

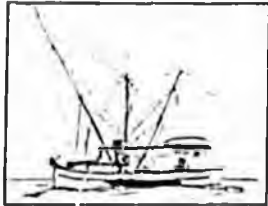
**HB**

**360**

HFIN

FILE

2-13-02



**Alaska Trollers  
Association**

130 Seward St., No. 505  
Juneau, Alaska 99801  
(907) 586-9400  
(907) 586-4473 Fax

Ms Kelly

February 13, 2002

Representative Eldon Mulder, Co-Chair  
Representative Bill Williams, Co-Chair  
House Finance Committee  
Alaska State Legislature  
Juneau, AK 99811

Dear Representatives:

The Alaska Trollers Association (ATA) strongly supports state funding for the Alaska Seafood Marketing Institute (ASMI). By phasing in that support over a period of years, HB 360 offers the state an avenue to support seafood marketing in a manner sensitive to state's current budgeting needs. We encourage you to support HB 360.

Recent years have brought a series of challenges for those who harvest and market Alaska seafood. For instance, fishermen have seen their bottom line ravaged by the rapid rise of cheap subsidized farm salmon in the marketplace, combined with numerous regulatory policies restricting their access to salmon. Processors have struggled to maintain old markets, and develop new, in the face of increased production costs and the glut of farmed salmon.

In year 2000, Chile increased its export of farmed salmon by 57%. Canada's new government has just lifted its moratorium on new salmon farms. A look to Norway, Scotland, Ireland, New Zealand, Iceland, and even the US, makes the future painfully clear - salmon farming is here to stay and we must find a way to compete. More farmed species and product forms are in development and will further test our marketing skills. Now more than ever the seafood industry needs to identify its wholesome array of wild-caught fish as uniquely different in the marketplace.

September 11 has proved a fateful day for nearly every business across the globe and brought with it unexpected trials and tribulations for the seafood community. If your firm specializes in security, you're racing to accommodate an unanticipated demand. If you sell trips to far away places, you're dealing with consumer angst and inconvenience. If you sell seafood, you're coping with increased security measures as you transport your fish and try to sell them to people tightening their belts in the face of tremendous economic uncertainty. Food safety concerns are heightened. In sum, people just aren't spending as much or eating out as often these days, and that will likely continue in the near term. We must find a way to increase consumer confidence in US harvested seafood and educate them about the advantages of all that Alaska has to offer. This is why precisely why we need ASMI and why they need a financial boost from the state. ASMI has the infrastructure and level of expertise necessary to leap to action and increase Alaska's profile in the marketplace. No other organization is so well situated to rise to present day challenges.

Obviously, the old methods of selling seafood don't work in the face of new-age market threats. We don't expect that to change, which necessitates new strategies to reposition and expand our place in the market. Well-crafted marketing programs are essential if we are to make buyers aware of the many fine seafood choices available from Alaska. Sound generic marketing

campaigns are essential to underpin any niche marketing that individual fleets may choose to pursue. Both generic and niche marketing programs have proven highly successful for other producers of protein - and let's not forget Nike.

Seafood is Alaska's first industry. It is the business that has directly and indirectly provided more jobs and income than any other to Alaskans and the state for well over 100 years. When the fishing industry loses market share the entire state feels the pain of reduced employment and income for our communities and the general fund. We harvest more fish in this state than most countries and are competing head to head with entire nations that invest millions and millions of dollars to market fisheries product. This year the Norwegian fish farm industry estimates it will need \$100 million to market in the face of some of the problems it faces. Norway is already known to invest \$40 million plus each year to help their industry move fish. Obviously they recognize a strong reliance on seafood. I can't imagine that you don't see a similar link between Alaska seafood and the economic success of this state.

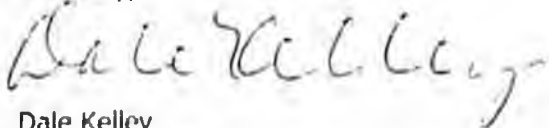
In the face of significant market challenges, the seafood industry still contributed \$52 million dollars to the general fund in FY01. Our industry has tremendous potential to do better with increased support and investment. You see we're really very fortunate. We have a tremendously healthy resource available for harvest. We have a working fleet of thousands, and most of them are residents of this state, whose earnings are distributed widely within the state. Even Anchorage, who is not immediately identified as a fishing port, has over 900 permit holders and nearly 40 processing plants. Alaska relies on the seafood industry, and we rely on Alaska.

Alaska fishermen are digging deep into their pockets during this very lean time and choosing to support ASMI through reauthorization of the marketing tax. Their 1% contribution makes up a significant portion of ASMI's budget. Still, the expectations we have for ASMI are not proportional to its level of funding - they are expected to do too much for too little. Considering the good things ASMI does now, just think what they could do with the state's help and backing. And I think the best part for you as a policy-maker, is that adding money to the ASMI budget doesn't just help one constituent group - **it directly pays ALASKA to successfully promote the sale of Alaska seafood.** Just review the history of general fund contributions from seafood, or ask the City of Homer, or First National Bank, Petro Marine, AML, Alaska Airlines and Ruth Ann's in Craig.

Let's work in partnership to ensure the long-term health of this industry that has been, and can continue to be, a cornerstone of Alaska's economy.

Thanks in advance for your consideration of ATA's request to support HB 360. If I can be of assistance on this or other issues, please don't hesitate to contact me.

Sincerely,



Dale Kelley  
Executive Director

# Alaska State Legislature



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## Representative Gary Stevens

### SPONSOR STATEMENT – HB 360

HB 360, "An act making appropriations to the Alaska Seafood Marketing Institute (ASMI) for generic salmon marketing", appropriates \$12 million over the next five years to boost the marketing of Alaska's salmon.

The Alaska salmon industry touches thousands of Alaska families, both along our coastline and in our major cities. It is the state's largest private employer and the lifeblood of our coastal communities.

The salmon industry was severely impacted by the September 11<sup>th</sup> attack. The pipeline for fresh halibut froze. Prices plummeted. Restaurant patrons disappeared. Demand for seafood fell and ASMI's budget fell along with it.

In addition, the increase in fish farms around the world has flooded the U.S. markets and driven down the price of salmon to levels that are jeopardizing Alaska's industry. Currently, ASMI is in the second year of a federally funded program specifically geared to combat the impact of farmed salmon on Alaska wild salmon. This program will end in June 2003, just when it is gaining momentum.

This appropriation for ASMI, while not the only answer, can help to stop the erosion of markets and help turn the tide against a worldwide glut of cheap imported salmon in both our domestic and overseas markets.

I'm writing this in support of House Bill 360, legislation to provide funds for Alaska Seafood Marketing Institute. I believe that the Alaska Seafood Marketing Institute provides an invaluable service to all of the different gear groups. At this point in time our fishermen need all the help they can get. With the rise of farmed fish and the reluctance of our federal government to protect our fishermen for foreign competition, we as Alaskans need to step up and do all we can to keep our fishing industry viable. The only way that will happen is if we can improve market share and value. The Alaska Seafood Marketing Institute is the only agency that has this as their goal. If they are continually under funded our fisheries will be the ones who suffer. The legislature must come to the aid of our fishermen at this time or be prepared to see our fishing industry collapse and take with it both jobs and communities. Along the way you will also see a corresponding drop in badly needed tax revenues. The time has come for us to invest in our future.

Cingel Hain  
 Ty Greening  
 [Signature]  
 Kim Rette  
 Greg  
 [Signature]  
 Sue Waller

Robert P. [Signature]  
 James J. [Signature]  
 [Signature]  
 [Signature]  
 D. GARRETT PARKER  
 [Signature]  
 [Signature]  
 [Signature]  
 Patrick [Signature] Halyo  
 [Signature]  
 [Signature]

Via Facsimile

February 4, 2002

Joe Faith  
PO Box 1316  
Dillingham, AK 99576  
Phone: (907) 842-1200,  
Fax: (907) 842-1201

Representative Gary Stevens  
State Capitol, Room 428  
Juneau, AK 99801-1182

**RE: Funding For Salmon Promotion For ASMI**

Dear Representative Stevens:

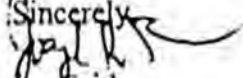
I am writing in support of funding for salmon promotion for ASMI through the State. I am a commercial fisherman who lives and works in Dillingham year-round. As you are aware, the salmon seafood industry generally has not been very profitable for a number of years now. The causes to the problem and suggested solutions are many and varied.

However, it is sufficiently clear that two important objectives are increasing the price for salmon, and the share of salmon in the protein marketplace. One way of accomplishing these goals is through marketing. Marketing will benefit everybody dealing with salmon with a positive approach for now and the future. It could reap a tremendous return on investment. Just compare the recent reported dramatic sales increase by Dell Computer with its pre-Christmas advertisement campaign with the kid selling computers in an elf suit.

The salmon industry has been a part of the state's economy for well over a hundred years and literally produced billions in revenue. Asking for an added \$12 million dollars over five years is a small request.

Positive changes must be made now. During the last hundred years plus, the government and salmon industry have responded with necessary and reasonable changes. Today, marketing is a reasonable, necessary, and productive response to the current situation. It also does not seem to matter what other solutions are eventually adopted because marketing salmon will help them as well. It makes sense to have as much marketing in place as possible for whatever other solutions may be adopted.

Please contact me if you wish. I thank you for your time and consideration.

Sincerely,  
  
Joe Faith



# UNITED FISHERMEN OF ALASKA

## Resolution 2002-2

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Juneau, Alaska 99801-1172  
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(907) 463-2545 Fax  
E-Mail: [ufa@ufa-fish.org](mailto:ufa@ufa-fish.org)  
[www.ufa-fish.org](http://www.ufa-fish.org)

### SUPPORTING STATE FUNDING FOR ASMI

WHEREAS, Alaska relies heavily on its ability to sustain a vibrant seafood industry;

WHEREAS, the seafood industry is Alaska's largest employer and provides 47% of the state's private sector jobs;

WHEREAS, 79% of active commercial fishery permit holders are Alaska residents, and about half of those 11,118 people reside in rural communities;

WHEREAS, Anchorage is home to 903 commercial fishing permit holders and 36 processors who pump about \$250 million a year into the Anchorage economy;

WHEREAS, seafood is Alaska's number one export;

WHEREAS, more seafood is landed in Dutch Harbor/Unalaska than anywhere in the nation, and the Kodiak harvest is number two in terms of value;

WHEREAS, Alaska produces 90-95% of the US commercial harvest of wild salmon;

WHEREAS, the seafood industry ranks second only to oil in revenue generated for the state and in FY01 alone contributed more than \$52 million to the general fund;

WHEREAS, the Alaska seafood industry faces significant market challenges, due in large part to a decline in foreign monetary values and a glut of farmed salmon from countries such as Chile, Norway and Canada;

WHEREAS, lost market share results in reduced income and jobs for fishermen and coastal communities and impacts state and local tax revenues;

WHEREAS, other nations contribute heavily to the development and marketing of farmed finfish, which places Alaska's seafood industry at a competitive disadvantage;

WHEREAS, ASMI is largely supported by taxes paid by Alaska harvesters and processors;


WHEREAS, market development is crucial to the success of Alaska's seafood industry, which in turn is key to the health and well-being of our communities and state;

#### MEMBER ORGANIZATIONS

Alaska Longline Fishermen's Association • Alaska Trollers Association • Alaska Processors Association • Bristol Bay Fishermen's  
Coastal Regional Aquaculture Association • Concerned Area TMI Fishermen • Cook Inlet Aquaculture Association  
Copper River Salmon Producers Association • Gambaya District Fishermen United • Douglas Island Fish and Clam  
Kodiak Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fishermen's Association  
Northern Southeast Regional Aquaculture Association • Old Harbor Fishermen's Association • Petersburg Vessel Owners Association  
Pitkin-Wilcox Sound Aquaculture Corporation • Purse Seine Vessel Owners Association • Seafood Producers Cooperative  
Southeast Alaska Regional Dive Fishermen's Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association  
Unalaska Inlet Dredge Association • United Salmon Association • United Southeast Alaska Gainers

NOW THEREFORE BE IT RESOLVED, that UFA supports state funding for ASMI, and believes such investment and partnership with industry to be an essential element of a long-term fiscal strategy to help ensure Alaska's economic stability.

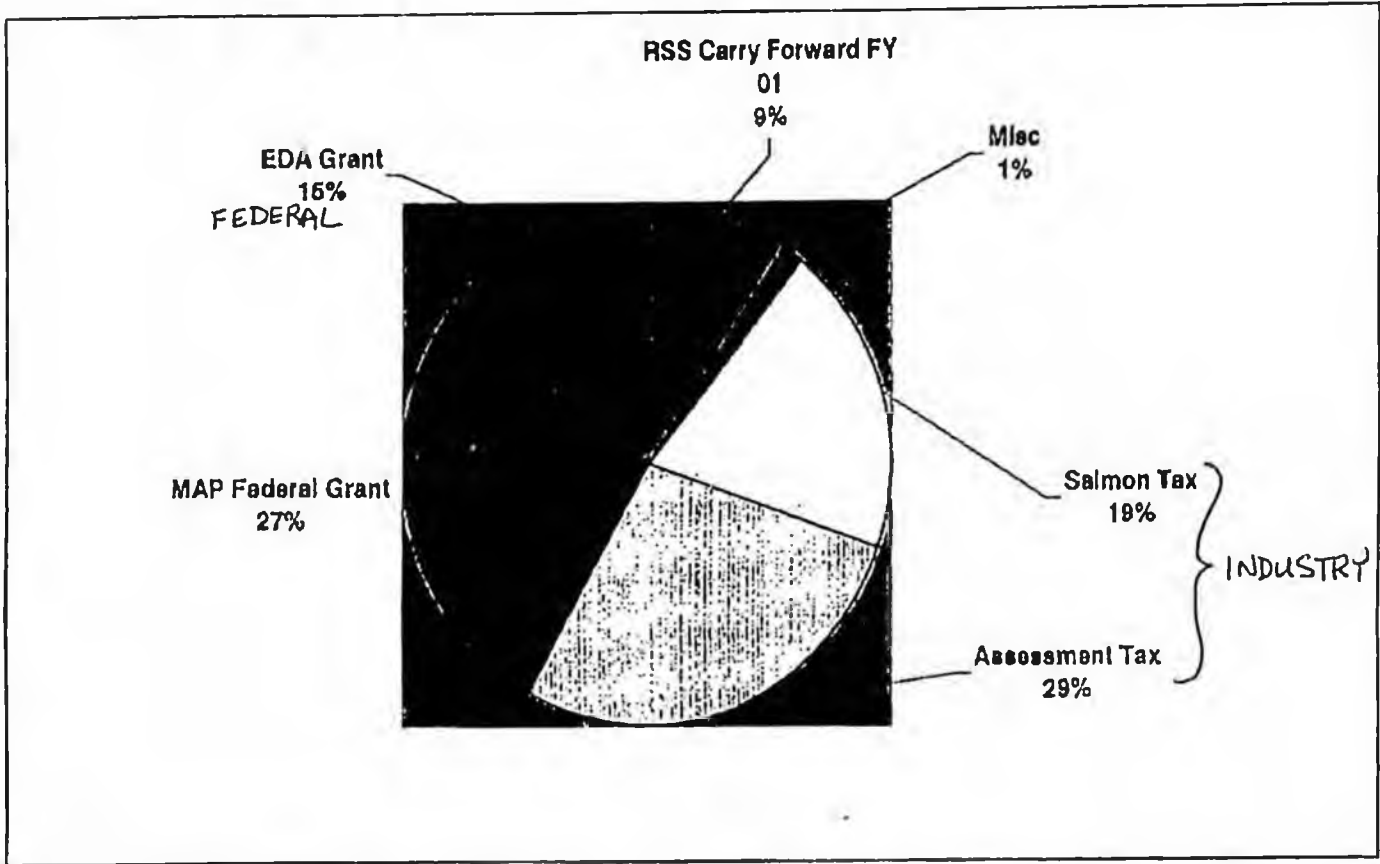
ADOPTED by United Fishermen of Alaska Board of Directors on February 2, 2002.  
In Witness thereto:

By:   
Robert Thorstenson Jr., UFA President

Attest:   
Richard Davis, UFA Secretary / Treasurer

ASMI FY 02 Revenue (projected)

RSS Carry Forward FY 01	\$	972
Misc	\$	150
Salmon Tax	\$	2,001
Assessment Tax	\$	2,860
MAP Federal Grant	\$	2,737
EDA Grant	\$	1,578
Total	\$	10,289



# Alaska Seafood Marketing Institute

## \$1:\$12 Bang for the Buck

For every Receipt Supported Services (RSS) dollar that ASMI expended  
in FY01 under its Export Program it leveraged another \$12.00

- \$3.00 from Federal USDA Funds\*

- \$9.00 from Alaska Seafood Industry and Foreign Promotional Partners

WORLDWIDE CONTRIBUTION TABLE

State Fiscal Year FY01						
Participant >	U.S. (ASMI)	U.S. (ASMI)	U.S. Industry	MAP/FAS	Foreign Partners	Total
Code >	Contributions (RSS dollars)	Contributions (POS, posters, etc materials)	(RSS dollars & Industry Contributions	Contributions (MAP Dollars)	(Third Party in- kind)	
Trade Promotional	34,938	29,678		801,846	5,844,716	6,511,176
Shows	13,247		64,055	241,931		309,233
Consumer Promotional	20,477	29,578	0	867,739	1,300,112	2,217,905
Tech. Assistance			0	67,229		67,229
International Travel	21,980		20,000	68,485		108,465
STRE	0		0	0		0
Contractor Fees	48,169		0	355,000		403,169
Rents & Supplies, etc.	153,092		0	0		153,092
Compensation & Allowances	448,043		55,926			503,969
<b>Total:</b>	<b>739,943</b>	<b>59,155</b>	<b>129,981</b>	<b>2,400,329</b>	<b>6,944,830</b>	<b>10,274,238</b>
Percentage to MAP/FAS Dollars	31%	2%	5%			
Percentage To Overall Total	7%	1%	1%	23%	68%	

Total Actual Dollars Expended FY01 by ASMI Export Program. (RSS dollars)	<b>793,998</b>
Total Actual Dollars Expended FY01 by ASMI Export Program. (MAP dollars)	<b>2,400,329</b>
<b>Grand Total</b>	<b>3,194,327</b>

\* USDA Market Access Program administered by Foreign Agricultural Service

**Alaska Seafood Marketing Institute**  
**Draft Marketing Plan in the event of additional revenue**  
**Prepared November 2001 at the request of the Bristol Bay Fisheries Committee**

Currently, ASMI works with thousands of grocery stores, restaurants and distributors in the United States and overseas. The primary marketing activities consist of special promotions that catch consumers while they are in the grocery store and while they are dining out. Since distributors and wholesalers are the primary seafood suppliers to retailers and restaurants, ASMI works with them to ensure that Alaska Seafood is a part of their inventory and that it gets sufficient attention out of the thousands of items they sell. Over the past 20 years, ASMI has built relationships with these buyers, known as "the trade", and positioned ourselves as a resource for them to sell Alaska Seafood to their customers. Fluctuating budgets are dealt with by expanding or contracting the marketing programs we can offer and the trade advertising that we do.

Note: While Alaska sockeye salmon is not specifically dealt with in this marketing plan, it is and will continue to be a goal of ASMI to continue encouraging the use of fresh and frozen sockeye salmon in the US and overseas retail and foodservice markets. ASMI rarely singles out a specific species, but has done so with sockeye since 1994.

**The Domestic Market:**

**Push versus pull strategy.** With additional funding, ASMI can engage in *pull* advertising in order to develop product awareness and knowledge that is imperative in creating consumer demand for our products. A *pull* strategy involves promoting heavily towards final consumers to induce them to ask retailers for the product, primarily by advertising, consumer sales promotion, and direct marketing. This strategy is more common in consumer markets. For example, companies such as Coca-Cola, or Toyota would use a pull strategy.

A *push* strategy involves promoting the product through the channel, from producer to wholesaler to retailer to consumers, primarily by personal selling and trade promotion. This strategy is more common in industrial markets. For example, a company like ICI Chemicals would use a push strategy in distributing its industrial chemical line.

ASMI currently employs a *push* strategy due to budget restraints and the high media cost typically associated with consumer directed *pull* campaigns. In order to create consumer demand that in turn applies pressure on both retail and foodservice operations to carry Wild & Natural Alaska Seafood on their menus, in their seafood case and on their shelves, ASMI must now begin to educate the consumer as to the advantages of Alaska Seafood and the current market condition/impact that farmed salmon has on market prices.

**Objective:** Build visibility and increase demand for Alaska Seafood in meals prepared at home and away from home.

**Target Audience:**

- Consumers who make the decision on where and what to eat at mealtime.
- Decision makers who determine what goes on the menu at restaurants, retail or any venue where prepared food is offered (i.e., deli).
- Decision makers in the channels that sell to retail and foodservice (distributors, brokers, manufacturers, processors).

### **Tactics/Elements:**

**Advertising:** A large share of the budget will be spent on advertising to effect a "pull strategy." The overall objective is to build awareness for Alaska Seafood and its unique benefits.

- Consumer radio and print
- Trade to a limited extent

### **Promotions:**

- Create strategic alliances with key promotional partners that will create awareness and high visibility for Alaska Seafood (i.e., NASCAR).
- Influence key target accounts in both the retail and foodservice sectors to expand the usage and menu branding of Alaska Seafood.
- Capitalize on special event and public relations opportunities.

### **Education:**

- Further position ASMI as an information resource for the retail and foodservice trade, building on our reputation as the experts on Alaska Seafood.
- Channel programs to educate the trade and build awareness via educational materials, seminars, menu ideas, promotion opportunities.

All of the above would be in addition to existing ASMI domestic programs at foodservice and retail, currently funded at \$4 million. The Strategic Salmon Initiative, now in its second year, is funded at \$753,000 for FY02. This 3-year program is 100% dedicated to marketing salmon in the United States. This is an overall strategy. Tactics would be laid out citing details and budgets for each promotional activity.

### **The Export Market**

The ASMI Export program is funded by the USDA Foreign Agricultural Service through the Market Access Program. Funding for FY01 is \$3 million and includes \$2 million from USDA, two new grants, a match from the processor tax, and industry contributions. Like the domestic program, the export program has focused mainly on "push" strategies throughout the past few years, due to the consistent reductions in the budget, as well as the high media cost of conducting "pull" strategies. A pull strategy is also difficult to measure and activity measurements are a requirement of the USDA program and part of the formula which determines the amount of money each applicant receives.

If the program were to obtain \$5 million from the General Fund for one fiscal year, the strategy would be to utilize the funding to enhance existing trade (importers, distributors, retailers, foodservice operators, etc.) and consumer promotional programs. Funding would be targeted towards developed maintenance markets, like Japan, the United Kingdom and France, but would also be utilized to enhance developing markets such as China, Taiwan, and Southern Europe.

This increased financial support would also be used for re-establishing branded canned salmon programs in the United Kingdom and Australia. (Branded promotions are those that utilize a store's own brand, i.e., Prince's Alaska Canned Salmon, Sainsbury's Alaska Canned Salmon,

etc.) Branded promotions, which were very successful for many years, were prohibited by the Market Access Program three years ago.

Specific breakdowns of promotions by country and region are:

Australia:

Australia is the second largest canned salmon market in the world. ASMI would utilize additional monies from the General Fund to halt erosion of Alaska's share of the canned salmon market by the re-introduction of branded promotions at the retail level. Canned salmon importers/distributors have indicated that they would be committed to a branded campaign that would utilize elements of the Marine Stewardship Council (MSC) logo on new labeling. As well, they have indicated that they would match branded promotion funding with their own money with a ratio up to 4:1.

ASMI has letters from the major buyers in Australia strongly requesting the return of a branded campaign. They believe that this strategy, more than anything else, could help them significantly increase sales of Alaska canned salmon.

China:

High tariffs and import taxes on Alaska seafood products have hampered Alaska's access to this enormous market. Entry into the World Trade Organization will mean a gradual reduction on tariffs and duties over a 5 year period. Currently, there are high volumes of Alaska seafood being reprocessed (tax and duty-free) in China and exported to countries around the world. ASMI would use additional funding to build on existing activities and relationships to expand trade and consumer awareness and usage. Activities to accomplish this goal would be retail merchandising, foodservice promotions, consumer advertising, trade shows and trade missions in the key cities with the most potential.

Northern Europe (United Kingdom, Netherlands, Belgium):

ASMI would use additional funding to accomplish two purposes: Halt erosion of Alaska canned salmon's market share, and build new opportunities for fresh and frozen product forms. Fresh sockeye fillets were sold at retail in the United Kingdom during the summers of 2000 and 2001. ASMI would provide marketing support for these types of innovative promotions, as well as support the budding market for Alaska halibut. The bulk of the new funding would be used for re-introduction of branded promotions for canned sockeye and pink salmon at the retail level, utilizing elements of the Marine Stewardship Council's logo on new labeling. The remaining funding would be used towards such activities as consumer advertorials (advertisements that are full page articles produced by ASMI), consumer promotions, media seminars, foodservice advertorials, as well as participation in the BBC Good Food Show.

Central Europe (France, Germany, Switzerland):

ASMI would use additional funding to increase its presence in this region. The program would expand existing retail promotions, foodservice activities, and utilize point of sale materials to get more exposure for Alaska Seafood at regional new product seminars and trade shows. Trade advertising would be increased substantially. Public relations activities would also be expanded, which would include increased circulation of press kits, increased frequency of product tastings, as well as media tours to Alaska. ASMI would also utilize these funds to increase trade show activities, both by increasing impact at existing shows, and by expanding reach to include additional venues.

Southern Europe (Spain, Portugal, Italy, Greece):

Southern Europe is a new market for Alaska Salmon in the sense that farmed salmon has dominated for 10 years and a whole new generation of buyers must be educated about the benefits of Alaska wild salmon. This is also a big market for cod. (Portugal is the world's largest importer of cod.) ASMI would utilize additional funding to expand awareness and usage in the trade sector. Monies would be used for creation of an interactive information video program that would be utilized at trade shows. The program would also expand the number of trade show venues in the region, expanding focus on Hotel, Restaurants, Institutions (HRI) based shows. ASMI would also utilize this funding to augment existing HRI public relations activities, concentrating on chef presentations and product tastings.

Japan:

In spite of tremendous inroads by farmed salmon, Japan continues to be the biggest and most loyal customer for Alaska Seafood. ASMI would use additional funding to increase both consumer and trade awareness and usage through three high profile promotional activities. One activity would be to utilize TV infomercials about the Alaska seafood industry and its products. The second activity would be to expand on the existing consumer seminar activities (which would include partnerships with retailers) that have been highly successful in the Japanese market. The third activity would be to develop calendars featuring photos of Alaska fishermen and fishing communities that would be distributed to consumers.

Taiwan:

Taiwan is a developing market for Alaska Seafood. Import tariffs and duties and a lack of good distribution systems for Alaska seafood products have impeded progress. However, if market demand increased, the potential for Alaska seafood is high. ASMI would use the funding to increase trade awareness through increasing HRI activities, including foodservice promotions and chef contests. The program would also be expanded to focus on new promotional activities targeting retail health stores and high-end organic food markets.

Submitted by:  
Barbara Belknap  
Executive Director  
Alaska Seafood Marketing Institute  
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