

HB

419



Committee Assignments:

Member:

House Special Committee on Fisheries
House Special Committee on Education
House Transportation Committee
House Judiciary Committee

Dan Ogg
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SPONSOR STATEMENT

House Bill 419

2/18/04

"An Act relating to regional seafood development associations and to regional seafood development taxes."

HB 419, recommended by the Joint Legislative Salmon Industry Task Force, will allow fishermen to form regional seafood development associations to tax themselves, providing a stable funding source for marketing efforts.

Farmed salmon production has increased dramatically over the past decade, exceeding the wild salmon catch and causing prices to plummet. In order to compete in this new market, Alaska's salmon fishermen have sought creative ways to differentiate wild fish from their penned counterparts. One method that has proven effective in distinguishing the two is regional marketing. Copper River fishermen took the lead in establishing a brand for their catch, proving the enormous potential for niche markets. Now several other regional brands have been established in communities such as Kenai, the Aleutian Islands, and Kodiak.

Most branding organizations are currently dependent on a mix of state and federal grants to fund their marketing efforts. However, these grants are often unreliable, one-time revenue sources. This bill would allow regional seafood development associations to assess themselves between one-half and two percent to provide a steady stream of marketing dollars.

HB 419 creates 12 distinct seafood development regions based on commercial fishing management areas established by the Board of Fish. Under the bill, all the fishermen in a region may vote to participate in an association or it may be limited to a specific fishery or fisheries. Once a regional association is formed, other fisheries can vote themselves into or out of the association, but there can only be one association per region.

As the amount of imported and farmed seafood continues to rise, regional marketing associations will provide a valuable tool for Alaska's commercial fishermen. Regional associations are able to focus on the unique area where the fish is harvested, building on Alaska's reputation for pristine waters that yield superior fish.

23-LS1418\Q
Utermohle
2/16/04

CS FOR HOUSE BILL NO. 419()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE OGG BY REQUEST OF THE JOINT LEGISLATIVE SALMON
INDUSTRY TASK FORCE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to regional seafood development associations and to regional seafood
2 development taxes."

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

4 * Section 1. AS 16.43.160(e)(2)(A)(iii) is amended to read:

5 (iii) Department of Community and Economic
6 Development - commercial fishing loan program, Alaska Seafood
7 Marketing Institute, regional seafood development program, and
8 community development quota program;

9 * Sec. 2. AS 16.43.160(e)(2)(A)(ix) is amended to read:

10 (ix) Department of Revenue - fisheries business tax
11 program, fishery resource landing tax program, salmon enhancement
12 tax program, seafood development tax program, salmon marketing
13 tax program, and dive fishery management assessment program;

14 * Sec. 3. AS 43.76 is amended by adding new sections to read:

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Article 6. Seafood Development Tax.

Sec. 43.76.350. Two percent seafood development tax. (a) A person holding a limited entry permit or interim-use permit under AS 16.43 shall pay a seafood development tax at the rate of two percent of the value, as defined in AS 43.75.290, of fishery resources taken in a fishery that the person removes from the state or transfers to a buyer in the state.

(b) A two percent seafood development tax on fishery resources taken in a fishery may only be levied and collected under (a) of this section if

(1) the commissioner of community and economic development has designated an organization to be the qualified regional seafood development association for the seafood development region in which the fishery occurs; and

(2) the two percent seafood development tax for the fishery is approved under AS 43.76.370.

Sec. 43.76.355. One and one-half percent seafood development tax. (a) A person holding a limited entry permit or interim-use permit under AS 16.43 shall pay a seafood development tax at the rate of 1.5 percent of the value, as defined in AS 43.75.290, of fishery resources taken in a fishery that the person removes from the state or transfers to a buyer in the state.

(b) A 1.5 percent seafood development tax on fishery resources taken in a fishery may only be levied and collected under (a) of this section if

(1) the commissioner of community and economic development has designated an organization to be the qualified regional seafood development association for the seafood development region in which the fishery occurs; and

(2) the 1.5 percent seafood development tax for the fishery is approved under AS 43.76:370.

Sec. 43.76.360. One percent seafood development tax. (a) A person holding a limited entry permit or interim-use permit under AS 16.43 shall pay a seafood development tax at the rate of one percent of the value, as defined in AS 43.75.290, of fishery resources taken in a fishery that the person removes from the state or transfers to a buyer in the state.

(b) A one percent seafood development tax on fishery resources taken in a

1 fishery may only be levied and collected under (a) of this section if

2 (1) the commissioner of community and economic development has
3 designated an organization to be the qualified regional seafood development
4 association for the seafood development region in which the fishery occurs; and

5 (2) the one percent seafood development tax for the fishery is
6 approved under AS 43.76.370.

7 **Sec. 43.76.365. One-half percent seafood development tax.** (a) A person
8 holding a limited entry permit or interim-use permit under AS 16.43 shall pay a
9 seafood development tax at the rate of 0.5 percent of the value, as defined in
10 AS 43.75.290, of fishery resources taken in a fishery that the person removes from the
11 state or transfers to a buyer in the state.

12 (b) A 0.5 percent seafood development tax on fishery resources taken in a
13 fishery may only be levied or collected under (a) of this section if

14 (1) the commissioner of community and economic development has
15 designated an organization to be the qualified regional seafood development
16 association for the seafood development region in which the fishery occurs; and

17 (2) the 0.5 percent seafood development tax for the fishery is approved
18 under AS 43.76.370.

19 **Sec. 43.76.370. Election to approve, amend, or terminate seafood**
20 **development tax.** (a) A qualified regional seafood development association for a
21 seafood development region may conduct an election under this section to approve,
22 amend, or terminate a seafood development tax in one or more fisheries in a seafood
23 development region after

24 (1) the association pays a fee of \$500 for each fishery in which an
25 election is held; and

26 (2) the commissioner of community and economic development
27 approves

28 (A) the notice to be published by the qualified regional seafood
29 development association;

30 (B) the ballot to be used in the election; and

31 (C) the registration and voting procedure for the approval,

1 amendment, or termination of the seafood development tax.

2 (b) The seafood development tax is levied under AS 43.76.350, 43.76.355,
3 43.76.360, or 43.76.365 on fishery resources taken in a fishery on the effective date
4 stated on the ballot if

5 (1) the levy, amendment, or termination of the tax is approved by a
6 majority vote of the eligible interim-use permit and entry permit holders in the fishery
7 who vote in an election held under this section; and

8 (2) the election results are certified by the commissioner of community
9 and economic development under (d) of this section.

10 (c) In conducting an election under this section, the qualified regional seafood
11 development association shall adopt the following procedures:

12 (1) the association shall hold at least one public meeting, not less than
13 30 days before the date on which ballots must be postmarked to be counted in the
14 election, to explain the reason for the proposed seafood development tax, the
15 amendment of the tax, or the termination of the tax and to explain the registration and
16 voting procedure to be used in the election; the association shall provide notice of the
17 meeting by

18 (A) mailing the notice to each eligible interim-use permit and
19 entry permit holder;

20 (B) posting the notice in at least three public places in the
21 seafood development region in which the fishery occurs; and

22 (C) publishing the notice in at least one newspaper of general
23 circulation in the region at least once a week for two consecutive weeks before
24 the meeting;

25 (2) the association shall mail two ballots to each eligible interim-use
26 permit and entry permit holder; the first ballot shall be mailed not more than 45 days
27 before the date ballots must be postmarked to be counted in the election; the second
28 ballot shall be mailed not less than 15 days before the date ballots must be postmarked
29 to be counted in the election; the association shall adopt procedures to ensure that only
30 one ballot from each eligible interim-use permit and entry permit holder is counted in
31 the election;

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(3) the ballot must

(A) indicate whether the election relates to a seafood development tax under AS 43.76.350, 43.76.355, 43.76.360, or 43.76.365;

(B) indicate the fishery that is or will be subject to the seafood development tax to be levied or amended;

(C) ask the question whether the seafood development tax shall be levied or amended, as appropriate;

(D) indicate the geographic boundaries of the seafood development region in which the seafood development tax will be levied;

(E) provide an effective date for the levy or amendment of the seafood development tax in the fishery; and

(F) indicate the date on which returned ballots must be postmarked in order to be counted;

(4) the ballots shall be returned by mail and shall be counted by the commissioner of community and economic development or by a person approved by the commissioner of community and economic development.

(d) The commissioner of community and economic development shall certify the results of an election under this section if the commissioner determines that the requirements of (a) and (c) of this section have been satisfied.

(e) The rate of the seafood development tax levied in a seafood development region shall be uniform for all fisheries and fishery resources in the region.

(f) If a seafood development tax has not been levied on a fishery resource in a seafood development region, the initial tax levied in any fishery in the region may be set at a rate set under AS 43.76.350, 43.76.355, 43.76.360, or 43.76.365 in accordance with procedures set out in this section. If a seafood development tax is currently levied on fishery resources in any fishery in a seafood development region, an election to approve the initial levy of a seafood development tax in another fishery in the region shall be for a levy of the tax at the current rate in the region. The election to approve the levy of a seafood development tax within a fishery shall be conducted among the eligible interim-use permit and entry permit holders in the fishery.

(g) An election to amend the current rate of the seafood development tax

1 within a seafood development region shall be conducted among the eligible interim-
2 use permit holders and entry permit holders in each fishery within the region that has
3 approved the levy of the tax under this section. In an election to amend the current
4 rate of the seafood development tax within a region, a person shall receive, and may
5 cast and have counted, a separate ballot for each fishery in the seafood development
6 region that is subject to the tax for which the person is an eligible interim-use permit
7 or entry permit holder.

8 (h) Except as provided in AS 43.76.375, an election to terminate a seafood
9 development tax within one or more fisheries in a seafood development region shall be
10 conducted under the same procedures established under (a), (c), and (d) of this section
11 for an election to approve or amend a seafood development tax.

12 (i) In this section, "eligible interim-use permit and entry permit holder" means
13 an individual who, 90 days before the date ballots must be postmarked to be counted
14 in an election under this section, is listed in the records of the Alaska Commercial
15 Fisheries Entry Commission as the legal owner of an interim-use permit or an entry
16 permit that authorizes the individual to operate commercial fishing gear in the fishery
17 that is or will be subject to the seafood development tax that is the subject of the
18 election.

19 **Sec. 43.76.375. Termination of seafood development tax.** (a) The seafood
20 development tax levied under AS 43.76.350, 43.76.355, 43.76.360, or 43.76.365 may
21 be terminated by the commissioner of revenue upon majority vote at an election held
22 under AS 43.76.370. The seafood development tax may be terminated in one or more
23 fisheries within a seafood development region under this section.

24 (b) The commissioner of revenue shall terminate a seafood development tax
25 under (a) of this section following an election conducted by the qualified seafood
26 development association for the seafood development region if

27 (1) a petition is presented to the commissioner of community and
28 economic development requesting termination of the seafood development tax in a
29 fishery that is signed by at least 10 percent of the number of persons who are eligible
30 to vote in an election under AS 43.76.370 to approve the levy of the seafood
31 development tax in the fishery;

1 (2) an election is held in accordance with AS 43.76.370; the ballot
2 must ask the question whether the seafood development tax for the fishery shall be
3 terminated; the ballot must be worded so that a "yes" vote is for continuation of the
4 seafood development tax and a "no" vote is for termination of the seafood
5 development tax;

6 (3) a majority of the votes cast in the election by eligible interim-use
7 permit and entry permit holders are for the termination of the seafood development
8 tax; and

9 (4) the qualified regional seafood development association for the
10 fishery provides notice of the election in accordance with AS 43.76.370 within two
11 months after receiving notice from the commissioner of community and economic
12 development that a valid petition under (1) of this subsection has been received.

13 **Sec. 43.76.380. Liability for tax on fishery resources sold to a buyer.** (a)
14 Except as provided under (c) of this section, a buyer who acquires a fishery resource
15 that is subject to a seafood development tax levied under AS 43.76.350, 43.76.355,
16 43.76.360, or 43.76.365 shall collect the seafood development tax at the time of
17 purchase, and shall remit the total tax collected during each month to the department
18 by the last day of the next month.

19 (b) A buyer who collects the seafood development tax shall

20 (1) maintain records reflecting the fishery in which the fishery resource
21 was caught; and

22 (2) report to the Department of Revenue by March 1 of each year the
23 total value, as defined in AS 43.75.290, of the fishery resources caught in each fishery
24 that the buyer has acquired during the preceding year.

25 (c) A commercial fisherman who transfers possession of a fishery resource to
26 a buyer who is not a fisheries business licensed under AS 43.75 is liable for the
27 payment of a seafood development tax levied under AS 43.76.350, 43.76.355,
28 43.76.360, or 43.76.365 if, at the time possession of the fishery resource is transferred
29 to a buyer, the seafood development tax payable on the fishery resource has not been
30 collected. If a commercial fisherman is liable for payment of the seafood development
31 tax under this subsection, the commercial fisherman shall comply with the

1 requirements under (b) of this section to maintain records and to make reports to the
2 Department of Revenue. Notwithstanding (a) of this section, a person subject to this
3 subsection shall remit the total seafood development tax payable during the calendar
4 year to the Department of Revenue before April 1 after close of the calendar year.

5 (d) The Department of Revenue shall deposit the seafood development tax
6 collected under AS 43.76.350 - 43.76.399 in the general fund. The legislature may
7 make appropriations based on this revenue to the Department of Community and
8 Economic Development for the purpose of providing financing for qualified regional
9 seafood development associations.

10 **Sec. 43.76.385. Liability for tax on fishery resources shipped from the**
11 **state.** (a) The owner of fishery resources removed from the state is liable for payment
12 of a seafood development tax levied under AS 43.76.350, 43.76.355, 43.76.360, or
13 43.76.365 if, at the time the fishery resources are removed from the state, the seafood
14 development tax payable on the fishery resources has not been collected by a buyer.

15 (b) If the owner of fishery resources is liable for payment of the seafood
16 development tax under (a) of this section, the owner shall comply with the
17 requirement of AS 43.76.380(b) to report the owner's liability for payment of the tax.

18 **Sec. 43.76.390. Exemption.** AS 43.76.350 - 43.76.399 do not apply to
19 salmon harvested under a special harvest area entry permit issued under AS 16.43.400.

20 **Sec. 43.76.399. Definition.** In AS 43.76.350 - 43.76.399, unless the context
21 otherwise requires,

22 (1) "buyer" means a person who acquires possession of fishery
23 resources from the person who caught the fishery resources regardless of whether
24 there is an actual sale of the fishery resources but excluding a transfer to a person
25 engaged solely in interstate transportation of goods for hire;

26 (2) "fishery" has the meaning given in AS 16.43.990.

27 * **Sec. 4.** AS 44.33 is amended by adding a new section to read:

28 **Sec. 44.33.065. Regional seafood development associations.** (a) The
29 Department of Community and Economic Development shall assist in and encourage
30 the formation of a qualified regional seafood development association for each
31 seafood development region identified in (b) of this section for the purpose of

1 promoting and marketing Alaska seafood products harvested in the region. The
2 commissioner may designate an organization as the qualified regional seafood
3 development association for a seafood development region if the commissioner
4 determines that the organization

5 (i) is established for the following purposes:

6 (A) promotion of seafood and seafood by-products that are
7 harvested in the region and processed for sale;

8 (B) promotion of improvements to the commercial fishing
9 industry and infrastructure in the seafood development region;

10 (C) establishment of education, research, advertising, or sales
11 promotion programs for seafood products harvested in the region;

12 (D) preparation of market research and product development
13 plans for the promotion of seafood and their by-products that are harvested in
14 the region and processed for sale;

15 (E) cooperation with the Alaska Seafood Marketing Institute
16 and other public or private boards, organizations, or agencies engaged in work
17 or activities similar to the work of the organization including entering into
18 contracts for joint programs of consumer education, sales promotion, quality
19 control, advertising, and research in the production, processing, or distribution
20 of seafood harvested in the region;

21 (F) cooperation with commercial fishermen, fishermen's
22 organizations, seafood processors, the Alaska Fisheries Development
23 Foundation, the Fisheries Industrial Technology Center, state and federal
24 agencies, and other relevant persons and entities to investigate market
25 reception to new seafood product forms and to develop commodity standards
26 and future markets for seafood products;

27 (2) provides for representation of commercial fishing permit holders
28 for each fishery in the region that is subject to a seafood development tax levied under
29 AS 43.76.350 - 43.76.399 on the board of directors of the organization;

30 (3) provides for membership in the organization by any commercial
31 fisherman who holds a commercial fishing permit for a fishery that is conducted in the

1 region and by other persons and groups, including seafood processors, in the region
2 who wish to be members of the organization; and

3 (4) is organized as a nonprofit corporation under the laws of the state
4 for the purpose of marketing and promoting seafood products taken in the region and
5 seafood products taken in fisheries subject to a seafood development tax levied under
6 AS 43.76.350 - 43.76.399.

7 (b) Seafood development regions are established for each of the following
8 regions of the state and are made up of the designated commercial fishing
9 management areas established by the Board of Fisheries in accordance with the
10 boundaries of those areas as adopted by the Board of Fisheries:

11 (1) Southeast Alaska seafood development region -- Southeastern
12 Alaska area and Yakutat area;

13 (2) Prince William Sound seafood development region -- Prince
14 William Sound area;

15 (3) Cook Inlet seafood development region -- Cook Inlet area;

16 (4) Kodiak seafood development region -- Kodiak area;

17 (5) Alaska Peninsula seafood development region -- Alaska Peninsula
18 area;

19 (6) Aleutian Islands seafood development region -- Aleutian Islands
20 area;

21 (7) Chignik seafood development region -- Chignik area;

22 (8) Atka-Amlia Islands seafood development region -- Atka-Amlia
23 Islands area;

24 (9) Bristol Bay seafood development region -- Bristol Bay area;

25 (10) Kuskokwim seafood development region -- Kuskokwim area;

26 (11) Yukon-Northern seafood development region -- Yukon-Northern
27 area and Kotzebue area;

28 (12) Northern Sound-Port Clarence seafood development region --
29 Norton Sound-Port Clarence area.

30 (c) An organization may be designated as the qualified regional seafood
31 development association for more than one seafood development region.

1 (d) A qualified regional seafood development association for a fishery may
2 request state financial assistance from the department to aid the seafood development
3 programs of the association.

4 (e) A qualified regional seafood development association requesting state
5 financial assistance shall submit an annual financial report to the department on a form
6 provided by the department. The department may require that a qualified regional
7 seafood development association use a uniform system of accounting. A qualified
8 regional seafood development association requesting state assistance shall submit an
9 annual budget to the department on or before a date specified by the department.

10 (f) The department may adopt regulations necessary to implement this section.

11 (g) In this section, "fishery" has the meaning given in AS 16.43.990.

CS changes for HB 419

Please contact staff member Melissa Dover at x3820 if you have questions on any of the CS changes.

1) Sec. 43.76.370(a)(1) - \$500 application fee

In response to concerns expressed by the Department of Community and Economic Development (DCED), we have added a \$500 application fee for each fishery that decides to hold an election. The application fee will help cover the cost of the election.

2) Sec. 43.76.370(e)-(g) – one tax rate per region

This is clarifying language to ensure that all fisheries participating in a regional seafood development association are taxing themselves at the same rate. It addressed the Dept. of Revenue concern that they could be collecting different rates for fisheries within the same association. So, when a fishery opts into an association, they opt in at the current tax rate. Once in, all the members of the association can vote to raise or lower the tax rate to meet their current needs.

3) Sec. 43.76.380(c) – closing the “purchaser loophole”

This language closes what the Dept. of Revenue refers to as the “purchaser loophole.” In the event that a fisherman sells his product to someone who is not licensed fisheries business, the fisherman is then liable for payment of the tax. For example, a fisherman direct-marketing his product to consumers would be liable for paying the tax.

4) Sec. 44.33.065(a)(3) – ensuring inclusion in an association

This provision ensures that any fisherman or other persons or groups wanting to participate in the regional association can become members. This addressed the concern that an association could choose to exclude an individual or group.



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Fishermen unite to create regional brands, revive sagging salmon sales

Monday, March 3, 2003

By **DAN JOLING**
THE ASSOCIATED PRESS

ANCHORAGE - In the new world of Alaska regional seafood marketing, sockeye salmon will be on ice seconds after being plucked from the sea. They'll be coddled like newborns to prevent bruising.

And they'll have brand names that remind customers of where they come from: Aleutia. Kenai Wild. Copper River. Kodiak.

Desperate to revive sales that have tanked because of sluggish foreign economies and competition from farmed fish, some Alaska salmon fishermen are banding together to create regional brands for customers willing to pay a premium for fresh, wild fish.

"The whole idea of the project is to develop a situation where the fishermen in that region have a long-term relationship with a specific group of customers," said Marc Jones, executive director of the Alaska Fisheries Development Foundation, which helped launch the Aleutia brand with fishermen in the Aleutians East Borough.

Along with names that fishermen hope will catch on, the newest brands sport third-party inspection to ensure quality.

"Otherwise, you're just talking about a cute sticker," Jones said.

Alaska fishermen have not always had to market so hard.

In the early 1980s, Alaska supplied nearly half the world's salmon. Demand gave rise to fish farms in Norway, Canada and Chile. Owners of pen-reared Atlantic salmon began delivering fresh fish any time of year, in any size fillet desired by restaurant chefs or grocers. And consumers didn't seem to care whether their fish grew up eating pellets.

In 2000, Alaska supplied just 19 percent of world's salmon.

The state has been slow to react. Legislators now are talking about changes in a state-regulated fishing system designed to maximize the

number of people fishing, which include built-in inefficiencies such as limits on the size of fishing boats.

The state's official marketing arm, the Alaska Seafood Marketing Institute, is prohibited from promoting a particular region, company or fisherman's catch. Instead, it has made its research and quality standard resources available to regional marketers, said Ray Riutta, executive director.

The first region to push a brand was Cordova at the southeast end of Prince William Sound, a few miles from the salmon-rich Copper River.

The area established a niche market during the past 25 years by promoting itself as Alaska's first major salmon run. After the long winter, the first catch of Copper River kings and sockeye command premium prices as they're whisked off boats and jetted to Seattle and other markets.

Alaskans launched two other regional brands last year.

Cook Inlet fishermen caught salmon for the Kenai Wild label. With help from the Kenai Peninsula Borough, the Alaska Manufacturers Association and the state, Cook Inlet Salmon Brand Inc. is planning a five-year marketing program.

Farther west, fishermen at the tip of the Alaska Peninsula and the start of the Aleutian Islands launched Aleutia brand.

Aleutia fishermen want to take advantage of one of Alaska's latest runs of sockeye, delivering fresh fish in September when most other fishermen have hung up their nets.

To kick off the program, the Alaska Fisheries Development Foundation, backed by federal grants, last fall bought sockeye graded out as premium for 95 cents per pound, more than double the 45-cent going rate.

Kenai Wild and Aleutia promoters hired private third-party inspectors from Seattle to certify the quality of fish. Before any were caught, the inspectors trained fishermen to handle them to meet the industry's highest standards.

Trident Seafoods custom processed Aleutia fish at Sand Point in the Aleutians. To be graded premium, fish had to meet standards set by buyers: fish bled while they were still alive, immediate icing, gently handling to avoid bruising and scale loss. Salmon had to be of good, red color - the easiest requirement for wild Alaska sockeye. Fillets had to be free of cuts inflicted by nets or sea lions.

The foundation hoped to buy 100,000 pounds of sockeye. A small run resulted in the foundation purchasing just 15,000 pounds, Jones said.

The smaller amount may have been a blessing in disguise as logistics could be worked out without being overwhelmed by the higher volume of fish. Among the challenges: Everyone who touches the fish - fishermen,

processors, transporters, wholesalers and marketers - must be committed to maintaining the high standards for a highly perishable product. It doesn't help that each component is a separate business.

"Someone's got to keep them all in their traces," Jones said.

Another challenge is moving fresh fish quickly at a reasonable expense. It cost 92 cents per pound to transport salmon from Sand Point to Boston last year, Jones said. A whopping 60 cents of that involved moving the fish from Sand Point to Anchorage.

Mark Powell, president of Cook Inlet Salmon Branding, said the first year of the Kenai Wild project showed that many more fish than originally thought possible can qualify as premium grade if fishermen adhere to handling standards.

Webber of Cordova applauds the marketing efforts in other regions and expects it to be a growth area for Alaska fishermen.

"I'm glad to see the rest of the state wants to step up to the quality plate," Webber said.



Office of Fisheries Development

Alaska Regional Salmon Marketing Mini-Grant Program Recipients

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The Alaska Department of Community and Economic Development and the University of Alaska/Kodiak Fishery Industrial Technology Center received funding from the USDA-Cooperative State Research, Education and Extension Service (CSREES) in 2002 to begin a three-year mini-grant program to facilitate the regional marketing of Alaska salmon. In February 2002, five applicants received funds from the first grant cycle. In April 2003, six applicants received funds from the second cycle. A third cycle will begin in the winter of 2003/2004.

The Regional Salmon Marketing Mini-Grant Program is designed for fishing organizations or regional groups to develop programs for marketing salmon harvested from a defined region of Alaska. Applicants are asked to coordinate with other salmon organizations within the specified region to avoid redundancy and encourage regional support. Funds may be used for advertising, test product giveaways, marketing travel, label design, consultation and other marketing activities. Among the criteria for evaluating the applicants are: cooperation between groups within the region, ability to produce high quality salmon, strategy for regionally defining the area's salmon; and the quality and effectiveness of the marketing plan.

Following are summaries describing the achievements of the 2002 awardees and the goals of the 2003 awardees. [2003 Regional Salmon Marketing Mini-Grant Program Information and Application.](#)

[About regional marketing.](#)

Alaska Peninsula - Aleutians East Borough



The Aleutians East Borough received \$54,500 from the program in 2002 to market "Area M" salmon from around the Alaska Peninsula and the eastern Aleutian Islands. A salmon marketing committee formed early in the year and included community members, fishermen and one processor; these committee members have since been in frequent contact to discuss the progress and direction of the project. Aleutians East Borough collaborated with several other local organizations as well as the Alaska Fisheries Development Foundation (AFDF) and intends to continue working with local processors and other interested parties. The program's marketing plan distinguishes Area M salmon from other salmon as "ocean-caught" in the wilds of the Aleutians, harvested by local Aleut families and as the last Alaska salmon of the season. The following goals were accomplished during the first year of the program:

- Rigorous quality standards that surpass ASMI's grade A were instituted and local processor Orca Bay began purchasing high quality sockeye

salmon.

- Aleutians East developed the brand "Aleutia" for the region's salmon and produced an award-winning logo.
- The Aleutia brand was advertised at the Boston Seafood Show and many buyers showed interest.
- Quality handling workshops by Seafood Inspection Services and HACCP training took place.
- A flyer and brochure were produced in early 2003.

After a successful first year, Aleutians East Borough applied for regional marketing funds under the 2003 Regional Salmon Marketing Mini-Grant Program and received \$20,000. With these funds, the program will continue to promote the Aleutia brand by printing brochures, quality seals and labels and meeting regularly. The Aleutia program will also form a non-profit corporation to carry on the regional marketing of the area's salmon independent of the Borough and AFDF.

Aleutians East Borough reported the following observations:

"It...[is] difficult and time consuming...[to] achieve consensus on "creative" and "artistic" decisions, i.e. logo and product name. What appeals to fishermen and community members is not necessarily what appeals to consumers and therefore marketing professionals should be consulted.

Buyers don't necessarily want seafood that meets some constructed quality standards. They know what they want in terms of quality and they are the best judges of that quality. So while they appreciate efforts to properly care for fish, their specs override any quality standards and make quality standards unnecessary."

Bristol Bay - Bristol Bay Economic Development Corporation



all levels of the program.

One of six regional Community Development Quota (CDQ) groups, the Bristol Bay Economic Development Corporation used their 2002 grant of \$130,000 to begin building regional marketing efforts for Bristol Bay salmon. An initial consultative group was formed in Bristol Bay including BBEDC representatives and representatives from four major area processors. Representing 17 villages around Bristol Bay, BBEDC works to involve local fishermen at

In addition to setting apart Bristol Bay salmon, they encourage sub-regional marketing efforts for particular runs of salmon, (i.e. Naknek River reds). All local fishermen are allowed to take part in the marketing program and to use the Bristol Bay regional trademarks and promotional materials provided they adhere to rigorous quality standards which meet or exceed ASMI's grade A. BBEDC accomplished the following goals with their first year of grant funds:

- Consultants were hired to develop a quality assurance program.
- PR/program development consultants were hired.
- Promotional materials were developed and printed for the program.
- A promotional web site was created and launched.
- The Bristol Bay logo was advertised in Natural Products EXPO East show.

BBEDC received \$90,000 from the 2003 Regional Salmon Marketing Mini-Grant Program. With these funds, BBEDC will continue to develop and promote the Bristol Bay wild salmon brand through advertising, point of sale returns, quality assurance, test product giveaways and trade show follow-ups with potential buyers.

BBEDC had the following comments about regionally marketing seafood:

"Involving resident fishermen in the face-to-face marketing of their own salmon helps them understand the market demands, helps the customers appreciate the product better and builds the region's capacity for direct marketing of seafood products.

The need to educate the market about the differences between wild salmon from farmed salmon is critical to elevating the ex-vessel price. Through our presence at natural foods Trade Shows, we are confirming the basic premise of this direct, regional marketing effort: that buyers will pay more for the Authenticity of our Bristol Bay Watershed story; high quality, wild salmon purchased as directly as possible from resident harvesters of the Bristol Bay watershed will overcome the market saturation of farmed salmon. We will now see if we can translate this interest into increased returns to our resident fishermen."

Copper River - Cordova District Fishermen United



The Cordova District Fishermen United (CDFU) received \$45,500 of funding in 2002 to support their regional marketing efforts for Copper River salmon. CDFU capitalizes on the natural qualities of Copper River salmon and markets them as wild, strong fish full of rich oils for the 300 mile journey up the clean, glacial Copper River. They also promote the sustainability of the resource and the rugged Alaskans who harvest the fish. CDFU completed the following goals during the first year of the program:

- Designed, produced and printed promotional banners and point-of-sales material for Copper River salmon.
- Program contact list was updated and flyers sent to notify participants of new materials.
- The Copper River Salmon web site was revised and updated.
- Outer Rim Publications was contracted to write a business plan with an emphasis on the eventual self-sufficiency of the program.

CDFU evaluated the effectiveness of their promotions in 2002 and received numerous requests for a video about the region's salmon for use in supermarkets and other marketing venues. With \$20,000 from the 2003 Regional Salmon

Marketing Mini-Grant Program, CDFU will produce a video loop as well as continue to advertise and publish promotional material.

CDFU gave the following insight into regionally marketing Copper River salmon:

"Being able to meet the needs of all the various niche marketers of Copper River salmon, as well as supporting the traditional users, is an important part of effective promotional support. This will be accomplished through increased diversification of materials and information available, including materials specific for wait-staff, smaller retail markets and wholesalers."

Chignik - Norquest

Norquest was awarded \$50,000 in 2002 to market Chignik area salmon. The program was meant to emphasize quality handling for fishermen and processors with all participants required to meet certain standards to be eligible for marketing under the program. Funds were intended to create a label and graphic designs and to search out promising niche markets where wild salmon was already sold. Selling points specific to Chignik salmon included a rationalized fishery and the picturesque community with its unique location.

Norquest intended to assemble an advisory committee consisting of local fishermen, interested community members and processors. Participating members were meant to share their insight and lead the branding effort. Due in part to the often contentious relationships between fishermen and processors in the Chignik area, Norquest was unable to form the advisory committee and gain the support of local producers. It may be that an individual business, be it a harvester, processor or other, is not the appropriate organization to lead this kind of effort. Organizations that perform more economic development functions may be the most appropriate manner of entity to facilitate a regional marketing program. Norquest rescinded their request for funds.

Kenai Peninsula – Kenai Peninsula Borough

With funding from several sources, including \$120,000 from the 2002 Regional Salmon Marketing Mini-Grant Program, the Kenai Peninsula Borough embarked on a multi-year program to market Cook Inlet sockeye salmon. Participating fishermen and processors must adhere to strict quality standards including mandatory icing, chilling, bleeding, handling procedures and grading. This program made the following progress during its first year:

- Developed the brand name "Kenai Wild" along with a logo and subheads and printed 5000 labels.
- Designed an illustrated fact sheet and printed 5,000 copies.
- Sent out 400 pounds of branded product to potential customers.
- Trained two locals in quality inspection and 40 fishermen and four processors through quality control training.
- Developed contacts and prepared labeled product for mid-winter promotions.
- Certified 23,000 lbs. of Kenai wild product.

- Tested Kenai wild product in 22 retail and food service markets.

The Kenai Peninsula Borough also hopes to influence salmon management in the area in order to spread out the fishery and increase salmon quality and service. The branding project will focus on the unique aspects of the local salmon and salmon industry for promotion to high-end niche markets.

Kenai Peninsula Borough discovered in the first year of their program that early winter advertising was difficult, as around the holiday season many buyers were too busy promoting seasonal specials to discuss new promotions. They did find a strong positive attitude toward wild salmon, however, and pointed out that all participating buyers emphasized the positive aspects of wild salmon without disparaging farmed salmon. They are contemplating instituting quality control beyond the processing plant, as much otherwise acceptable product was rejected due to poor workmanship.

The Kenai Wild program will continue in 2003 and beyond with assistance from other funding sources. [Cook Inlet Salmon Branding Project web site.](#)

Kodiak -- Kodiak Chamber of Commerce

The Kodiak Chamber of Commerce received \$130,000 under the 2003 Regional Salmon Marketing Mini-Grant Program to brand and market Kodiak pink and chum salmon. They established the Kodiak Brand and Marketing Committee (KBMC) to lead the effort.

The KBMC's quality program will include training for fishermen, tenders and processors, creation of quality standards and the certification at least 20,000 lbs. of product in the first year. This program focuses on pink salmon fillets and will conduct product research to determine consumer preferences for packaging, format, pin-boning and other variables. With this information, the KBMC hopes that at least two retail chains will buy product regularly. Funds will also be used to create a brand, logo, labels, brochures, fact sheet and other promotional materials. KBMC hopes to become a stand-alone organization in the future to lead the regional marketing of all Kodiak's salmon.

Kuskokwim Bay -- Coastal Villages Region Fund



One of six regional Community Development Quota (CDQ) groups, Coastal Villages Region Fund received \$120,000 from the 2003 Regional Salmon Marketing Mini-Grant Program to market Kuskokwim Bay salmon. In 2002, Coastal Villages developed the Kuskokwim Bay/Coastal Villages brand and logo and established relationships with Wildcatch and Indian Valley Meats to co-brand their fish. Wildcatch was attracted to Kuskokwim product in part because the low volume fishery and mandatory slush ice for all harvesters has a high potential for producing quality fish. Wildcatch caters to the natural/organic foods market by partnering with major natural foods retailers. Coastal Villages and Wildcatch are also considering

partnering to produce innovative products such as salmon baby food.

Indian Valley Meats is an established value-added processor in Alaska and brings to the partnership training for processors, experience producing value-added products and a market for the Kuskokwim's lower value chum salmon. Salmon jerky, sticks and burgers are currently co-branded and more products are being developed. Coastal Villages intends to use their grant funds to attend trade shows, establish distributorships with natural food retailers, advertise, produce promotional material, meet with potential European buyers, earn the Alaska Manufacturers Association's "Alaska Quality Seal," bring buyers to the region and develop packaging for new Indian Valley Meats co-branding products.

Stikine River -- Wrangell Community Salmon Marketing Association

With \$20,000 from the 2003 Regional Salmon Marketing Mini-Grant Program, the Wrangell Community Salmon Marketing Association intends to develop a marketing business plan for Stikine River salmon. Quality specification will be developed, fishermen and industry leaders surveyed for input, target markets identified, a logo developed and a plan formulated for the production of labels and promotional materials.

Promotion of the region's salmon will complement community projects designed to increase the quantity and diversity of local salmon products, including the construction of a value-added processing facility/cold storage. The committee will draw upon its unique fishing history, dating back to Native fishermen, to create a regional identity for its product. Recognizing the need for high quality salmon, the program will include strong quality control and grading procedures.

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