITIONS:**

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

Estimate of current year impact:                     -0-                    

ANALYSIS (Attach additional pages as necessary)

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Prepared by: Marsha Hubbard, Director  
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Phone: 474-7593  
 Date: 2/28/92

Approved by: Brian Rogers, Vice President for Finance  
 Agency: University of Alaska

Date: 2/28/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies)

**FISCAL NOTE**

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Regarding Section 1.(1) "conduct, or contract for, seafood marketing research;" , the university assumes that the costs for these efforts will be independently funded according to the budget requirements of each proposal.

Regarding Section 1.(3)(G) "sponsor an annual statewide conference on salmon marketing and vary the location of the conference among the regions of the state;" , the amount proposed for travel provides for only those costs associated with program staff and invited speakers attendance. It is assumed that all other participants will cover their own travel needs.

Regarding Section 1.(4) " ..establish a salmon marketing advisory council.." the amount proposed for travel includes funding for 10 council members and program staff to attend one annual meeting.

Object Code Expenditure descriptions are as follows:

**Personal Services**

- 65,000 - Onu FTE Associate Professor
- 31,000 - One FTE Administrative Assistant

**Travel**

- 18,000 - Annual Advisory Council meeting
- 4,000 - Staff attendance @ Statewide conferences
- 5,000 - On-going program staff site visitations

**Contractual**

- 11,000 - Annual report preparation
- 8,000 - Conference facilities
- 6,000 - Communications, postage, copying, etc.

**Office Supplies and Materials**

- 5,000 - Office supplies and materials

**Equipment**

- 6,000 - Computer, software, printer, etc.
- 3,000 - Office furniture

# Alaska State Legislature



Representative Eugene Kubina

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Chairman  
State Affairs  
Committee

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Transportation  
Committee

## SPONSOR STATEMENT

The current state of the Alaska seafood industry was accurately described in a United States General Accounting Office report on seafood marketing (October 1986). This report included the following comments:

"The U.S. seafood industry is independent and fragmented in nature. [It] . . . consists of many small independent fishermen who often do not share supply, demand, and price information.

"This organizational structure represents a major impediment to effective marketing of seafood products in domestic and export markets."

CS for HB 352, in keeping with the recommendations of the Salmon Strategy Task Force, would expand the program of the University of Alaska Marine Advisory Program to emphasize salmon product and market development. This program expansion would consist of the following:

- A. Add a Seafood Marketing Specialist to the staff of the Marine Advisory Program.
- B. Under the guidance of the Marine Advisory Program, see the development of the Alaska State Salmon Marketing Association.<sup>1</sup> This association would work to assist fishermen and their marketing organizations to
  1. promote the gathering and exchange of market and price information among the members.
  2. provide basic market research on consumer needs, trends and preferences.

<sup>1</sup> The Marine Advisory Program has had experience in forming such associations. For instance, beginning with groundwork started in 1989, the Marine Advisory Program helped form the Alaska Marine Safety Educational Association--which is currently for nonprofit status.

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3. identify educational and information needs necessary to produce superior salmon products.
  4. assist fishermen in their efforts to effectively operate regional marketing associations, including day to day operations, marketing strategies, and cooperation with state and federal agencies.
  5. provide fishermen and their marketing organizations with a unified forum for making recommendations on policy to state government.
- C. With the assistance of the Marine Advisory Program, the fishermen of our various districts would form a Marketing Program Advisory Council to help define program needs for their regions.

CS for HB 358 would also see a change in the Board of Directors of the Alaska State Marketing Institute. The current five positions dedicated to members engaged in fishing would be changed to nine; the current twelve positions dedicated to members engaged in seafood processing would be changed to eight.

CS FOR HOUSE BILL NO. 358 (L&C)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 2/14/92

Referred: Resources, Finance

Sponsor(s): REPRESENTATIVE KUBINA

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a statewide salmon marketing association and to a seafood marketing  
2 educational program; and providing for an effective date."

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

4 \* Section 1. AS 14.40 is amended by adding a new section to read:

5 Sec. 14.40.083. ESTABLISHMENT OF SEAFOOD MARKETING EDUCATIONAL  
6 PROGRAM. (a) The University of Alaska shall establish a seafood marketing educational  
7 program within the marine advisory program. The seafood marketing educational program shall

8 (1) develop and collect seafood marketing information;

9 (2) assist in identifying needed seafood marketing research and the appropriate  
10 institution or agency to conduct the research;

11 (3) assist in the organization of a statewide salmon marketing association, as a  
12 nonprofit corporation, to

13 (A) provide training and education in the organization, operation, and  
14 management of salmon marketing organizations;

1 (B) provide leadership training to members of salmon marketing  
2 organizations;

3 (C) distribute information on salmon market trends;

4 (D) promote development of salmon products;

5 (E) make recommendations to state, federal, and other organizations  
6 regarding the marketing of and markets for salmon;

7 (F) provide information and reviews on financial, legal, and other issues  
8 relevant to salmon marketing organizations;

9 (G) sponsor an annual statewide conference on salmon marketing and vary  
10 the location of the conference among the regions of the state;

11 (4) establish a salmon marketing education advisory council consisting of a cross  
12 section of members of the statewide salmon marketing association to provide guidance,  
13 assistance, and advice to the seafood marketing educational program regarding its annual program  
14 of services.

15 (b) The administration of the seafood marketing educational program is under a  
16 university employee designated as a seafood marketing specialist.

17 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

# **Salmon Strategy Task Force Recommendations**



**Walter J. Hickel, Governor  
Commissioner Glenn A. Olds, Chair**

**State of Alaska  
Department of Commerce and  
Economic Development  
Division of Economic Development**

**JANUARY 24, 1992**

## RECOMMENDATIONS FOR DEALING WITH THE IMMEDIATE CRISIS

1. The Alaska Seafood Marketing Institute (ASMI) should develop a budget for immediate funding to deal with the existing inventory surplus before the 1992 season and projected 1992 production. This must be implemented as soon as possible<sup>1</sup>.
2. Processors and fishermen should initiate market discussions early. The Task Force recognizes that the market situation will be uncertain at that time, and that the risk involved will lead to low price suggestions from processors, but recommends early discussions to provide maximum information sharing and opportunity to reach agreement. The Department of Labor (DOL) should be prepared to bring in knowledgeable mediators if necessary.
3. The University of Alaska (U. of A), Commerce and Economic Development (DCED), and Fish and Game (ADF&G), should initiate and/or support efforts to expose the broadest possible range of Alaska fishermen to credible and detailed information about recent and ongoing changes, including problems and opportunities, in the world markets for salmon.<sup>2</sup>
4. The DCED Division of Economic Development should review the processing capacity situation in Prince William Sound, taking into account the outcome of the 1991 season, and make preliminary findings available to the Governor (and the industry) as early as is practicable. The Task Force recognizes that the capacity problems that developed in Prince William Sound were the result of the fishery being late and very concentrated, and the fish being relatively dark and small.<sup>4</sup>
5. The DCED Division of Investments and Alaska Commercial Fishing and Agriculture Bank (CFAB) recognize the crisis caused by low prices and the effect this has on loan payments. The Task Force encourages them to actively seek out fishermen having problems and work with them on loan extensions and other measures to minimize foreclosures.<sup>5</sup>

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1. The immediate ASMI program should be geared to long-term domestic market growth. The Governor could include this amount in his budget request, including a request for exemption from procurement codes for this emergency funding. The Legislature could pass this supplemental funding out as soon as possible in the session. ASMI could reprogram funds to initiate the campaign as soon as possible, prior to release of the funds, consistent with prudent financial management.
  3. Provide reasonably detailed but clearly written information on prices and markets for salmon for widespread distribution in the spring of 1992 and thereafter. The information could be updated in season. A goal should be to establish a clearer understanding of the effects of market conditions and dynamics on prices.
  4. DCED could prepare a supplemental budget to cover the costs of doing the necessary surveys for the PWS capacity determination.
  5. Reinstatement of state funding for the ABDC (Alaska Business Development Centers) program of outreach and business assistance in rural areas has been identified as an important component in dealing with financial hardship. This organization provides one-on-one assistance with loan workouts and dealing with the IRS that is not available elsewhere.

## MID-RANGE RECOMMENDATIONS

### General

1. The DCED, ADF&G, and Department of Labor (DOL) should consider promoting a closer and more trusting relationship among the interests involved in the issues concerning Alaska's salmon industry. This effort should be closely coordinated with other ongoing educational and consensus building efforts.<sup>1</sup>

### Product and Market Development

2. The Alaska Science and Technology Foundation (in fisheries area), and the U of A's Fisheries Industrial Technology Center, and Marine Advisory Program should be encouraged to expand their efforts in salmon product and market development and to coordinate their efforts in providing technical assistance and research and development in salmon products through the Alaska Fisheries Development Foundation (AFDF).<sup>2</sup>
3. The DCED's ability to provide international marketing information and sales assistance should be expanded. The Department's Division of Economic Development and Office of International Trade should work closely with ASMI and the Alaska Center for International Business (ACIB) to reduce risk and costs to the private sector.<sup>3</sup>
4. The DCED, ASMI and the Marine Advisory Program's ability to assist domestic marketing should be expanded. The Department's Division of Economic Development work closely with ASMI to reduce risk and costs to the private sector.<sup>4</sup>

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1. In the consensus building efforts, the agencies could organize forums and/or participate in existing trade shows and conferences. The issues examined by the Salmon Strategy Task Force could be presented and discussed with the objective of developing a consensus about the direction the state should take in the future regarding the harvesting, management, promotion and marketing of Alaska's salmon.
  2. AFDF has in place a proven industry board and ability to perform, but will require administrative funding to continue operations. Salmon industry representation on their board should be expanded.
  3. Specific projects could include:
    - Work to reduce tariff barriers for Alaska seafood products overseas.
    - Encouragement to foreign reprocessors to purchase or joint venture value-added production in Alaska.
    - Continuing investigation of new markets for salmon overseas where disposable income is high enough, and seafood is commonly eaten.
  4. These entities could reduce risk and costs to the private sector of expanding domestic markets through:
    - Working with food service entities in Alaska and other states to promote sales and distribution of Alaska salmon products.
    - Providing start-up technical assistance to new ventures.

## Quality

5. The Department of Fish and Game should reexamine management practices with the goal of obtaining the highest quality pack possible without harming the stocks.<sup>5</sup>
6. The Department of Fish and Game should conduct a comprehensive study in Southeast Alaska and Prince William Sound, with the cooperation of fishermen and processors, to determine the degree of risk managers should take in managing for economic efficiency and fish quality. The goal would be to identify the optimum locations for harvest.<sup>6</sup>
7. Industry and the Department of Fish and Game should cooperate on a program to educate fisheries managers, fishermen and industry operators on the physiological changes that occur in salmon (and hence its marketability) to encourage management that provides for the optimum use of the resource.<sup>7</sup>
8. Hatcheries should conduct research to determine the cause for variations in sexual maturity and other quality factors for stocks returning to hatcheries. Based on the research, hatcheries should modify their stocks and practices to optimize quality.

## Marketing and ASMI's Role

9. ASMI, the FITC and the Marine Advisory Program (U of A) should expand educational programs on fish handling, cleaning, chilling, and processing for virtually all parts of the industry. Such efforts should focus on providing hands-on training from the fishing boat to the market, and on meeting the needs of the consumer for quality seafood. The effects of quality handling on the ability to market the end product should be emphasized.

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5. The reexamination of management practices could include changes in the length of openings and the timing of fisheries to optimize salmon quality. The Task Force recognizes that Fish and Game may need statutory and regulatory changes to incorporate such considerations in management decisions.
  6. A controlled set of experiments to determine the optimum points of harvest for top quality could include:
    - a. testing the condition of fish to determine rates of deterioration in terminal harvest and outer areas, throughout the duration of the run; and
    - b. identifying the optimum location which will provide the highest quality of salmon with an acceptable risk to the wild stocks.
  7. A study to examine the effects of sexual maturity on finished product quality could include the following:
    - a. samples in each of the categories in ASMI's Color Guide and hatchery broodstock would be collected;
    - b. portions of each category would be processed at least as headed and gutted, filleted and canned products; and
    - c. the end products would then be used in a workshop setting to educate managers on the various aspects of salmon quality.

The Task Force recognizes that a similar program budgeted at \$25,000 was considered and set aside by the ASMI board, and that it may be possible to achieve the same ends using commercially-processed products. ADF&G should prepare a budget item if necessary.