

**SCOMM**

**114:16**



# Alaska State Legislature

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## HOUSE SPECIAL COMMITTEE ON FISHERIES

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Representative John Harris, Representative Carl Morgan, Co-Chairmen  
State Capitol, Room 110, Juneau, Alaska 99801-1182  
(907) 465-3882

### AGENDA

February 28, 2000

1. Call meeting to order

2. Roll call      Rep. Dyson  
                     Rep. Whitaker  
                     Rep. Hudson  
                     Rep. Kapsner  
                     Rep. Smalley  
                     Rep. Morgan  
                     Rep. Harris

3. Consideration of bills on agenda

HB 363 – Salmon reports – Rep. Austerman, sponsor

4. Announcements or other business

Next meeting: Monday, March 6 – Shellfish farming

5. Motion to adjourn

- Industry overview of Geoduck Dive Fishery
  - *Gig Decker*
- Shortcomings in Agency Reviews of Clam Farming Applications
  - *Ray RaLonde*
  - *Rodger Painter*
  - *Bob Hartley*
- Impacts on Applications from Breakdown in the Permitting Process
  - *Alaska Science and Technology Foundation*
  - *Jon Agosti (teleconference)*
  - *Scott Thomas*
- Industry Proposals to Resolve the Issues
  - *Rodger Painter*
  - *Bob Hartley*

## AGENCY OVERVIEWS

- Alaska Department of Fish and Game  
Department progress in Aquatic Farm Act program development
  - *Frank Rue, Commissioner; Doug Mecum, Director Commercial Fisheries; Kevin Duffy, Deputy Commercial Fisheries; Scott Marshall, Regional Supervisor, Commercial Fisheries; Ken Taylor, Director, Habitat Division. All invited, non confirmed.*
- Alaska Department of Natural Resources  
Department progress in Aquatic Farm Act program development
  - *John Shively, Commissioner, Tentative*  
*Bob Loeffler, Ric Thompson, Kim Cruse by teleconference from Anchorage. Confirmed*
- Division of Governmental Coordination  
Division's Role in Coastal Management Program's consistency review process.  
Numbers of permit application reviewed, issued, appealed, etc.
  - *Mr. Pat Galvin, Director. Confirmed*

7. Others wishing to testify. Please limit testimony to three minutes

8. Other Business

9. Adjournment





**REPRESENTATIVE ALAN AUSTERMAN** Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

*MEMORANDUM*

**DATE:** February 16, 2000

**TO:** Representative John Harris, Co-Chair  
Representative Carl Morgan, Co-Chair  
House Special Committee on Fisheries

**FROM:** Representative Alan Austerman

**SUBJECT:** Hearing Request

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I respectfully request the House Special Committee on Fisheries schedule a hearing for HB 363 at your earliest convenience.

This bill expands information available through fish processor's reporting to the Department of Revenue from reporting only canned salmon to including all salmon products.

Attached is a sponsor statement. I will supply you with additional information for the referral packet prior to your scheduling.

Please contact Joanie Waller of my staff at 2487 as needed.

Thank you for your consideration.

# FISCAL NOTE

No. 3

Bill Version: SCS CSFB 363 (L&C)

(S) Publish Date: 4-15-00

## 2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) \_\_\_\_\_

Title Salmon Product Reports

Dept. Affected \_\_\_\_\_

BRU \_\_\_\_\_

Component \_\_\_\_\_

Revenue \_\_\_\_\_

Revenue Operations \_\_\_\_\_

Income and Excise Audit \_\_\_\_\_

Sponsor Representative Austerman

Requester (S) Finance

Component Serial No. \_\_\_\_\_

113

### Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES  | FY 2001     | FY 2002     | FY 2003     | FY 2004     | FY 2005     | FY 2006     |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Personal Services       | 32.9        | 32.9        | 32.9        | 32.9        | 32.9        | 32.9        |
| Travel                  | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Contractual             | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         |
| Supplies                | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         |
| Equipment               | 3.5         |             |             |             |             |             |
| Land & Structures       |             |             |             |             |             |             |
| Grants & Claims         |             |             |             |             |             |             |
| Miscellaneous           |             |             |             |             |             |             |
| <b>TOTAL OPERATING*</b> | <b>38.4</b> | <b>34.9</b> | <b>34.9</b> | <b>34.9</b> | <b>34.9</b> | <b>34.9</b> |

|                               |             |            |            |            |            |            |
|-------------------------------|-------------|------------|------------|------------|------------|------------|
| <b>CAPITAL EXPENDITURES**</b> | <b>20.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |
|-------------------------------|-------------|------------|------------|------------|------------|------------|

|                               |            |            |            |            |            |            |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| <b>CHANGE IN REVENUES ( )</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> |
|-------------------------------|------------|------------|------------|------------|------------|------------|

### FUND SOURCE

(Thousands of Dollars)

|                          |             |             |             |             |             |             |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts    |             |             |             |             |             |             |
| 1003 GF Match            |             |             |             |             |             |             |
| 1004 GF                  | 58.4        | 34.9        | 34.9        | 34.9        | 34.9        | 34.9        |
| 1005 GF/Program Receipts |             |             |             |             |             |             |
| 1037 GF/Mental Health    |             |             |             |             |             |             |
| Other (Specify Type)     |             |             |             |             |             |             |
| <b>TOTAL</b>             | <b>58.4</b> | <b>34.9</b> | <b>34.9</b> | <b>34.9</b> | <b>34.9</b> | <b>34.9</b> |

Estimate of current year (FY00) cost: \_\_\_\_\_

0.0

### POSITIONS

|           |      |      |      |      |      |      |
|-----------|------|------|------|------|------|------|
| Full-time | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Part-time |      |      |      |      |      |      |
| Temporary |      |      |      |      |      |      |

ANALYSIS: (see attached analysis and tables)

\*\* This is a rough one-time cost estimate for FY 2001 (see attached capital expenditure narrative).

Prepared by Brett Fried, Economist and Carl Meyer, Chief of Appeals

Phone 465-3682 or 465-2343

Division Income and Excise Audit

Date/Time April 13, 2000

Approved by Wilson L. Condon

Date \_\_\_\_\_

Agency Department of Revenue

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## **Bill Analysis**

Section 1 amends AS 16.05.680 by adding a new subsection to prohibit a person from selling salmon that was not harvested under authority of a permit.

Section 2 amends AS 16.05.690(a) to require record-keeping, by each buyer of fish, of the Department of Fish and Game statistical area in which the fish bought were taken.

Section 3 amends AS 43.80.050(a) to require all fisheries businesses selling more than 1,000,000 pounds of salmon products at wholesale in a calendar year to report to the department for each 4 month period the prices received and the quantities of the products involved in the sales, including sales by affiliates. Under current law, reporting is only required for the prices and quantities of thermally processed salmon products sold at wholesale.

Section 4 repeals and reenacts AS 43.80.050(b) to require the fisheries businesses to include in the reports:

- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

This reporting would be required for the following product forms:

- ◆ Thermally processed salmon products by the number of each size of container
- ◆ Fresh headed and gutted salmon products by pounds
- ◆ Fresh fillet salmon products by pounds
- ◆ Frozen headed and gutted salmon products by pounds
- ◆ Frozen fillet salmon products by pounds
- ◆ Salmon roe products by pounds

Section 5 amends AS 43.80.050(c) to require all fisheries businesses selling to affiliates to report only the subsequent sales of that salmon product by the affiliates at wholesale. The information to be reported includes:

- ◆ A description of the products sold;
- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

Section 6 amends AS 43.80.050 by adding a new section (f) to require the filing of an annual report. The annual report covers the period from January 1 through December 31 of the calendar reporting year and must be filed by January 31 of the following calendar reporting year. The report is to include a description of the products and the



quantity, by size of container for thermally processed salmon and pounds for other salmon product forms, of each salmon product form produced by the processor and affiliates in each area of production and by species.

Section 7 amends AS 43.80.055 to require the department to determine from the reports the average monthly and annual wholesale prices for the sale of salmon products. These averages are to be determined for each pound by area of production by species by product form, except that for thermally processed salmon products the averages are determined by size of container by species.

Section 8 amends AS 43.80.055 to add a new subsection to require the department to publish the average wholesale prices in a report to be entitled the "Alaska Salmon Price Report".

Section 9 amends AS 43.80.060 to require the department to make the Alaska Salmon Price Report available to the legislature by March 15 of each year. The report is to include the wholesale prices paid and the quantities of salmon products produced during the preceding year.

Section 10 amends AS 43.80.100(5) to provide that the reporting year is the calendar year after the calendar year in which the fisheries business sells more than 1,000,000 pounds of salmon products at wholesale.

Section 11 amends AS 43.80.100(7) to eliminate deductions in the nature of cash discounts allowed on sales and commissions paid to independent brokers in determining the wholesale price.

Section 12 amends AS 43.80.100 to add new paragraphs to define the following terms: the "area of production" in which a salmon product was processed means specified fisheries areas of the state; "produce" means to process salmon into a salmon product; and "wholesale" means the first sale of a salmon product at wholesale after the fisheries business tax was paid or became payable on the salmon from which the product was produced. One problem with the definition of 'wholesale' is that 'wholesale' is also included in the meaning presenting a circular conundrum. Another problem is that since the fisheries business tax is neither paid nor payable until March 31<sup>st</sup> of the following calendar year, an argument could be made that sales made before this date are not reportable. We believe the intent, however, is that wholesale is to mean the first sale of a salmon product to a person other than the final consumer that occurs after the liability for the fisheries business tax is incurred on the salmon from which the product was produced.

Section 13 amends the uncodified law to add a new section to provide that the first report required by AS 43.80.050 is due on September 30, 2000 for the period beginning May 1, 2000 and ending August 31, 2000, and must be filed by a fisheries

business that sold more than 1,000,000 pounds of salmon products at first wholesale during the 12 months ending August 31, 2000.

Section 14 provides a September 1, 2000 effective date.

### **Operating Expenditures**

The following functions must be performed by DOR to meet the requirements of this bill: (1) public service (responding to questions from the public and processors), (2) data entry, (3) report production, (4) report and form dissemination, (5) accuracy and confidentiality checks, (6) non-filer identification, and (7) programming. We already perform these functions for the relatively simple average wholesale thermally processed salmon report (2 page report and 4 page report form). We produce this report three times a year and it takes the equivalent of one month for one individual.

The increase in estimated form length, from 4 to 20 pages does not address the increase in complexity. Table 1 (see attached spreadsheet) provides some help in understanding the change in the level of complexity. The 20 page number assumes that each page of the form includes production area, pounds (or size of container for thermally processed salmon products), wholesale price and product form by species by month. Consequently, there is a potential for 48 rows of data (8 production areas times 6 product forms). We are, however, assuming that, at most we will need to accommodate 32 rows per page. With 4 months of data and 5 species of salmon we have 20 pages. We will also have to produce an annual report using annual data. This form should be approximately 5 pages long.

Not only will the number of filers increase, by approximately 3 times, but the amount of information they must report will increase from 1 to 6 product forms, and from statewide to by 8 different regions. This increase in complexity compounds the difficulty associated with accuracy and confidentiality checks.

Because of the large increase in complexity and amount of data, we are requesting a ¾ position to meet our obligations under this bill. An Analyst Programmer I (@\$32,850) will be needed to do the following: (1) query development and execution, (2) non-filer identification, (3) data base maintenance, (4) data entry, (5) report and form development, dissemination, and production, (6) accuracy and confidentiality checks, and (7) public service. Equipment, supplies and contractual obligations will be \$5,500 the first year because of a one-time cost of \$3,500 for computers and other equipment. After the first year, equipment costs will be zero and contractual and supply costs will be \$2,000 a year.

Another way to approach this issue is to examine how this cost compares to the cost of other tax programs that the tax division currently administers. The fisheries business tax



return is the closest in similarity (in terms of complexity) to the proposed Salmon Product Report. Table 2 provides a comparison of the attributes of both of these programs.

Clearly, the fisheries business tax has more returns, species, and reporting areas. Processors must also identify whether the processing activity is established or developing and if the activity is floating, salmon cannery or shore-based. Additionally, the cost of the program includes accounting and collections costs, which would not be an issue for the Salmon Product Report. However, the fisheries business data is annual not monthly, does not include product forms, and is only received once a year, not 3 times a year. Also, because firms filing the report will be larger fishery businesses, the reports will be more comparable to the most complex of the fisheries business tax returns. Additionally, in our experience, fisheries businesses tend to fill out their tax returns more carefully than informational reports. This then requires more vigilance and time on the part of DOR. The total administrative cost of the fisheries business tax is \$229,174, which is 6.6 times the estimated \$34,850 operating cost associated with this bill.

### **Capital Expenditures**

The only capital expenditure would be the contract for creating a database and the associated data entry interface. We currently use an excel workbook because we only need 48 spreadsheets to accommodate the current information. At a maximum we would need 640 spreadsheets (4 months x 5 species x 32 processors) to accommodate the sales data and 160 spreadsheets (5 species x 32 processors) for the production data. Each processor would have a separate spreadsheet for each month recording the pounds, product form and production area for a particular species. Although we know we would not need this many spreadsheets, even doubling the current number of spreadsheets would be too cumbersome to do in an excel workbook. We will also need to be able to execute relatively complex queries and to have a simple data entry interface.

Another advantage of using a database is it opens up the possibility of electronic filing. If electronic filing was required, we believe operating expenditures would decrease. Although we have not had time to estimate the cost of contracting out for the development of a database, from previous experience we believe it would be at least a one-time cost of \$20,000. After the database system is set up, we believe the analyst programmer will be able to maintain the system and adjust it for changes.

### **Revenue**

There is no direct revenue effect of this bill.

## ALASKA DEPARTMENT OF REVENUE

Salmon Price Reports  
SCS CSHB 363(L&C)  
April 13, 2000  
Page 6 of 7

**TABLE 1 - CHANGES TO REPORTING REQUIREMENTS: SCS CSHB 363**

|                                             | <u>Status Quo</u> | <u>SCS CSHB 363 Estimates</u> |
|---------------------------------------------|-------------------|-------------------------------|
| Number of processors reporting <sup>1</sup> | 12                | 32                            |
| Number of product forms <sup>2</sup>        | 1                 | 6                             |
| Number of reporting areas <sup>3</sup>      | 1                 | 8                             |
| Number of species <sup>4</sup>              | 5                 | 5                             |
| Reporting point <sup>5</sup>                | sale              | sale and prod.                |
| Reporting time period <sup>6</sup>          | monthly           | monthly                       |
| Report due <sup>6</sup>                     | 3 times a year    | 3 times a year                |
| Report threshold <sup>7</sup>               | 240,000 lbs.      | 1,000,000 lbs.                |
| Pages per report form <sup>8</sup>          | 4                 | 20                            |
| Software <sup>9</sup>                       | excel             | database                      |

<sup>1</sup> According to the Alaska Department of Fish and Game, 32 processors exceed the minimum reporting threshold.

<sup>2</sup> The following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

<sup>3</sup> The eight areas of production are (1) Southeastern and Yakutat, (2) Prince William Sound, (3) Cook Inlet, (4) Kodiak, (5) Chignik, (6) Aleutian Islands, Atka-Amli Islands and Alaska Peninsula, (7) Bristol Bay, (8) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence, and Kotzebue.

<sup>4</sup> Under SCS CSHB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink, and (5) Chum.

<sup>5</sup> Under SCS CSHB 363, the total quantity of salmon products produced and sold must be reported. However, production must only be reported once a year on an annual (not monthly basis).

<sup>6</sup> The processor must provide monthly sales data every four months to the Department of Revenue and annual production data once a year.

<sup>7</sup> Under SCS CSHB 363, a processor only has to fill out the report if during the previous calendar year the processor has sold more than 1,000,000 pounds at wholesale.

<sup>8</sup> Because of the increase in the number of product forms (from 1 to 6), and the reporting by production area (8 production areas), we estimate that the report length will increase by a factor of 5. Additionally, it will increase in complexity. For example, for thermally processed salmon it will increase from three data fields (pounds or size, value and months) to 5 (pounds or size, value, months, product form and production area) data fields.

<sup>9</sup> An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with 32 processors reporting 6 product forms, by 8 production areas, by species and by month (see operating expenditures discussion).

TABLE 2 - A COMPARISON OF SCS CSHB 363 REPORT &amp; FISH. BUS. TAX

|                                             | <u>Fisheries<br/>Business</u> | <u>SCS CSHB 363<br/>Estimates</u> |
|---------------------------------------------|-------------------------------|-----------------------------------|
| Number of processors reporting <sup>1</sup> | 449                           | 32                                |
| Number of product forms <sup>2</sup>        | 0                             | 6                                 |
| Number of reporting areas <sup>3</sup>      | 54                            | 8                                 |
| Number of species <sup>4</sup>              | all                           | 5                                 |
| Reporting point <sup>5</sup>                | proc. or trans.               | sale and prod.                    |
| Reporting time period <sup>6</sup>          | annual                        | monthly                           |
| Report due <sup>6</sup>                     | once a year                   | 3 times a year                    |
| Report threshold <sup>7</sup>               | none                          | 1,000,000 lbs.                    |
| Pages per report form <sup>8</sup>          | 26                            | 20                                |
| Software <sup>9</sup>                       | database                      | database                          |

<sup>1</sup> According to the Alaska Department of Fish and Game, 32 processors exceed the minimum reporting threshold.

<sup>2</sup> Under SCS CSHB 363, the following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

<sup>3</sup> The eight areas of production are (1) Southeastern and Yakutat, (2) Prince William Sound, (3) Cook Inlet, (4) Kodiak, (5) Chignik, (6) Aleutian Islands, Atka-Amlia Islands and Alaska Peninsula, (7) Bristol Bay, and (8) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence, and Kotzebue. For the fisheries business tax, we have included the number of communities that received fisheries business shared tax revenue in FY 99.

<sup>4</sup> Under SCS CSHB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink and (5) Chum. Species are listed by species code on the fisheries business tax return.

<sup>5</sup> Under SCS CSHB 363, the total quantity of salmon products produced and sold must be reported. Because both of these separate events occur at different points in time, they will be reported separately. However, production must only be reported once a year on an annual (not monthly basis). For the fisheries business tax, pounds and value must be reported once, either when the fish is processed or transported out-of-state unprocessed.

<sup>6</sup> Under SCS CSHB 363, the processor must provide monthly data every four months to the Department of Revenue. The fisheries business tax return is due once a year.

<sup>7</sup> Under SCS CSHB 363, a processor only has to fill out the report if during the previous calendar year the processor has sold more than 1,000,000 pounds at wholesale.

<sup>8</sup> Because of the increase in the number of product forms (from 1 to 6), the reporting of salmon products produced and sold (from just sold) and the reporting by production area (8 production areas), we estimate that the report length will be 20 pages. Currently, the fisheries business tax return is 26 pages long.

<sup>9</sup> An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with 32 processors reporting 6 product forms, by 8 production areas, by species and by month (see operating expenditures discussion).





## **REPRESENTATIVE ALAN AUSTERMAN** Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

### Committee Substitute **HOUSE BILL 363** **SPONSOR STATEMENT** Updated March 8, 2000

**House Bill 363 renames the existing Wholesale Price Report (WPR, also referred to as AWPR or WCPR) to become the Alaska Salmon Price Report (ASPR) by updating it to include all salmon product types. This report will capture the bulk of Alaska's commercial salmon trade in a timely and accurate manner.**

Currently AS43.80.050 requires processors who sell 240,000 pounds or more of thermally processed salmon in a calendar year to report three times each year, the volume and price of cans sold. The ASPR will reflect the changing times in this industry, which has evolved to include all salmon products, thermally processed plus fresh, frozen, and roe products.

HB 363 encompasses ex-vessel value, production, and wholesale price reporting to the state. In order to track the production of the state's resource, the ASPR adds a section that requires processors to report the quantity of each salmon product form and species, by area of production, along with the wholesale prices of product sold.

The tax revenue realized from the salmon fishery is generated from the ex-vessel price. Fishery business taxes, raw fish tax, landing tax, ASMI tax and aquaculture assessments are all based on the ex-vessel values of Alaska salmon products. The ASPR information is important for anyone planning income streams derived from the sale of salmon products. For example, legislators projecting revenue to the state, Alaska Seafood Marketing Institute planning their budget, or regional aquaculture associations planning production and marketing strategies. The ASPR's accurate and timely information may be used by the university system and by data collectors for up-to-date reporting. It will provide real-time wholesale inventories and values for the public, their decision-makers, and the commercial industry to the benefit of all.

### **History**

This issue has been debated for a long time and in numerous forums. In 1984 the Department of Commerce and Economic Development published a report on the possible development of a program to determine wholesale price averages for salmon products. The arguments that were detailed in that report in 1984 are the same today.



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Committee Substitute  
**HOUSE BILL 363**  
**SPONSOR STATEMENT**  
Updated March 8, 2000

When mediators suggest that the harvesters and the processors get together to come up with a compromise and find a way to share price information, the processors say that the information is proprietary and the harvesters say that they need a timely point of reference to begin dialogue about markets and how it can be shared. The ASPR is attempting to provide that platform that would supply accurate information without compromising confidentiality.

Introduction of this bill is the direct outcome of recommendations made in recent in-depth forums:

1) In the Governor's Alaska Salmon Forum '99, a focus group, made up of state agencies, processors and fishermen, came to mutually agreed-upon goals. Among the most important items to be addressed were 1) for the processors to "include fishermen in discussions on short and long-term marketing strategies", and 2) to "expand timely collection of salmon wholesale value and harvest information including, at a minimum, one more COAR report."

2) In November 1999, the Alaska Department of Fish and Game (ADF&G), harvesters, and processors attended meeting to directly address the United Salmon Association's proposal for a report on wholesale prices for salmon, and if this could be accomplished in the Commercial Operator's Annual Report (COAR). In that meeting, it was determined that "Option 1" was a direction follow by adding fresh, frozen, and roe salmon product forms to the Department of Revenue's already existing WPR. HB 363 pursues this avenue.

**COAR (ADF&G's Commercial Operators Annual Report)**

Currently, Alaska's fresh and frozen salmon information is published in ADF&G's COAR report, which is made available one time per year, approximately 12 months after the previous fishing season. Since there is no definition of FOB (freight on board) Alaska nor enforcement mechanism within ADF&G to substantiate the figures, the belated data therein is not reliable nor is it auditable. The only fresh & frozen salmon data that is available in the year 2000 is from the 1998 fishing season.

ADF&G's COAR report contains information from all processors in Alaska, for all fish species and shellfish, detailed by individual product codes and gear types, and from every commercial fishery management area. Out of the 600-700 processors with an intent-to-operate license, 154 are salmon. This is specific information valuable for ADF&G's uses. With the new ASPR, the cost to the state will be less, compared to the cost of compiling and maintaining the COAR database. The ASPR would require 51 salmon processors to report, those producing over 240,000 pounds in a calendar year (which constitutes 99.1% of the products). These reports would be in aggregate product forms, i.e. all roe products, all fillet products, etc., and the production areas will be consolidated.

Page 3  
Committee Substitute  
**HOUSE BILL 363**  
**SPONSOR STATEMENT**  
Updated March 8, 2000

**WPR (Dept. of Revenue's Wholesale Price Report)**

In 1997, the WPR was legislatively updated to mandate three times (3x) per year reporting, increased from twice a year. Since that time, the ex-vessel prices (for canned salmon, which is 36% of the market) have remained constant and the wholesale value has fluctuated in relation to pack size and inventory. The increased reporting has allowed harvesters and processors to enter into year-round revenue-sharing contracts. Since 1997 the 3x per year reporting has allowed for a better understanding of the canned product market without causing any disruption with the market or confidentiality concerns.

**AWPR (Alaska Wholesale Price Report)**

**The appropriate vehicle for reporting price information on Alaska's salmon fisheries is the Alaska Salmon Price Report through the Department of Revenue.** The new ASPR would publish first wholesale price averages from all processors within large geographical production areas based on reported fishery business taxes. This average price would be an aggregate of product forms and the reports would be published 3-6 months after the fish is caught, thus protecting the confidentiality issues raised by the processors. By requiring one annual report on production, released on March 15, processors' proprietary inventory information will be protected, but the information will be published in time for the coming fishing season negotiations. and will provide the harvesters and others with the information that is required.

Finally, the information provided through the ASPR will give the State of Alaska accurate information regarding the fish taxes coming to the state for general fund use.

Passage of HB 363 should help fishermen and others in their pursuit of better information. As industry contracts become the norm, sophistication involving product form and marketing partnerships will become more and more dependent on the state's collection of wholesale data. This process, in turn, should gradually bring a rise to ex-vessel prices, thus benefiting the communities and, in turn, by raising revenue, benefiting the state.

Excerpts from the MEETING NOTES from COAR Meeting  
November 9-10, 1999

\*Entire meeting notes available upon request from Sponsor

*Meeting focus: Discussions of potential changes to the Commercial Operators Annual Report database, processor reporting requirements, and United Salmon Association proposal for a report on wholesale prices for salmon products.*

Options

1. Add product forms to Revenue WPR
2. USA Proposal to use COAR.
3. Tune-up COAR
4. 3<sup>rd</sup> party reporting directly to fishermen/ processors subject to contract.

Larry Persily arrived; the group resumed discussion of Option 1 – Add product forms to WPR. Larry felt that the WPR was not a Revenue function. Revenue doesn't audit these reports nor do they have the staff to do audits. Scott and Bruce disagreed. Every tax dollar is at the exvessel level. Expansion to the wholesale level is a proprietary black hole. Harvesters pay ASMI and other taxes and it gives us a tool to negotiate and increase the exvessel price. It is in our best interest to increase world market share. This will bring up the tax base.

Larry said it would take the equivalent of one person or \$60,000. And that would not include any auditing capabilities. Revenue would have to respect confidentiality. Revenue will release summarized information for 3 or more taxpayers.

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**

**Goals/ Objectives**

- a) Provide fishermen information they need
- b) Doesn't change COAR
- c) Good fit between WPR and additional reporting
- d) Reporting frozen, fresh, roe by ADF&G area

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**

**Method to achieve objectives**

- a) Seek legislation
- b) Seek funding
- c) Industry agreement to support this option and the means to achieve – lobby for it

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**

**What are intended uses/ Who uses**

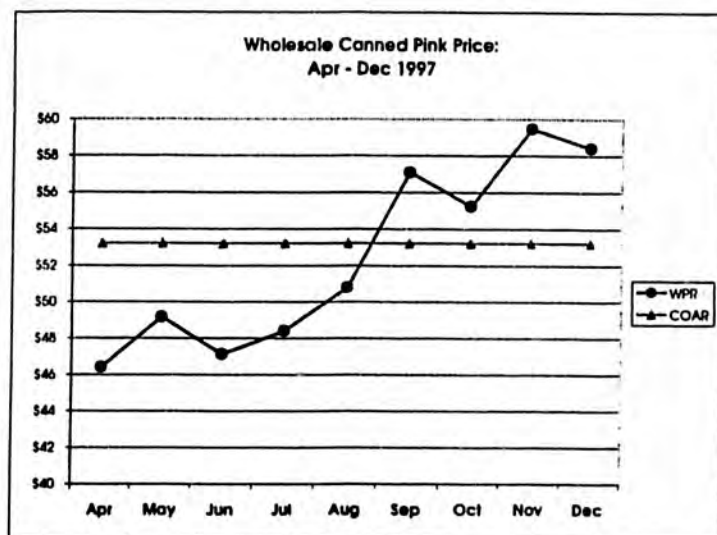
- a) Fishermen
- b) Customers of processors
- c) Academics/ researchers
- d) Salmon Marketing Information Service
- e) Any member of the public



# COAR/WPR COMPARISON

## Illustrating the insufficient price data supplied by COAR

Charts & graphs provided for United Salmon Association  
by the Salmon Market Information Service (March, 2000)



**Canned Pink Wholesale Case Price**  
all sizes, converted to 48-tall case equivalent

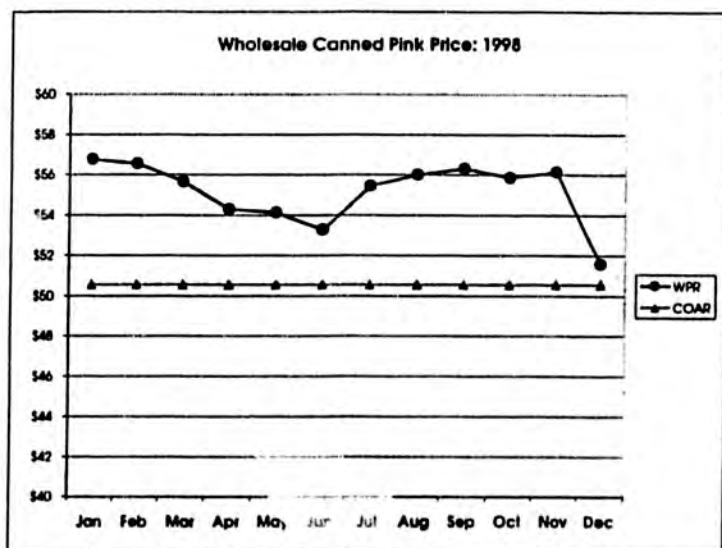
|       | 1997<br>case volume | 1997<br>value  | 1997<br>WPR price | 1997<br>COAR |
|-------|---------------------|----------------|-------------------|--------------|
| Jan   |                     |                |                   |              |
| Feb   |                     |                |                   |              |
| Mar   |                     |                |                   |              |
| Apr   | 222,203             | \$ 10,314,632  | \$ 46.42          | \$ 53.23     |
| May   | 119,657             | \$ 5,882,405   | \$ 49.16          | \$ 53.23     |
| Jun   | 173,072             | \$ 8,158,146   | \$ 47.14          | \$ 53.23     |
| Jul   | 150,957             | \$ 7,307,643   | \$ 48.41          | \$ 53.23     |
| Aug   | 170,328             | \$ 8,652,021   | \$ 50.80          | \$ 53.23     |
| Sep   | 204,817             | \$ 11,692,446  | \$ 57.09          | \$ 53.23     |
| Oct   | 212,719             | \$ 11,748,360  | \$ 55.23          | \$ 53.23     |
| Nov   | 197,552             | \$ 11,749,878  | \$ 59.48          | \$ 53.23     |
| Dec   | 424,112             | \$ 24,768,338  | \$ 58.40          | \$ 53.23     |
| Total | 1,875,417           | \$ 100,273,869 | \$ 53.47          | \$ 53.23     |

source: Alaska Department of Revenue Average Wholesale Price Report

**Commercial Operators Annual Report (COAR)**

| 1997        | 1997           | 1997       |
|-------------|----------------|------------|
| poundage    | value          | case price |
| 114,205,145 | \$ 137,382,105 | \$ 53.23   |

source: ADF&G Commercial Operators Annual Report



**Canned Pink Wholesale Case Price**  
all sizes, converted to 48-tall case equivalent

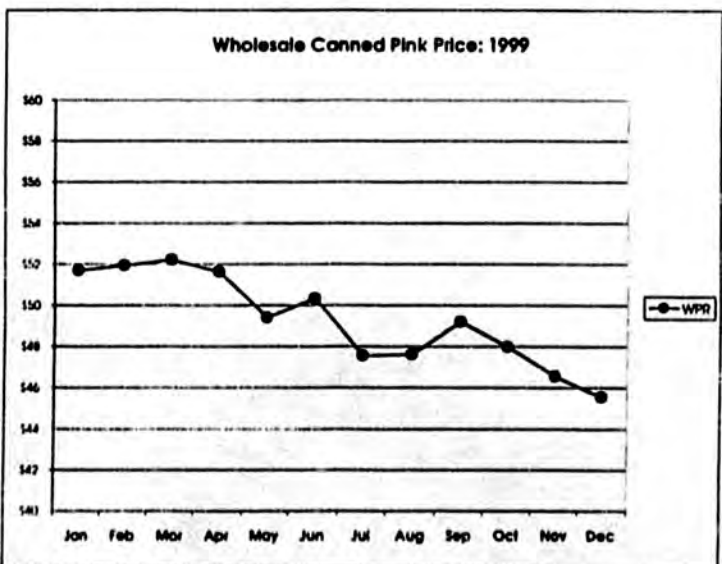
|       | 1998<br>case volume | 1998<br>value  | 1998<br>WPR price | 1998<br>COAR |
|-------|---------------------|----------------|-------------------|--------------|
| Jan   | 245,240             | \$ 13,919,444  | \$ 56.76          | \$ 50.56     |
| Feb   | 335,559             | \$ 18,973,140  | \$ 56.54          | \$ 50.56     |
| Mar   | 262,053             | \$ 14,586,394  | \$ 55.66          | \$ 50.56     |
| Apr   | 118,993             | \$ 6,460,112   | \$ 54.29          | \$ 50.56     |
| May   | 89,501              | \$ 4,844,125   | \$ 54.12          | \$ 50.56     |
| Jun   | 142,674             | \$ 7,601,516   | \$ 53.28          | \$ 50.56     |
| Jul   | 128,991             | \$ 7,151,206   | \$ 55.44          | \$ 50.56     |
| Aug   | 122,908             | \$ 6,882,916   | \$ 56.00          | \$ 50.56     |
| Sep   | 185,115             | \$ 10,420,612  | \$ 56.29          | \$ 50.56     |
| Oct   | 331,068             | \$ 18,492,325  | \$ 55.86          | \$ 50.56     |
| Nov   | 280,319             | \$ 15,733,950  | \$ 56.13          | \$ 50.56     |
| Dec   | 412,038             | \$ 21,248,870  | \$ 51.57          | \$ 50.56     |
| Total | 2,654,459           | \$ 146,314,610 | \$ 55.12          | \$ 50.56     |

source: Alaska Department of Revenue Average Wholesale Price Report

**Commercial Operators Annual Report (COAR)**

| 1998        | 1998           | 1998       |
|-------------|----------------|------------|
| poundage    | value          | case price |
| 181,404,345 | \$ 207,256,357 | \$ 50.56   |

source: ADF&G Commercial Operators Annual Report



**Canned Pink Case Price**  
all sizes, converted to 48-tall case equivalent

|       | 1999<br>case volume | 1999<br>value  | 1999<br>WPR price | 1999<br>COAR |
|-------|---------------------|----------------|-------------------|--------------|
| Jan   | 312,763             | \$ 16,164,022  | \$ 51.68          | not known    |
| Feb   | 317,162             | \$ 16,469,738  | \$ 51.93          | not known    |
| Mar   | 262,947             | \$ 13,725,890  | \$ 52.20          | not known    |
| Apr   | 232,946             | \$ 12,024,657  | \$ 51.62          | not known    |
| May   | 163,497             | \$ 8,077,023   | \$ 49.40          | not known    |
| Jun   | 224,432             | \$ 11,295,826  | \$ 50.33          | not known    |
| Jul   | 266,159             | \$ 12,656,140  | \$ 47.55          | not known    |
| Aug   | 233,160             | \$ 11,101,097  | \$ 47.61          | not known    |
| Sep   | 211,742             | \$ 10,417,191  | \$ 49.20          | not known    |
| Oct   | 303,184             | \$ 14,549,072  | \$ 47.99          | not known    |
| Nov   | 314,931             | \$ 14,660,958  | \$ 45.55          | not known    |
| Dec   | 471,722             | \$ 21,486,800  | \$ 45.55          | not known    |
| Total | 3,314,645           | \$ 162,627,413 | \$ 49.06          |              |

source: Alaska Department of Revenue Average Wholesale Price Report

**Commercial Operators Annual Report (COAR)**

## Final Average Wholesale Price Report Recipients

US Department of Commerce, NOAA Fisheries Development Division  
National Marine Fisheries Service/Statistics & Economic Division  
Alaska Department of Fish and Game  
Alaska Board of Fisheries  
Department of Commerce and Economic Development  
University of AK-Anchorage/ Gunnar Knapp  
ASMI – Alaska Seafood Marketing Institute  
Alaska SeaGrant – Craig Weise  
McDowell Group  
The Fisherman  
Seafood Trend Newsletter  
United Fishermen's Marketing Association.  
United Salmon Association  
SE AK Seiners Association  
C.D.F.U. – Chris Nerison  
National Food Processors Association  
Alaska General Seafoods  
Deep Creek Custom Packing Inc.  
Icicle Seafoods Inc.  
Kodiak Salmon Packers  
Nelbro Packing Company  
Norquest Seafoods Inc.  
North Pacific Processors Inc.  
Ocean Beauty Seafoods Inc.  
Peter Pan Seafoods Inc.  
Polar Equipment/Cook Inlet Processing  
Royal Pacific Canning  
Sea Catch, Inc  
Trident Seafoods Corporation  
Ward Cove Packing Company  
Wrangell Seafoods Inc.  
Woodbine Alaska Fish Company  
Senator Jerry Mackie



## **REPRESENTATIVE ALAN AUSTERMAN** Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

### **SPONSOR STATEMENT**

#### **FOR HOUSE BILL 363**

HB 363 renames the existing Average Wholesale Price Report (AWPR) to become the Alaska Salmon Price Report (ASPR) by updating it to include ALL salmon product types. This report will capture the bulk of Alaska's commercial salmon trade in a timely, accurate manner.

Currently this Alaska Statute (AS 43.80.050) requires processors who sell 240,000 pounds or more of thermally processed salmon in a calendar year to report three times each year the volume and price of cans sold. The Alaska Salmon Price Report will reflect the changing times in this industry, which has evolved to include all salmon products, thermally processed plus fresh, frozen, and roe products.

HB 363 encompasses ex-vessel value, production, and wholesale price reporting to the state. In order to track the production of the state's resource, the ASPR adds a section that requires processors to report the quantity of each salmon product form by area of production (commercial fishing management areas) and species along with the wholesale prices of product sold.

Fishery business taxes, landing tax, ASMI tax and aquaculture assessments are all based on the ex-vessel values of Alaska salmon products. The ASPR information is important for anyone planning income streams derived from the sale of salmon products. For example, legislators managing the general fund, the Alaska Seafood Marketing Institute planning their budget, or regional aquaculture associations planning production and marketing strategies. The ASPR's accurate and timely information may be used by the university system and by data collectors for up-to-date reporting. It will provide real-time wholesale inventories and values for the public, their decision-makers, and the commercial industry to the benefit of all

Passage of HB 363 should help fishermen in their pursuit of better information, thereby helping them derive a higher price, or ex-vessel value, for their product. This higher price will benefit the communities and, in turn, will benefit the state. It will provide a more even playing field, eliminating the need for the fishermen to use disruptive price actions as a negotiating tactic, which has traditionally been the only bargaining angle between them and the processors.



# FISCAL NOTE

BILL NO. HE 363

## 2000 LEGISLATIVE SESSION

|                                                     |                      |                         |
|-----------------------------------------------------|----------------------|-------------------------|
| Revision Date/Time (Note if correction) _____       | Dept. Affected       | Revenue                 |
| Title <u>Salmon Product Reports</u>                 | BRU                  | Revenue Operations      |
| Sponsor <u>Representative Austerman</u>             | Component            | Income and Excise Audit |
| Requester <u>(H) Special Committee on Fisheries</u> | Component Serial No. | <u>113</u>              |

### Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES        | FY 2001     | FY 2002     | FY 2003     | FY 2004     | FY 2005       | FY 2006     |
|-------------------------------|-------------|-------------|-------------|-------------|---------------|-------------|
| Personal Services             | 80.4        | 80.4        | 80.4        | 80.4        | 80.4          | 80.4        |
| Travel                        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0           | 0.0         |
| Contractual                   | 2.0         | 2.0         | 2.0         | 2.0         | 2.0           | 2.0         |
| Supplies                      | 2.0         | 2.0         | 2.0         | 2.0         | 2.0           | 2.0         |
| Equipment                     | 7.0         |             |             |             |               |             |
| Land & Structures             |             |             |             |             |               |             |
| Grants & Claims               |             |             |             |             |               |             |
| Miscellaneous                 |             |             |             |             |               |             |
| <b>TOTAL OPERATING*</b>       | <b>91.4</b> | <b>84.4</b> | <b>84.4</b> | <b>84.4</b> | <b>- 84.4</b> | <b>84.4</b> |
| <b>CAPITAL EXPENDITURES</b>   | <b>**</b>   | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>    | <b>0.0</b>  |
| <b>CHANGE IN REVENUES ( )</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>  |

### FUND SOURCE (Thousands of Dollars)

|                          |  |  |  |  |  |  |
|--------------------------|--|--|--|--|--|--|
| 1002 Federal Receipts    |  |  |  |  |  |  |
| 1003 GF Match            |  |  |  |  |  |  |
| 1004 GF                  |  |  |  |  |  |  |
| 1005 GF/Program Receipts |  |  |  |  |  |  |
| 1037 GF/Mental Health    |  |  |  |  |  |  |
| Other (Specify Type)     |  |  |  |  |  |  |
| <b>TOTAL</b>             |  |  |  |  |  |  |

Estimate of current year (FY00) cost: 0.0

### POSITIONS

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| Full-time | 2 | 2 | 2 | 2 | 2 | 2 |
| Part-time |   |   |   |   |   |   |
| Temporary |   |   |   |   |   |   |

### ANALYSIS: (see attached analysis and tables)

\* Operating costs could be reduced by approximately \$22 thousand a year if electronic filing is required in the bill.

\*\* Because of the short time frame available, we were not able to estimate the cost of contracting out the development of a database. However, from previous experience, we believe this cost would be at least \$20,000. This is a one-time cost that would occur in FY 2001.

|              |                                                                |           |                             |
|--------------|----------------------------------------------------------------|-----------|-----------------------------|
| Prepared by  | <u>Brett Fried, Economist and Carl Meyer, Chief of Appeals</u> | Phone     | <u>465-3682 or 465-2343</u> |
| Division     | <u>Income and Excise Audit</u>                                 | Date/Time | <u>February 25, 2000</u>    |
| Approved by  |                                                                | Date      | <u>February 25, 2000</u>    |
| Commissioner | <u>Wilson L. Condon</u>                                        |           |                             |
| Agency       | <u>Department of Revenue</u>                                   |           |                             |

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## **Bill Analysis**

Section 1 amends AS 43.80.050(a) to require all fisheries businesses selling more than 240,000 pounds of salmon products at wholesale in a calendar year to report to the department the prices received and the quantities of the products involved in the sales, including sales by affiliates. In addition, the fisheries business must report for each 4 month period the total quantities of salmon products produced by the fisheries business and affiliates by month. Under current law, reporting is only required for the prices and quantities of thermally processed salmon products sold at wholesale.

Section 2 repeals and reenacts AS 43.80.050(b) to require the fisheries businesses to include in the reports:

- ◆ A description of the products produced and sold;
- ◆ The total quantity of each salmon product form produced and sold by area of production and by species; and,
- ◆ The wholesale price received.

This reporting would be required for the following product forms:

- ◆ Thermally processed salmon products by the number of each size of container
- ◆ Fresh headed and gutted salmon products by pounds
- ◆ Fresh fillet salmon products by pounds
- ◆ Frozen headed and gutted salmon products by pounds
- ◆ Frozen fillet salmon products by pounds
- ◆ Salmon roe products by pounds

Section 3 amends AS 43.80.050(c) to require all fisheries businesses selling to affiliates to report only the subsequent sales of that salmon product by the affiliates at wholesale. The information to be reported includes:

- ◆ A description of the products sold;
- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

Section 4 amends AS 43.80.055 to require the department to determine from the reports the average monthly and annual wholesale prices for the sale of salmon products. These averages are to be determined for each pound by area of production by species by product form, except that for thermally processed salmon products the averages are determined by size of container by species.

Section 5 amends AS 43.80.055 to add a new subsection to require the department to publish the average wholesale prices in a report to be entitled the "Alaska Salmon Price Report".

Section 6 amends AS 43.80.060 to require the department to make the Alaska Salmon Price Report available to the legislature by the 15<sup>th</sup> day of each regular session. This provision, like current law, is unworkable if the intent is to provide the report for the immediately preceding calendar year. Section 1 provides that the reports by the processors for the months from September through December is due on January 31 of the following year, which makes the report to the legislature due before the department receives all the reports. The department will require time to receive the reports from processors, assimilate and review the data, and prepare the reports.

Section 7 amends AS 43.80.100(5) to provide that the reporting year is the calendar year after the calendar year in which the fisheries business sells more than 240,000 pounds of salmon products at wholesale.

Section 8 amends AS 43.80.100(7) to eliminate deductions in the nature of cash discounts allowed on sales and commissions paid to independent brokers in determining the wholesale price.

Section 9 amends AS 43.80.100 to add a new paragraph to define "area of production" in which a salmon product was produced to mean the commercial fishing management area established by the Board of Fisheries by regulation for specific commercial fisheries areas of the state.

Section 10 repeals Section 12, ch. 37, SLA 1998, which would have repealed AS 43.80.050 – 100 on July 1, 2003.

Section 11 amends the uncodified law to add a new section to provide that the first report required by AS 43.80.050 is due on September 30, 2000 for the period beginning May 1, 2000 and ending August 31, 2000, and must be filed by a fisheries business that sold more than 240,000 pounds of salmon products at wholesale during the 12 months ending August 31, 2000.

Section 12 provides a September 1, 2000 effective date.

### **Operating Expenditures**

The following functions must be performed by DOR to meet the requirements of this bill: (1) public service (responding to questions from the public and processors), (2) data entry, (3) report production, (4) report and form dissemination, (5) accuracy and confidentiality checks, (6) non-filer identification, and (5) programming. We already perform these functions for the relatively simple average wholesale thermally processed



salmon report (2 page report and 4 page report form). We produce this report three times a year and it takes the equivalent of one month for one individual.

The increase in estimated form length, from 4 to 48 pages does not address the increase in complexity. Table 1 (see attached spreadsheet) provides some help in understanding the change in the level of complexity. The 48 page number assumes that each page of the form includes production area, pounds, wholesale price and product form by species by month. Consequently, there is a potential for 84 rows of data (14 production areas times 6 product forms per page). We are, however, assuming that, at most we will need to accommodate 32 rows per page. With 4 months of data and 6 species of salmon (including salmon roe) we have 24 pages. We then doubled this number because the data must be collected for both salmon sold and produced.

Not only will the number of filers increase, by at least 4 times, but the amount of information they must report will increase from 1 to 6 product forms, from by sale to by sale and production, and from statewide to by 14 different regions. This increase in complexity compounds the difficulty associated with accuracy and confidentiality checks.

Because of the large increase in complexity and amount of data, we are requesting two positions to meet our obligations under this bill. An Administrative Clerk III (@ \$36,600) will be needed to do all data entry, report and form dissemination, initial accuracy and confidentiality checks and initial public service. An Analyst Programmer I (@\$43,800) will be needed to do the query development and execution, non-filer identification, data base maintenance, final accuracy and confidentiality checks, special projects and responses to more complex public service questions and report production. Equipment, supplies and contractual obligations will be \$11,000 the first year because of a one-time cost of \$7,000 for computers and other equipment. After the first year, equipment costs will be zero and contractual and supply costs will be \$4,000 a year.

Another way to approach this issue is to examine how this cost compares to the cost of other tax programs that the tax division currently administers. The fisheries business tax return is the closest in similarity (in terms of complexity) to the proposed Salmon Product Report. Table 2 provides a comparison of the attributes of both of these programs.

Clearly, the fisheries business tax has more returns, species, and reporting areas. Additionally, the cost of the program includes accounting and collections costs, which would not be an issue for the Salmon Product Report. However, the fisheries business data is annual not monthly, does not include product forms, is not reported two different ways (production and sales) and is only received once a year, not 3 times a year. Also, because firms filing the report will be larger fishery businesses, the reports will be more comparable to the most complex of the fisheries business tax returns. Additionally, in our experience, fisheries businesses tend to fill out their tax returns more carefully than informational reports. This then requires more vigilance and time on the part of DOR

employees. The total administrative cost of the fisheries business tax is \$229,174, which is 2.7 times the estimated \$84,400 operating cost associated with this bill.

### **Capital Expenditures**

The only capital expenditure would be the contract for creating a database and the associated data entry interface. We currently use an excel workbook because we only need 48 spreadsheets to accommodate the current information. At a maximum we would need 2,640 spreadsheets (4 months x 6 species x 55 processors x sold x produced). Each processor would have a separate spreadsheet for each month recording the pounds, product form and production area for a particular species. Each spreadsheet would potentially be 84 rows of data (14 production areas times 6 product forms). Although we know we would not need this many spreadsheets, even doubling the current number of spreadsheets would be too cumbersome to do in an excel workbook. We will also need to be able to execute relatively complex queries and to have a simple data entry interface.

Another advantage of using a database is it opens up the possibility of electronic filing. If electronic filing was required, we believe operating expenditures would decrease by approximately \$22 thousand a year. Although we have not had time to estimate the cost of contracting out for the development of a database, from previous experience we believe it would be at least a one-time cost of \$20 thousand. After the database system is set up, we believe the analyst programmer will be able to maintain the system and adjust it for changes.

### **Revenue**

There is no direct revenue effect of this bill.

Salmon Price Reports  
HB 363  
February 25, 2000  
Page 6 of 7

**TABLE 1 - CHANGES TO REPORTING REQUIREMENTS: HB 363**

|                                             | <b>Status Quo</b> | <b>HB 363 Estimates</b> |
|---------------------------------------------|-------------------|-------------------------|
| Number of processors reporting <sup>1</sup> | 12                | 50-60                   |
| Number of product forms <sup>2</sup>        | 1                 | 6                       |
| Number of reporting areas <sup>3</sup>      | 1                 | 14                      |
| Number of species <sup>4</sup>              | 5                 | 6                       |
| Reporting point <sup>5</sup>                | sale              | sale and prod.          |
| Reporting time period <sup>6</sup>          | monthly           | monthly                 |
| Report due <sup>6</sup>                     | 3 times a year    | 3 times a year          |
| Report threshold <sup>7</sup>               | 240,000 lbs.      | 240,000 lbs.            |
| Pages per report form <sup>8</sup>          | 4                 | 48                      |
| Software <sup>9</sup>                       | Excel             | Database                |

<sup>1</sup> We used fisheries business tax data to approximate the number of processors that would exceed the minimum reporting threshold.

<sup>2</sup> The following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

<sup>3</sup> The fourteen areas of production are (1) Southeastern, (2) Yakutat, (3) Prince William Sound, (4) Cook Inlet, (5) Kodiak, (6) Chignik, (7) Aleutian Islands, (8) Atka-Amli Islands, (9) Alaska Peninsula, (10) Kuskokwim, (11) Bristol Bay, (12) Yukon-Northern, (13) Norton Sound-Port Clarence, and (14) Kotzebue.

<sup>4</sup> Under HB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink, (5) Chum and (6) Roe. Under the existing report, salmon roe is not reported.

<sup>5</sup> Under HB 363, the total quantity of salmon products produced and sold must be reported. Because both of these events occur at different points in time, they will be reported separately. This effectively doubles the reporting requirement.

<sup>6</sup> The processor must provide monthly data every four months to the Department of Revenue.

<sup>7</sup> A processor only has to fill out the report if during the previous calendar year the processor has sold more than 240,000 pounds at wholesale.

<sup>8</sup> Because of the increase in the number of product forms (from 1 to 6), the reporting of salmon products produced and sold (from just sold) and the reporting by production area (14 production areas), we estimate that the report length will increase by a factor of 12. Additionally, it will increase in complexity. For example, for thermally processed salmon it will increase from four data fields (pounds, value, months and size) to 7 (pounds, value, months, product form, production area, sold or produced and size) data fields.

<sup>9</sup> An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with at least 50 processors reporting 6 product forms, by production area, by species and by month (see operating expenditures discussion).



## ALASKA DEPARTMENT OF REVENUE

Salmon Price Reports  
HB 363  
February 25, 2000  
Page 7 of 7

**TABLE 2 - A COMPARISON OF HB 363 REPORT & FISH. BUS. TAX**

|                                             | <b>Fisheries<br/>Business</b> | <b>HB 363<br/>Estimates</b> |
|---------------------------------------------|-------------------------------|-----------------------------|
| Number of processors reporting <sup>1</sup> | <b>449</b>                    | <b>50-60</b>                |
| Number of product forms <sup>2</sup>        | <b>0</b>                      | <b>6</b>                    |
| Number of reporting areas <sup>3</sup>      | <b>54</b>                     | <b>14</b>                   |
| Number of species <sup>4</sup>              | <b>all</b>                    | <b>6</b>                    |
| Reporting point <sup>5</sup>                | <b>prod. or trans.</b>        | <b>sale and prod.</b>       |
| Reporting time period <sup>6</sup>          | <b>annual</b>                 | <b>monthly</b>              |
| Report due <sup>6</sup>                     | <b>once a year</b>            | <b>3 times a year</b>       |
| Report threshold <sup>7</sup>               | <b>none</b>                   | <b>240,000 lbs.</b>         |
| Pages per report form <sup>8</sup>          | <b>26</b>                     | <b>48</b>                   |
| Software <sup>9</sup>                       | <b>database</b>               | <b>database</b>             |

<sup>1</sup> We used fisheries business tax data to approximate the number of processor's that would exceed the minimum reporting threshold.

<sup>2</sup> Under HB 363, the following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

<sup>3</sup> Under HB 363, the fourteen areas of production for HB 363 are (1) Southeastern, (2) Yakutat, (3) Prince William Sound, (4) Cook Inlet, (5) Kodiak, (6) Chignik, (7) Aleutian Islands, (8) Atka-Amli Islands, (9) Alaska Peninsula, (10) Kuskokwim, (11) Bristol Bay, (12) Yukon-Northern, (13) Norton Sound-Port Clarence, and (14) Kotzebue. For the fisheries business tax, we have included the number of communities we share with.

<sup>4</sup> Under HB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink, (5) Chum and (6) Roe. Species are listed by species code on the fisheries business tax return.

<sup>5</sup> Under HB 363, the total quantity of salmon products produced and sold must be reported. Because both of these separate events occur at different points in time, they will be reported separately. This effectively doubles the reporting requirement. For the fisheries business tax, pounds and value must be reported once, either when the fish is processed or transported out-of-state unprocessed.

<sup>6</sup> Under HB 363, the processor must provide monthly data every four months to the Department of Revenue. The fisheries business tax return is due once a year.

<sup>7</sup> A processor only has to fill out the report if during the previous calendar year the processor has sold more than 240,000 pounds of salmon products at wholesale. All individuals or businesses that process fisheries resources in Alaska or transport unprocessed fisheries resources out of Alaska must file the fisheries business return.

<sup>8</sup> Because of the increase in the number of product forms (from 1 to 6), the reporting of salmon products produced and sold (from just sold) and the reporting by production area (14 production areas), we estimate that the report length will be 48 pages. Currently, the fisheries business tax return is 26 pages long.

<sup>9</sup> An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with at least 50 processors reporting 6 product forms, by production area, by species and by month (see operating expenditure discussion).

**AMENDMENT**

OFFERED IN THE HOUSE

BY REPRESENTATIVE AUSTERMAN

TO: HB 363

1 Page 3, following line 26:

2 Insert a new bill section to read:

3 **"\* Sec. 7. AS 43.80.100(4) is amended to read:**

4 (4) "fish processor" means a person engaging or attempting to engage  
5 in a business for which a license is required under AS 43.75.010 - 43.75.055; "fish  
6 processor" does not include a person engaged solely in secondary processing of  
7 salmon products; in this paragraph, "secondary processing" means additional or  
8 supplemental processing performed on salmon products that were purchased at  
9 wholesale and for which the fisheries business tax under AS 43.75 was paid by  
10 another fisheries business:"

11 Renumber the following bill sections accordingly.

**AMENDMENT**

OFFERED IN THE HOUSE

BY REPRESENTATIVE AUSTERMAN

TO: HB 363

1 Page 4, lines 11 - 17:

2 Delete all material and insert:

3 "(8) "area of production" means the area in which a salmon product  
4 was produced; in this paragraph, "area" means one of the following areas:

5 (A) Southeastern and Yakutat;

6 (B) Prince William Sound;

7 (C) Cook Inlet;

8 (D) Kodiak;

9 (E) Chignik;

10 (F) Aleutian Islands, Atka-Amliia Islands, and Alaska Peninsula;

11 (G) Bristol Bay; or

12 (H) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence,

13 and Kotzebue."



**AMENDMENT**

OFFERED IN THE HOUSE

BY REPRESENTATIVE AUSTERMAN

TO: HB 363

1 Page 3, following line 26:

2 Insert a new bill section to read:

3 "\* Sec. 7. AS 43.80.100(4) is amended to read:

4 (4) "fish processor" means a person engaging or attempting to engage  
5 in a business for which a license is required under AS 43.75.010 - 43.75.055; "fish  
6 processor" does not include a person engaged solely in secondary processing of  
7 salmon products: in this paragraph. "secondary processing" means additional or  
8 supplemental processing performed on salmon products that were purchased at  
9 wholesale and for which the fisheries business tax under AS 43.75 was paid by  
10 another fisheries business:"

11 Renumber the following bill sections accordingly.

1-LS1298VH  
Utermohle  
3/1/00

CS FOR HOUSE BILL NO. 363(FSH)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered:

Referred:

Sponsor(s): REPRESENTATIVES AUSTERMAN, Harris

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to salmon product reports; and providing for an effective date."

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

3 \* Section 1. AS 43.80.050(a) is amended to read:

4 (a) A fish processor engaged in the business of selling [THERMALLY  
5 PROCESSED] salmon products at wholesale and whose business sells more than  
6 240,000 pounds of [THERMALLY PROCESSED] salmon products at wholesale  
7 during a calendar year shall submit to the department during the following calendar  
8 year, on a form provided by the department, reports of (1) the prices received for and  
9 quantity of salmon products sold at wholesale by the processor or an affiliate of the  
10 processor; and (2) the quantity of salmon products produced by the processor or  
11 an affiliate of the processor [FOR THE SALE OF THERMALLY PROCESSED  
12 SALMON]. Not later than May 31 of each reporting year, a processor shall submit  
13 a report for the period January 1 through April 30 of the reporting year. Not later than  
14 September 30 of each reporting year, a processor shall submit a report for the period  
15 May 1 through August 31 of the reporting year. Not later than January 31 of each

1 reporting year, a processor shall submit a report for the period September 1 through  
2 December 31 of the reporting year.

3 \* Sec. 2. AS 43.80.050(b) is repealed and reenacted to read:

4 (b) A report submitted by a processor

5 (1) under (a)(1) or (c) of this section for sales to buyers that are not  
6 affiliates of the processor, must include a description of the products, the total quantity  
7 of each salmon product form sold by area of production by species, and the wholesale  
8 price received;

9 (2) under (a)(2) of this section for salmon product production, must  
10 include a description of the products and the total quantity of each salmon product  
11 form produced by area of production by species;

12 (3) under (a)(1), (a)(2), or (c) of this section, must include the  
13 requested information

14 (A) for the following salmon product forms:

- 15 (i) thermally processed salmon products;  
16 (ii) fresh headed and gutted salmon products;  
17 (iii) fresh fillet salmon products;  
18 (iv) frozen headed and gutted salmon products;  
19 (v) frozen fillet salmon products;  
20 (vi) salmon roe products;

21 (B) regarding the total quantity of each salmon product form  
22 sold or produced by providing

23 (i) the total number of each size of container in which  
24 thermally processed salmon products were sold or produced by the  
25 processor or its affiliate; and

26 (ii) the total number of pounds for each of the other  
27 salmon product forms sold or produced by the processor or its affiliate.

28 \* Sec. 3. AS 43.80.050(c) is amended to read:

29 (c) A sale to an affiliate of the processor may not be included in a report  
30 submitted under this section by a processor. However, the processor shall report sales  
31 by an affiliate at wholesale of [THERMALLY PROCESSED] salmon products that



1 were [WAS] obtained from the processor. The report must [SHALL] include a  
2 description of the products and the total quantity of each salmon product form sold  
3 by the affiliate by area of production by species and [BY THE SIZE OF THE  
4 CONTAINER IN WHICH THE SALMON IS SOLD AND] the wholesale prices  
5 received by the affiliate.

6 \* Sec. 4. AS 43.80.055 is amended to read:

7 **Sec. 43.80.055. Wholesale price averages; Alaska salmon price report.** (a)

8 Based on the information provided in reports submitted under AS 43.80.050, the  
9 department shall determine the [STATEWIDE] average wholesale prices paid to fish  
10 processors and their affiliates for the sale of [THERMALLY PROCESSED] salmon  
11 products.

12 (b) The department shall determine under this section the monthly and annual  
13 wholesale price averages for

14 (1) each species of [THERMALLY PROCESSED] salmon for each size  
15 of the container in which thermally processed [THE] salmon products are [IS] sold;

16 (2) each pound of other salmon products by area of production by  
17 species by product form.

18 \* Sec. 5. AS 43.80.055 is amended by adding a new subsection to read:

19 (c) The department shall publish the average wholesale prices paid for salmon  
20 products in a report entitled the "Alaska Salmon Price Report."

21 \* Sec. 6. AS 43.80.060 is amended to read:

22 **Sec. 43.80.060. Report to the legislature.** Not later than the 15th day of each  
23 regular legislative session, the department shall make available to the legislature a  
24 report of [STATEWIDE] average wholesale [THERMALLY PROCESSED SALMON]  
25 prices paid for salmon products. The department shall notify the legislature that the  
26 report is available.

27 \* Sec. 7. AS 43.80.100(4) is amended to read:

28 (4) "fish processor" means a person engaging or attempting to engage  
29 in a business for which a license is required under AS 43.75.010 - 43.75.055; "fish  
30 processor" does not include a person engaged solely in secondary processing of  
31 salmon products; in this paragraph, "secondary processing" means additional or

supplemental processing performed on salmon products that were purchased at wholesale and for which the fisheries business tax under AS 43.75 was paid by another fisheries business;

\* Sec. 8. AS 43.80.100(5) is amended to read:

(5) "reporting year" means the calendar year after the calendar year in which a fish processor's business sells more than 240,000 pounds of [THERMALLY PROCESSED] salmon products at wholesale;

\* Sec. 9. AS 43.80.100(7) is amended to read:

(7) "wholesale price" includes all receipts, whether in the form of money, credits, or other consideration, from the sale of a finished [THERMALLY PROCESSED] salmon product at less than retail, without deduction for the costs of property sold, materials used, insurance, labor, services, labeling, transportation, storage, interest, taxes, losses, or any other expense [EXCEPT

(A) CASH DISCOUNTS ALLOWED ON SALES, NOT TO EXCEED TWO PERCENT; AND

(B) COMMISSIONS ACTUALLY PAID TO INDEPENDENT BROKERS, NOT TO EXCEED FIVE PERCENT].

\* Sec. 10. AS 43.80.100 is amended by adding a new paragraph to read:

(8) "area of production" means the area in which a salmon product was produced; in this paragraph, "area" means one of the following areas:

(A) Southeastern and Yakutat;

(B) Prince William Sound;

(C) Cook Inlet;

(D) Kodiak;

(E) Chignik;

(F) Aleutian Islands, Atka-Amlia Islands, and Alaska Peninsula;

(G) Bristol Bay; or

(H) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence,

and Kotzebue.

\* Sec. 11. Section 12, ch. 37, SLA 1998, is repealed.

\* Sec. 12. The uncoded law of the State of Alaska is amended by adding a new section

1 to read:

2       TRANSITION. The first report required by AS 43.80.050, as amended by secs. 1 -  
3 3 of this Act, is due September 30, 2000, must cover the period of May 1, 2000, through  
4 August 31, 2000, and must be filed by a fish processor whose business sold more than  
5 240,000 pounds of salmon products at wholesale during the 12-month period ending  
6 August 31, 2000.

7       \* Sec. 13. This Act takes effect September 1, 2000.





## **REPRESENTATIVE ALAN AUSTERMAN** Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

### **SPONSOR STATEMENT**

#### **FOR HOUSE BILL 363**

HB 363 renames the existing Average Wholesale Price Report (AWPR) to become the Alaska Salmon Price Report (ASPR) by updating it to include ALL salmon product types. This report will capture the bulk of Alaska's commercial salmon trade in a timely, accurate manner.

Currently this Alaska Statute (AS 43.80.050) requires processors who sell 240,000 pounds or more of thermally processed salmon in a calendar year to report three times each year the volume and price of cans sold. The Alaska Salmon Price Report will reflect the changing times in this industry, which has evolved to include all salmon products, thermally processed plus fresh, frozen, and roe products.

HB 363 encompasses ex-vessel value, production, and wholesale price reporting to the state. In order to track the production of the state's resource, the ASPR adds a section that requires processors to report the quantity of each salmon product form by area of production (commercial fishing management areas) and species along with the wholesale prices of product sold.

Fishery business taxes, landing tax, ASMI tax and aquaculture assessments are all based on the ex-vessel values of Alaska salmon products. The ASPR information is important for anyone planning income streams derived from the sale of salmon products. For example, legislators managing the general fund, the Alaska Seafood Marketing Institute planning their budget, or regional aquaculture associations planning production and marketing strategies. The ASPR's accurate and timely information may be used by the university system and by data collectors for up-to-date reporting. It will provide real-time wholesale inventories and values for the public, their decision-makers, and the commercial industry to the benefit of all

Passage of HB 363 should help fishermen in their pursuit of better information, thereby helping them derive a higher price, or ex-vessel value, for their product. This higher price will benefit the communities and, in turn, will benefit the state. It will provide a more even playing field, eliminating the need for the fishermen to use disruptive price actions as a negotiating tactic, which has traditionally been the only bargaining angle between them and the processors.

FROM :

FAX NO. :

Feb. 27 2000 03:03PM P1

F/V RENAISSANCE

Box 3080,

Kodiak, AK,

99615

# FAX

Date: 02/24/00

Number of pages including cover sheet: 1

To:

Representative Alan Austerman

Phone:

Fax phone: 465-4956

CC:

From:

Mary Jacobs

Phone: 907 486-6323

Fax phone: 907 486-4868

REMARKS:

☐

Urgent

☒

For your review

☐

Reply ASAP

☐

Please comment

Dear Alan,

I just wanted to send a note to support H.B. 363. We really need better reporting of wholesale prices of frozen salmon. That the canned salmon prices are reported on a regular bases and not the frozen exemplifies the outdated system that we are using. Each year frozen salmon is a substantial portion of our market. We, as fishermen would like to be able to base our negotiations on real and current sales figures.

Thanks,

Mary Jacobs

BRISTOL BAY DRIFTNETTERS  
ASSOCIATION

February 28, 1999

Fisheries Committee

Dear Representatives Harris and Morgan and other Members:

We are writing on behalf of Bristol Bay Driftnetters Association in support of House Bill 363. Our members reside throughout the State of Alaska and also outside of the state where most processors are located. All members with whom we have spoken feel that this bill has many benefits for the fisheries of the State and it's passage is very important to provide crucial and auditable data in a timely fashion.

Thank you for your consideration of this vital legislation.

Sincerely,

*Dan Barr*

President, BBDA

*Scott Stevenson*

Vice President

2408 Nob Hill Avenue North / Seattle, WA 98109  
Phone: (206) 285-1111, Fax: (206) 284-1110



**HOUSE BILL NO. 363****IN THE LEGISLATURE OF THE STATE OF ALASKA****TWENTY-FIRST LEGISLATURE - SECOND SESSION****BY REPRESENTATIVES AUSTERMAN, Harris****Introduced: 2/11/00****Referred: House Special Committee on Fisheries, Finance****A BILL****FOR AN ACT ENTITLED**

1 **"An Act relating to salmon product reports; and providing for an effective date."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **\* Section 1. AS 43.80.050(a) is amended to read:**

4           (a) A fish processor engaged in the business of selling [THERMALLY  
5 PROCESSED] salmon products at wholesale and whose business sells more than  
6 240,000 pounds of [THERMALLY PROCESSED] salmon products at wholesale  
7 during a calendar year shall submit to the department during the following calendar  
8 year, on a form provided by the department, reports of (1) the prices received for and  
9 quantity of salmon products sold at wholesale by the processor or an affiliate of the  
10 processor; and (2) the quantity of salmon products produced by the processor or  
11 an affiliate of the processor [FOR THE SALE OF THERMALLY PROCESSED  
12 SALMON]. Not later than May 31 of each reporting year, a processor shall submit  
13 a report for the period January 1 through April 30 of the reporting year. Not later than  
14 September 30 of each reporting year, a processor shall submit a report for the period  
15 May 1 through August 31 of the reporting year. Not later than January 31 of each

1 reporting year, a processor shall submit a report for the period September 1 through  
 2 December 31 of the reporting year.

3 \* Sec. 2. AS 43.80.050(b) is repealed and reenacted to read:

4 (b) A report submitted by a processor

5 (1) under (a)(1) or (c) of this section for sales to buyers that are not  
 6 affiliates of the processor, must include a description of the products, the total quantity  
 7 of each salmon product form sold by area of production by species, and the wholesale  
 8 price received;

9 (2) under (a)(2) of this section for salmon product production, must  
 10 include a description of the products and the total quantity of each salmon product  
 11 form produced by area of production by species;

12 (3) under (a)(1), (a)(2), or (c) of this section, must include the  
 13 requested information

14 (A) for the following salmon product forms:

- 15 (i) thermally processed salmon products;
- 16 (ii) fresh headed and gutted salmon products;
- 17 (iii) fresh fillet salmon products;
- 18 (iv) frozen headed and gutted salmon products;
- 19 (v) frozen fillet salmon products;
- 20 (vi) salmon roe products;

21 (B) regarding the total quantity of each salmon product form  
 22 sold or produced by providing

23 (i) the total number of each size of container in which  
 24 thermally processed salmon products were sold or produced by the  
 25 processor or its affiliate; and

26 (ii) the total number of pounds for each of the other  
 27 salmon product forms sold or produced by the processor or its affiliate.

28 \* Sec. 3. AS 43.80.050(c) is amended to read:

29 (c) A sale to an affiliate of the processor may not be included in a report  
 30 submitted under this section by a processor. However, the processor shall report sales  
 31 by an affiliate at wholesale of [THERMALLY PROCESSED] salmon products that

1        were [WAS] obtained from the processor. The report must [SHALL] include a  
 2        description of the products and the total quantity of each salmon product form sold  
 3        by the affiliate by area of production by species and [BY THE SIZE OF THE  
 4        CONTAINER IN WHICH THE SALMON IS SOLD AND] the wholesale prices  
 5        received by the affiliate.

6        \* Sec. 4. AS 43.80.055 is amended to read:

7                **Sec. 43.80.055. Wholesale price averages; Alaska salmon price report.** (a)

8        Based on the information provided in reports submitted under AS 43.80.050, the  
 9        department shall determine the [STATEWIDE] average wholesale prices paid to fish  
 10       processors and their affiliates for the sale of [THERMALLY PROCESSED] salmon  
 11       products.

12               (b) The department shall determine under this section the monthly and annual  
 13       wholesale price averages for

14                (1) each species of [THERMALLY PROCESSED] salmon for each size  
 15       of the container in which thermally processed [THE] salmon products are [IS] sold;

16                (2) each pound of other salmon products by area of production by  
 17       species by product form.

18        \* Sec. 5. AS 43.80.055 is amended by adding a new subsection to read:

19               (c) The department shall publish the average wholesale prices paid for salmon  
 20       products in a report entitled the "Alaska Salmon Price Report."

21        \* Sec. 6. AS 43.80.060 is amended to read:

22                **Sec. 43.80.060. Report to the legislature.** Not later than the 15th day of each  
 23       regular legislative session, the department shall make available to the legislature a  
 24       report of [STATEWIDE] average wholesale [THERMALLY PROCESSED SALMON]  
 25       prices paid for salmon products. The department shall notify the legislature that the  
 26       report is available.

27        \* Sec. 7. AS 43.80.100(5) is amended to read:

28                (5) "reporting year" means the calendar year after the calendar year in  
 29       which a fish processor's business sells more than 240,000 pounds of [THERMALLY  
 30       PROCESSED] salmon products at wholesale;

31        \* Sec. 8. AS 43.80.100(7) is amended to read:



(7) "wholesale price" includes all receipts, whether in the form of money, credits, or other consideration, from the sale of a finished [THERMALLY PROCESSED] salmon product at less than retail, without deduction for the costs of property sold, materials used, insurance, labor, services, labeling, transportation, storage, interest, taxes, losses, or any other expense [EXCEPT

(A) CASH DISCOUNTS ALLOWED ON SALES, NOT TO EXCEED TWO PERCENT; AND

(B) COMMISSIONS ACTUALLY PAID TO INDEPENDENT BROKERS, NOT TO EXCEED FIVE PERCENT].

\* Sec. 9. AS 43.80.100 is amended by adding a new paragraph to read:

(8) "area of production" means the commercial fishing management area in which a salmon product was produced; in this paragraph, "commercial fishing management area" means an area established by the Board of Fisheries by regulation for the management of commercial fisheries in the Southeastern, Yakutat, Prince William Sound, Cook Inlet, Kodiak, Chignik, Aleutian Islands, Atka-Amlia Islands, Alaska Peninsula, Kuskokwim, Bristol Bay, Yukon-Northern, Norton Sound-Port Clarence, and Kotzebue areas of the state.

\* Sec. 10. Section 12, ch. 37, SLA 1998, is repealed.

\* Sec. 11. The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION. The first report required by AS 43.80.050, as amended by secs. 1 - 3 of this Act, is due September 30, 2000, must cover the period of May 1, 2000, through August 31, 2000, and must be filed by a fish processor whose business sold more than 240,000 pounds of salmon products at wholesale during the 12-month period ending August 31, 2000.

\* Sec. 12. This Act takes effect September 1, 2000.

# LEGAL SERVICES

## DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

### MEMORANDUM

February 24, 2000

**SUBJECT:** Sectional Summary of HB 363, An Act relating to salmon product reports. (HB 363)

**TO:** Representative Alan Austerman  
Attn: Joanie Waller

**FROM:** George Utermohle *GU*  
Legislative Counsel

You have requested a sectional summary of HB 363, An Act relating to salmon product reports.

A sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

**Section 1** of the bill amends AS 43.80.050(a) to require that certain fish processors must provide information to the Department of Revenue regarding the price and quantity of salmon products sold at wholesale and the quantity of salmon products produced.

**Section 2** of the bill repeals and reenacts AS 43.80.050(b) to describe the information that must be included in the salmon product reports required under AS 43.80.050(a) and (c).

**Section 3** of the bill amends AS 43.80.050(c) to require that fish processors file reports on sales of salmon products made by their affiliates. The reports must provide information on each product form sold by the affiliate by the area of production by species of salmon. The reports must also include information on the wholesale prices received for those salmon products by the affiliate.

**Section 4** of the bill amends AS 43.80.055 to provide that the Department of Revenue shall determine average wholesale prices paid for salmon products. The wholesale price averages shall be determined for each size of container in which thermally processed salmon are sold and for each pound of salmon that is produced by means other than thermal processing.

**Section 5** of the bill amends AS 43.80.055 by adding a new subsection providing that the report of average wholesale prices paid for salmon products shall be called the "Alaska Salmon Price Report."

Representative Alan Austerman  
February 24, 2000  
Page 2

**Section 6** of the bill amends AS 43.80.060 to provide that the Department of Revenue shall annually make a report available to the legislature on average wholesale prices paid for salmon products.

**Sections 7 and 8** of the bill amend AS 43.80.100(5) and (7) to amend the definition of "reporting year" and "wholesale price".

**Section 9** of the bill adds a new paragraph to AS 43.80.100 to add a definition of "area of production".

**Section 10** of the bill repeals the sunset provision for the salmon price reporting system established under AS 43.80.050 - 43.80.100.

**Section 11** of the bill provides that the first salmon product price report under this bill is due September 30, 2000 and must cover the period between May 1, 2000 and August 31, 2000.

**Section 12** of the bill provides that the bill takes effect September 1, 2000.

GU:jdr  
00-096.jdr





February 22, 2000

Representative Alan Austerman  
Capitol Room 434  
Juneau, Alaska 99801

Dear Representative Austerman,

As sponsor of HB 363 relating to salmon product reports, I request the following information be reviewed and considered in relation to your bill.

At Alaska Seafood International, LLC (ASI), we produce value added seafood products on a commodity scale from wholesalers, primary processors or brokers, throughout Alaska. As a processor of "value added" products, the wholesale price we obtain for our products reflects the value we add to salmon in coatings, sauces, stuffings, packaging, etc., and would not reflect the prevailing market prices for a specific species from a specific area. We substitute different salmon species in our products based on availability and price.

As an example, a specific lot of fish purchased from frozen storage through a broker may contain fish from several producers caught in different areas, at different times. The exact origin, or geographic region, of the fish ASI purchases may not always be known, hence detailed reporting of such would be a huge and burdensome task for our business to undertake while not serving the information goals of your legislation.

Inclusion of ASI's price data would probably distort the statistics generated rather than enhance them. Our obtained wholesale prices should fluctuate less as a result of market forces that drive commodity markets up and down for specific species.

Based on the above information, I request an exemption for ASI from the provisions of HB 363. Your consideration is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Howard M. Benedict".

Howard M. Benedict  
Chairman of the Board

cc: Co-chair Rep. Harris, House Special Committee on Fisheries  
Co-chair Rep. Morgan, House Special Committee on Fisheries

## **Bill Analysis**

Section 1 amends AS 43.80.050(a) to require all fisheries businesses selling more than 240,000 pounds of salmon products at wholesale in a calendar year to report to the department the prices received and the quantities of the products involved in the sales, including sales by affiliates. In addition, the fisheries business must report for each 4 month period the total quantities of salmon products produced by the fisheries business and affiliates by month. Under current law, reporting is only required for the prices and quantities of thermally processed salmon products sold at wholesale.

Section 2 repeals and reenacts AS 43.80.050(b) to require the fisheries businesses to include in the reports:

- ◆ A description of the products produced and sold;
- ◆ The total quantity of each salmon product form produced and sold by area of production and by species; and,
- ◆ The wholesale price received.

This reporting would be required for the following product forms:

- ◆ Thermally processed salmon products by the number of each size of container
- ◆ Fresh headed and gutted salmon products by pounds
- ◆ Fresh fillet salmon products by pounds
- ◆ Frozen headed and gutted salmon products by pounds
- ◆ Frozen fillet salmon products by pounds
- ◆ Salmon roe products by pounds

Section 3 amends AS 43.80.050(c) to require all fisheries businesses selling to affiliates to report only the subsequent sales of that salmon product by the affiliates at wholesale. The information to be reported includes:

- ◆ A description of the products sold;
- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

Section 4 amends AS 43.80.055 to require the department to determine from the reports the average monthly and annual wholesale prices for the sale of salmon products. These averages are to be determined for each pound by area of production by species by product form, except that for thermally processed salmon products the averages are determined by size of container by species.

Section 5 amends AS 43.80.055 to add a new subsection to require the department to publish the average wholesale prices in a report to be entitled the "Alaska Salmon Price Report".

Section 6 amends AS 43.80.060 to require the department to make the Alaska Salmon Price Report available to the legislature by the 15<sup>th</sup> day of each regular session. This provision, like current law, is unworkable if the intent is to provide the report for the immediately preceding calendar year. Section 1 provides that the reports by the processors for the months from September through December is due on January 31 of the following year, which makes the report to the legislature due before the department receives all the reports. The department will require time to receive the reports from processors, assimilate and review the data, and prepare the reports.

Section 7 amends AS 43.80.100(5) to provide that the reporting year is the calendar year after the calendar year in which the fisheries business sells more than 240,000 pounds of salmon products at wholesale.

Section 8 amends AS 43.80.100(7) to eliminate deductions in the nature of cash discounts allowed on sales and commissions paid to independent brokers in determining the wholesale price.

Section 9 amends AS 43.80.100 to add a new paragraph to define "area of production" in which a salmon product was produced to mean the commercial fishing management area established by the Board of Fisheries by regulation for specific commercial fisheries areas of the state.

Section 10 repeals Section 12, ch. 37, SLA 1998, which would have repealed AS 43.80.050 – 100 on July 1, 2003.

Section 11 amends the uncodified law to add a new section to provide that the first report required by AS 43.80.050 is due on September 30, 2000 for the period beginning May 1, 2000 and ending August 31, 2000, and must be filed by a fisheries business that sold more than 240,000 pounds of salmon products at wholesale during the 12 months ending August 31, 2000.

Section 12 provides a September 1, 2000 effective date.

## **Operating Expenditures**

The following functions must be performed by DOR to meet the requirements of this bill: (1) public service (responding to questions from the public and processors), (2) data entry, (3) report production, (4) report and form dissemination, (5) accuracy and confidentiality checks, (6) non-filer identification, and (5) programming. We already perform these functions for the relatively simple average wholesale thermally processed



salmon report (2 page report and 4 page report form). We produce this report three times a year and it takes the equivalent of one month for one individual.

The increase in estimated form length, from 4 to 48 pages does not address the increase in complexity. Table 1 (see attached spreadsheet) provides some help in understanding the change in the level of complexity. The 48 page number assumes that each page of the form includes production area, pounds, wholesale price and product form by species by month. Consequently, there is a potential for 84 rows of data (14 production areas times 6 product forms per page). We are, however, assuming that, at most we will need to accommodate 32 rows per page. With 4 months of data and 6 species of salmon (including salmon roe) we have 24 pages. We then doubled this number because the data must be collected for both salmon sold and produced.

Not only will the number of filers increase, by at least 4 times, but the amount of information they must report will increase from 1 to 6 product forms, from by sale to by sale and production, and from statewide to by 14 different regions. This increase in complexity compounds the difficulty associated with accuracy and confidentiality checks.

Because of the large increase in complexity and amount of data, we are requesting two positions to meet our obligations under this bill. An Administrative Clerk III (@ \$36,600) will be needed to do all data entry, report and form dissemination, initial accuracy and confidentiality checks and initial public service. An Analyst Programmer I (@\$43,800) will be needed to do the query development and execution, non-filer identification, data base maintenance, final accuracy and confidentiality checks, special projects and responses to more complex public service questions and report production. Equipment, supplies and contractual obligations will be \$11,000 the first year because of a one-time cost of \$7,000 for computers and other equipment. After the first year, equipment costs will be zero and contractual and supply costs will be \$4,000 a year.

Another way to approach this issue is to examine how this cost compares to the cost of other tax programs that the tax division currently administers. The fisheries business tax return is the closest in similarity (in terms of complexity) to the proposed Salmon Product Report. Table 2 provides a comparison of the attributes of both of these programs.

Clearly, the fisheries business tax has more returns, species, and reporting areas. Additionally, the cost of the program includes accounting and collections costs, which would not be an issue for the Salmon Product Report. However, the fisheries business data is annual not monthly, does not include product forms, is not reported two different ways (production and sales) and is only received once a year, not 3 times a year. Also, because firms filing the report will be larger fishery businesses, the reports will be more comparable to the most complex of the fisheries business tax returns. Additionally, in our experience, fisheries businesses tend to fill out their tax returns more carefully than informational reports. This then requires more vigilance and time on the part of DOR

employees. The total administrative cost of the fisheries business tax is \$229,174, which is 2.7 times the estimated \$84,400 operating cost associated with this bill.

### **Capital Expenditures**

The only capital expenditure would be the contract for creating a database and the associated data entry interface. We currently use an excel workbook because we only need 48 spreadsheets to accommodate the current information. At a maximum we would need 2,640 spreadsheets (4 months x 6 species x 55 processors x sold x produced). Each processor would have a separate spreadsheet for each month recording the pounds, product form and production area for a particular species. Each spreadsheet would potentially be 84 rows of data (14 production areas times 6 product forms). Although we know we would not need this many spreadsheets, even doubling the current number of spreadsheets would be too cumbersome to do in an excel workbook. We will also need to be able to execute relatively complex queries and to have a simple data entry interface.

Another advantage of using a database is it opens up the possibility of electronic filing. If electronic filing was required, we believe operating expenditures would decrease by approximately \$22 thousand a year. Although we have not had time to estimate the cost of contracting out for the development of a database, from previous experience we believe it would be at least a one-time cost of \$20 thousand. After the database system is set up, we believe the analyst programmer will be able to maintain the system and adjust it for changes.

### **Revenue**

There is no direct revenue effect of this bill.

## ALASKA DEPARTMENT OF REVENUE

Salmon Price Reports  
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**TABLE 1 - CHANGES TO REPORTING REQUIREMENTS: HB 363**

|                                             | <b>Status Quo</b> | <b>HB 363 Estimates</b> |
|---------------------------------------------|-------------------|-------------------------|
| Number of processors reporting <sup>1</sup> | 12                | 50-60                   |
| Number of product forms <sup>2</sup>        | 1                 | 6                       |
| Number of reporting areas <sup>3</sup>      | 1                 | 14                      |
| Number of species <sup>4</sup>              | 5                 | 6                       |
| Reporting point <sup>5</sup>                | sale              | sale and prod.          |
| Reporting time period <sup>6</sup>          | monthly           | monthly                 |
| Report due <sup>6</sup>                     | 3 times a year    | 3 times a year          |
| Report threshold <sup>7</sup>               | 240,000 lbs.      | 240,000 lbs.            |
| Pages per report form <sup>8</sup>          | 4                 | 48                      |
| Software <sup>9</sup>                       | Excel             | Database                |

<sup>1</sup> We used fisheries business tax data to approximate the number of processors that would exceed the minimum reporting threshold.

<sup>2</sup> The following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

<sup>3</sup> The fourteen areas of production are (1) Southeastern, (2) Yakutat, (3) Prince William Sound, (4) Cook Inlet, (5) Kodiak, (6) Chignik, (7) Aleutian Islands, (8) Atka-Amli Islands, (9) Alaska Peninsula, (10) Kuskokwim, (11) Bristol Bay, (12) Yukon-Northern, (13) Norton Sound-Port Clarence, and (14) Kotzebue.

<sup>4</sup> Under HB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink, (5) Chum and (6) Roe. Under the existing report, salmon roe is not reported.

<sup>5</sup> Under HB 363, the total quantity of salmon products produced and sold must be reported. Because both of these events occur at different points in time, they will be reported separately. This effectively doubles the reporting requirement.

<sup>6</sup> The processor must provide monthly data every four months to the Department of Revenue.

<sup>7</sup> A processor only has to fill out the report if during the previous calendar year the processor has sold more than 240,000 pounds at wholesale.

<sup>8</sup> Because of the increase in the number of product forms (from 1 to 6), the reporting of salmon products produced and sold (from just sold) and the reporting by production area (14 production areas), we estimate that the report length will increase by a factor of 12. Additionally, it will increase in complexity. For example, for thermally processed salmon it will increase from four data fields (pounds, value, months and size) to 7 (pounds, value, months, product form, production area, sold or produced and size) data fields.

<sup>9</sup> An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with at least 50 processors reporting 6 product forms, by production area, by species and by month (see operating expenditures discussion).



## ALASKA DEPARTMENT OF REVENUE

Salmon Price Reports  
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**TABLE 2 - A COMPARISON OF HB 363 REPORT & FISH. BUS. TAX**

|                                             | <u>Fisheries<br/>Business</u> | <u>HB 363<br/>Estimates</u> |
|---------------------------------------------|-------------------------------|-----------------------------|
| Number of processors reporting <sup>1</sup> | 449                           | 50-60                       |
| Number of product forms <sup>2</sup>        | 0                             | 6                           |
| Number of reporting areas <sup>3</sup>      | 54                            | 14                          |
| Number of species <sup>4</sup>              | all                           | 6                           |
| Reporting point <sup>5</sup>                | prod. or trans.               | sale and prod.              |
| Reporting time period <sup>6</sup>          | annual                        | monthly                     |
| Report due <sup>6</sup>                     | once a year                   | 3 times a year              |
| Report threshold <sup>7</sup>               | none                          | 240,000 lbs.                |
| Pages per report form <sup>8</sup>          | 26                            | 48                          |
| Software <sup>9</sup>                       | database                      | database                    |

<sup>1</sup> We used fisheries business tax data to approximate the number of processor's that would exceed the minimum reporting threshold.

<sup>2</sup> Under HB 363, the following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

<sup>3</sup> Under HB 363, the fourteen areas of production for HB 363 are (1) Southeastern, (2) Yakutat, (3) Prince William Sound, (4) Cook Inlet, (5) Kodiak, (6) Chignik, (7) Aleutian Islands, (8) Atka-Amia Islands, (9) Alaska Peninsula, (10) Kuskokwim, (11) Bristol Bay, (12) Yukon-Northern, (13) Norton Sound-Port Clarence, and (14) Kotzebue. For the fisheries business tax, we have included the number of communities we share with.

<sup>4</sup> Under HB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink, (5) Chum and (6) Roe. Species are listed by species code on the fisheries business tax return.

<sup>5</sup> Under HB 363, the total quantity of salmon products produced and sold must be reported. Because both of these separate events occur at different points in time, they will be reported separately. This effectively doubles the reporting requirement. For the fisheries business tax, pounds and value must be reported once, either when the fish is processed or transported out-of-state unprocessed.

<sup>6</sup> Under HB 363, the processor must provide monthly data every four months to the Department of Revenue. The fisheries business tax return is due once a year.

<sup>7</sup> A processor only has to fill out the report if during the previous calendar year the processor has sold more than 240,000 pounds of salmon products at wholesale. All individuals or businesses that process fisheries resources in Alaska or transport unprocessed fisheries resources out of Alaska must file the fisheries business return.

<sup>8</sup> Because of the increase in the number of product forms (from 1 to 6), the reporting of salmon products produced and sold (from just sold) and the reporting by production area (14 production areas), we estimate that the report length will be 48 pages. Currently, the fisheries business tax return is 26 pages long.

<sup>9</sup> An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with at least 50 processors reporting 6 product forms, by production area, by species and by month (see operating expenditures discussion).



## **REPRESENTATIVE ALAN AUSTERMAN** Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

### **Contents of Background Information on HB 363**

- The United Salmon Association's letter to Jeff Hartman, ADF&G economist, an explanation of the COAR report and the \*WPR report, and USA's views for needed changes.
- Meeting Notes from November 9-10, 1999, "COAR meeting" which contains relevant history that led to the introduction of HB 363. See reporting options on pages 9,10.  
Attendees included the Department of Fish & Game, Commercial Fisheries Entry Commission (CFEC), the Department of Revenue, legislators, fish harvesters and associations, and fish processors and associations.
- Document from Gunnar Knapp, Professor of Economics, University of Alaska, on the COAR report.
- A summary of the COAR report, outlining advantages of more frequent reporting of data, by the Salmon market Information Service (SMIS)
- "Understanding Salmon Markets", published by the Alaska Sea Grant Marine Advisory Program
- "A Report on the possible development of a program to determine Wholesale Price Averages for Salmon Products", (excerpt: pg. 4-8, arguments for and against) 1984, by the Department of Commerce and Economic Development, in conjunction with the Department of Revenue and the Commercial Fisheries Entry Commission. (Although dated, the information in this publication directly relates to the dialogue that is going on today. The entire 41-page document is available upon request.)

**\* Note:** This report, put out by the Department of Revenue, is referred to as the WPR (Wholesale Price Report), the WCPR (Wholesale Case Price Report) and the AWPR (Alaska Wholesale Price Report). These are all names for the same report that includes the wholesale prices of thermally processed salmon.

**United Salmon Association**

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|                  |                      |        |        |             |
|------------------|----------------------|--------|--------|-------------|
| Southeast Alaska | Prince William Sound | Kodiak | Area M | Bristol Bay |
|------------------|----------------------|--------|--------|-------------|

Mr. Jeff Hartman  
ADF&G

March 22, 1999

Dear Jeff:

The Wholesale Case Price Average Report (WCPR) and the Commercial Operator's Annual Report (COAR) are the two reports used to gather information for the Alaska salmon commercial fishery resource.

Presently, the WCPR is under the authority of the Department of Revenue. Processors of thermally processed salmon products must report to the DOR three times per year (Jan, May, Sept) the sales volume, product form (can size) and first wholesale value. This report is released approximately 2 weeks after the due date for submission required of individual company reports. Statistics are published as a statewide whole, both in volume and value of various container size.

The COAR is under authority of ADF&G. Processors of salmon are required to report to ADF&G once a year; this report includes all products produced from the salmon resource, including roe, whole fish bones, fillets, smoked products, bait and even the duplicate reporting of canned products. This report is published approximately 3 to 5 months after the due date of April 1. This puts the report out to the public approximately one year after the end of the previous salmon season.

These reports are the sources of information used by the University of Alaska, University of Washington, NPFMC, Board of Fish, Alaska Legislature, or anyone else that desires to look at the State's salmon fishery.

The State's salmon fishery utilizes a huge workforce - as many as 35,000 people participate. With a 75% resident involvement of permit holders, the 5-7x multiplier makes this fishery that much more important. These reports contain the information used for Board of Fish allocation, ADF&G management, and social and economic models needed for the State to understand the true value of one of its most important natural resources. These reports are also being used by harvesters as price verifications for yearly contract with processors.

100% of tax revenue realized from the salmon fishery is generated from the salmon fishery is generated from the ex-vessel price. These taxes include: Raw Fish Tax, ASMI Tax and 1% Marketing Tax as well as local severance taxes and aquaculture taxes. Across the State, this tax ranges from 7-10% of the ex-vessel value. As industry contracts become the norm, sophistication involving product form and marketing partnerships will become more and more dependent on the State's collection of wholesale data. This process in turn should gradually bring a rise to ex-vessel prices thus raising revenue to the state.

The COAR has several areas that need reform. The first is the area of timing the release of the information coupled with the frequency of reporting. It does not make sense that complete, published reports of information on the 1998 salmon fishery will not be available until July, August or even September of 1999. As of today, March 1999, there is no one anywhere that can verify the product forms, volume or value of the 1998 salmon resource with more than an historical guess! The report should be far earlier and more often for real-time tracking of this most important resource.



A second area to address is the subject of noncompliance. The report is currently due not until April. The primary reason for the 3-5 month delay in publication is not data input and compilation, but lack of compliance with the due date and the inability of ADF&G to enforce compliance of the approximate 250 reporting entities.

The third problem is accuracy. Since this is only a database within ADF&G, with no ability to audit, reporting is not as accurate as it should be, according to confidential statements by COAR reporters. There are several small adjustments needed to modernize and make this report more accurate.

We would suggest the following changes to provide the State of Alaska and all those dependent on the salmon resource with a salmon report that has full transparency of wholesale prices and production for all salmon products; a report that is timely and accurate and inclusive!

1. Change reporting dates from April 1 to January 1 for the Sept. 1-Dec. 31 period, May 1 for the Jan. 1-April 30 period and September 1 for the May 1-Aug. 31 period.
2. Include all products and byproducts (canned, fresh, frozen, smoked.....)
3. Include total production figures of all various products and byproducts
4. Apply report value only on all products sold, not in storage
5. Exempt processors processing less than 250,000 lbs. From the Jan-April and May-Aug. reports only, requiring one annual report on Jan. 1
6. Value reported must be "arms length" based on actual sales receipts - not sales to subsidiaries and without included discounts of any kind
7. Compilation of reports should be as locally specific or detailed as possible, but still reportable
8. If involvement published in a particular product form doesn't allow for publication because of confidentiality, reporting area should be expanded, or combined, to include more than three. Example: 1997 COAR coho fillets with no skin & no ribs: Combine all Southeast for 5 processors and/or combine Cook Inlet and Kodiak for 4 processors. This should be done as often as possible to understand the market and the involvement of these products in the market.
9. A daily fine or some specific deterrent to submitting late reports needs to be in place to insure compliance. Without timely compliance, timely publication cannot take place.
10. An audit procedure must be identified to insure accuracy. The use of this report by so many entities for so many businesses and social reasons makes accuracy imperative.
11. Ex-vessel "amount paid" should detail base price, tender (dock delivery) and chilled/RSW. Presently, reporting is not consistent among reporting entities.

And finally, a couple of questions: What do the labels "Dressed (salmon only)" and "food fish" mean in the reports?

Thank you for taking the time to read this. I appreciate your help.

Sincerely,

Bruce Schactler,  
President

*These are meeting notes from the November 9-10, 1999, COAR MEETING.  
HB 363 is directly related to OPTION 1, pages 9 & 10.*

DISCUSSIONS OF POTENTIAL CHANGES TO THE COMMERCIAL OPERATORS  
ANNUAL REPORT DATABASE, PROCESSOR REPORTING REQUIREMENTS, AND  
UNITED SALMON ASSOCIATION PROPOSAL FOR A REPORT ON WHOLESALE  
PRICES FOR SALMON PRODUCTS

Anchorage, Alaska  
November 9 -10, 1999

MEETING NOTES

Geron Bruce opened the meeting with an introductory statement and explained why the Commercial Operators Annual Report (COAR) is the ADF&G's responsibility. The department's mission is broad and includes more than just management of the resource. Title 16 defines the department's mission to include managing, protecting, maintaining, improving, and extending the fish, game and aquatic plant resources of the state in the interest of the economy and general welfare of the people of Alaska. Collecting information to understand and evaluate the impact of fisheries on the economy is fundamental to this mission. The COAR is therefore necessary to the department's mission. The ADF&G does little analysis on the data itself but makes the data available to others for analysis and study.

ADF&G does not expect any decisions to be made at this meeting but instead hopes that the issues will be identified and that follow up actions will be clearly laid out. Geron introduced the ADF&G staff present. Each attendee then introduced himself and gave a short statement of what he expected this meeting to accomplish. Statements included - any changes to the report should protect current uses, changes should strengthen the report, information collected should be standardized between companies and accurately portray the market, most onerous report required from processors, have had difficulty interpreting the report, report needs to be more timely, it's an information source we can all use.

Herman Savikko gave a short report on the history of the COAR, the purpose of the COAR and reporting requirements and forms. He referred to several handouts - a 1999 Blue Sheet, copies of 5 AAC 39.130 and AS 16.05.101 - AS 16.05.050, and a blank 1998 COAR Booklet. He answered questions after his presentation. There will be no substantive changes in the COAR for 1999.

Gunnar Knapp made the observation that it was ironic that when Alaska was a poor state the ADF&G budget allowed publication of a Catch and Production Leaflet but since 1986, during a period with record catches, funding problems have precluded publishing a report. He noted that one way to get more out of the information that we do have is to publish.

Bruce Schactler felt that the product forms listed in the COAR were not clear to users of the COAR data. A short discussion ensued regarding compliance with the reporting requirements. Herman said that 5 AAC 39.130 gives the ADF&G authority to collect certain information but does not specifically mention the COAR. He also said most of the major companies have submitted reports by the April 1 deadline or have requested an extension. He did not know exactly what was the percentage of companies meeting the April 1 deadline.

Stephanie Madsen asked if there was a report requested of the harvesters and if that information was not being collected then there was a lack of understanding of the costs of harvesting. Herman replied that the first buyer of the product is responsible for reporting. There have been a

few reports, e.g. by Jeff Hartman, Joe Terry, that have analyzed harvesting costs but there are no large scale plans for a comprehensive survey. Stephanie noted that these additional surveys add to the reporting burden faced by processors.

Vince Goddard offered some practical suggestions for improving the report. He suggested that ADF&G meet with processors once a year to define the protocols and terms used in the COAR, for example - calculating wholesale values, defining what FOB plant means, how to estimate sales in April for equivalency with February sales and how to get more refined data based on H & G and canned production.

Doug Mecum asked the processors in the group to explain exactly what was so onerous about this report. Pat Hardina replied that she prepares one report for each of 4 plants. And she cannot get the information from her company's software in the form requested by the COAR so there is quite a bit of additional calculation. For example - the total amount paid by gear. After the fish is purchased from the fisherman the company no longer tracks it by gear type. Some of the information the COAR requests is purely a guess - estimating the value of future sales, for example.

Doug followed up by asking how long the report took to prepare. Pat responded that 3 or 4 people each do a part. Doug then asked what information we get from the COAR that we don't get from fish tickets. Herman responded that the COAR information is not an inseason tool. Earnings data from the COAR has been used in allocation issues brought before the Board of Fisheries or the Council. It has also been used to prioritize ADF&G budgets. Elaine Dinneford added that the COAR data supports legislative budget requests, was used in determining Exxon Valdez Oil Spill settlements and provides a way to get exvessel prices when they are not entered on fish tickets as is common in Bristol Bay.

Gunnar Knapp gave the next presentation. He passed out a summary of his presentation. Gunnar believes the COAR has problems with lack of support for compliance, data coding and entry, data analysis and publication but not in the reporting requirement itself. The COAR goes way beyond just reporting wholesale prices; it includes other information that is only collected once a year. For example, what is the product mix from the state's salmon harvest? He would prefer to expand the Alaska Department of Revenue Canned Salmon Wholesale Price Report to include fresh and frozen products rather than change the COAR. Another option would be to involve a private third party. Either of these would give fishermen the wholesale pricing information they need for price negotiations and formulas. He added that we should think carefully about what information is actually most needed.

A short discussion about the accuracy of the COAR followed Gunnar's presentation. Chip Treinen was concerned about requiring an onerous report with out any enforcement. He felt that the emphasis should be on getting better data. Dave Forbush disagreed. He believes that the COAR is accurate, but that different systems at different companies may make it difficult to get comparable data. Herman said that cross checks between the COAR data and fish ticket data and comparisons across companies are routinely done. Double checking wholesale data is more difficult.

Bruce Schactler felt that a more timely report should be the primary change.

Chris McDowell spoke to how he uses the COAR data. He said it was important for economic analysis in SE Alaska. The COAR data has value especially when looking at small towns. He uses it for employment data and as a measure of economic activity especially with recent rapid



changes like the declines in the timber industry. He also uses COAR data for the SMIS report. He has encountered some problems with data confidentiality, e.g. data from the Kuskokwim. It is the only place to find product form composition. The COAR is best for coarse data; it covers the bulk of the trade.

Jeff Hartman has used the COAR data to evaluate the cost to industry of the oil spill in a natural resource damage assessment project. It was the only source available to track those effects. He also has used COAR data to evaluate the impact that the Endangered Species Act has on communities. The COAR data is useful in any evaluation of loss to the fishing industry e.g. the impact of federal regulations in Glacier Bay.

Kurt Schelle uses the exvessel prices as reported in the COAR. CFEC applies these prices to every item in the fish ticket file to get a total value for each fishery. The value field from fish tickets doesn't include bonuses or adjustments or is sometimes left blank. Data audits occur naturally. CFEC also fills data requests from the public and has some use for catcher/processor wholesale price data.

Chris Oliver uses COAR data as baseline reference data and relies on it heavily. Any changes should not detract from the form or function of the current database.

Elaine Dinneford noted that the COAR is a systematic gathering of data in a neutral environment. The current due date allows us to capture more inventory sold, more settlements and more postseason adjustments.

Bruce Schactler said that the direction that the industry is headed drives the decisions that fishermen have to make. The COAR is not timely enough for ASMI, for ADF&G budgets, for the Board of Fisheries, or for USA contract negotiations. At the last Salmon Forum the sounding board recommended that the COAR reporting frequency be increased to twice a year.

Dave Forbush stated that not everyone agreed with that recommendation. The ensuing discussion focused around the use of the COAR by USA. Scott McAllister noted that the legislature has always responded in the past to the fishermen's need for the wholesale value of canned salmon. We need a timelier COAR. This would be simply modernizing an existing report. The additional reports would be for salmon only – an Alaska Salmon Report. Pat Hardina felt the COAR was good for long-term data comparisons but that there were inaccuracies in calculating fine detailed data and wondered why fishermen needed this data now when it had not been needed in the past. The data assumptions had not been important until processors started signing USA contracts.

Chris McDowell noted that the processor costs are proprietary and vary from year to year depending on recovery rates. He didn't think that the COAR would make a big difference to USA because the processor costs aren't reported. Bruce said that the use of COAR data in negotiations would be decided as needed.

Carmine DiCostanzo outlined a proposal that has recently received funding from NMFS. The draft proposal was available at the meeting. ADF&G will receive \$0.5 million over 3 years to update, strengthen and improve the COAR. The project will also enable ADF&G to develop more understanding of industry practices as a benefit of this project. The discussion following Carmine's presentation centered on the following issues: timeliness of the COAR, non-compliance, NMFS regulations, and frequency of reporting and electronic reporting.

- This project will not change the due date of the COAR. The goal is to make data available as soon after April 1<sup>st</sup> as possible; data is usually available after September. Incomplete data is available from ADF&G and it is helpful to someone familiar with the fishery.
- 5 AAC 39.130, Reporting Requirements, is a Board of Fisheries regulation. If stronger regulation were needed, it would have to go to the Board for consideration. Department of Revenue, however, requires a bond to ensure compliance.
- New NMFS regulations will require reporting by the offshore sector. NMFS is funding the COAR project and insisted on a hands-on approach. Bruce thought that this would add cost to the COAR and wondered if NMFS was willing to discuss long-term funding. Carmine indicated that there might be additional funds after the first three years but he does not know their long-term plans.
- Carmine emphasized that this project would update the basic functions of the COAR, modernize codes, eliminate ambiguous questions, improve data quality and resume publication of the Catch and Production Leaflet but that the funding is inadequate to effect any major changes such as increasing the frequency of COAR submittal. He felt it was important to clean up the COAR and make it work before making any major changes.
- One of the goals of this project is to evaluate the feasibility of electronic reporting of the COAR. NMFS is implementing electronic groundfish fish tickets in 2000, but hard copies will still have to be filled out. ADF&G is not developing this kind of software.

Dave Forbush volunteered to put together a working group of PSPA members in Seattle to define product terms. He likes the idea of electronic reporting and felt that the industry had the ability but different companies had different accounting systems, different formats. He agreed that the existing report should be fixed before broadening the scope of the COAR.

Bruce Schactler presented the USA proposal for a wholesale price report for salmon. He reiterated his problem with the definition of product codes in the COAR and acknowledged Dave's offer to help solve this problem. But he felt that the biggest problem with the COAR is frequency of reporting. USA wants the report submitted three times a year for salmon data only. Other species would remain as they are now. The reporting dates would be the same as the WCPR reporting dates. The first report would be due October 1<sup>st</sup> for the period ending August 31<sup>st</sup>.

Each report would include amount of salmon purchased and the price, what products were produced and the volume of each, how much was sold and for how much, FOB plant. This won't be an historical document. The salmon season isn't over yet but this report should cover 95% of the catch. USA wants a continuous year-round database.

The next reporting period would end January 1<sup>st</sup> and the report would be due February 1<sup>st</sup>. This report will pick up the last 5% of the salmon catch and the majority of the frozen product sales. Most sockeye is gone by January 1<sup>st</sup>. Some retros would be included in this report as well. This method would be more like a movie rather than a snapshot.

The last report would be due June 1 for the period ending April 30<sup>th</sup>. This report would cover the last of the sales and the beginning of the new season. Once a year reporting for other species is fine but salmon demands more attention. NMFS wants real time information – why is salmon any different?

One advantage would be that processors wouldn't have to put a theoretical value on fish still in the freezer.



Finding the money to do this is a big problem. There are options. By statute there is money earmarked for the collection of data from the 1% ASMI tax. USA proposes to use the surplus from that fund. Up to 10% of the 1% tax collected is allowed for use by the SMIS. Last year that 10% was \$280,000 and the SMIS only used \$120,000 leaving \$160,000 that was absorbed by ASMI.

After Bruce finished his presentation there was a long discussion between the processors and Bruce. Most of the processors participated and were generally opposed to his proposal. Kathy Ciskowski wanted to know why the McDowell report did not meet this need. Bruce replied that it lacked 1999 data. Dave noted that the processors don't have 1999 data either. Bruce said that the processors know the wholesale price and Dave replied that the number of pounds sold by fishermen in 1999 was available. Bruce said that those numbers would not match the COAR but he did not know why.

Vince Goddard commented that a month was not enough time to prepare a report; they needed at least 2 months and fall was too busy in the plant to have to prepare a report. Gary felt they had to have a cut off point. The good product is sold first so the price is high; the remaining product is usually lower quality. Processors must be allowed to value remaining inventory or an inaccurate picture of the total production will result. Don't mess with the COAR.

John Hanrahan felt the report should be separate from the COAR. Annual sales reporting makes more sense than quarterly reporting. Reporting the gross sales price would discourage better packaging and in-store promotions. He would like to see the net sales price reported and would not like to publish inventories because it weakens the processors bargaining position with their customers.

Bruce felt that the gross wholesale value needed to be reported for economists to derive multipliers. The wholesale price reported must be consistent for all processors. How the wholesale price affects negotiations is between USA and the processors. This is not just a sales report to help USA members in contract negotiations. The idea first came from the Board of Fisheries. This is for everyone. This is for the governor.

Vince doesn't want to mess with the COAR. He suggested uncoupling the price to the fisherman from the WCPR, and then you would have what you want except for marketing information. The product types would have to be limited to H&G, canned and combine the remainder. We do specific orders for specific customers and could not calculate an accurate recovery.

Kris Norosz pointed out that once this information became public it would be available to her competition especially internationally.

Scott did not want to create more work for the processors. Canned product, fresh and frozen H&G, and maybe fillets should be reported three times a year as a wholesale price index. Visualize a component of COAR. Maybe over time niche marketing could be added. Fishermen pay a lot (1%) for a marketing effort.

Doug Mecum asked Bruce why those dates were chosen and if you had to choose one date? Bruce replied that the first date was informational, gives the value of the fresh product sold and reveals market strategy. The second report covers the majority of sockeye sales and the wholesale value. The last report in June finishes the previous season and removes any gaps. No one date would work.



Doug asked Kurt Schelle if CFEC would be able to use this data to calculate earnings by fishery for use in allocation discussions. Kurt replied that it would be more difficult because they can't access raw data from the Department of Revenue.

Doug then asked the processors what was the difference between reporting canned and frozen product? Many processors answered – Can sizes are standard. H&G is classified in 4 size groups. It is difficult to calculate FOB inventory. Pat Hardina noted that the canned pack could be carried over. Frozen product competes with farmed product; divulging inventory would remove the competitive advantage.

Pat then asked about USA's marketing efforts. Scott responded that ASMI needs good information on carry over, what products to sell and to develop their budget. Pat said that ASMI is more promotional. A discussion ensued about the ASMI mission and product inventory. The ASMI board is aware of the USA proposal but has not considered it. USA was told to wait until after this meeting.

The first day ended after Dave Forbush asked Bruce Schactler why USA was attempting to use the regulatory power of a state agency to get information for use in salmon price negotiations about wholesale values for salmon. Bruce said he turned to the state because the companies had refused to voluntarily provide the information when requested.

Wednesday, November 10

Gary and Bruce discussed some of the problems with the COAR; Geron captured these on the first flip chart.

#### Changes to COAR

1. More specific product codes/classes
2. Real time moving picture of salmon market – 3 times a year

Alan Austerman asked if the state was getting the information it needs? He thought that 18-month-old information was old information and liked the 3 times a year approach. The state shouldn't worry about final numbers. That should be the analysts business, e.g. UAA. He was concerned about the entire industry. The processors should report more frequently and get something more usable for industry.

1. Can processors report wholesale price data more frequently? – YES
2. What are the benefits/ Is it useful?—OPINIONS VARIED.

Stephanie said that the year-end report should continue for continuity and compatibility with historical data. Increased reporting was going to burden the processors; there is no one button to push to generate a report. Pat noted that most here were against substantively changing the COAR. She also questioned the value of collecting more frequent sales information because every year is different and one year doesn't necessarily translate to the next. ASMI and USA can't sell product we've already produced. Their role is to promote Alaska seafood generically. They don't sell specific product.

To respond to Pat's comments, Scott said that he had no way to account for his 1% investment to ASMI. He wanted some sort of audit trail. He also had no way to assess the success of the ASMI program. He felt the fishermen were on the verge of a new relationship with the processors.

Bruce said that the harvesters are unhappy with the processors because they are too slow to move into a food driven market. USA is finding new markets – trying to help at the marketing level. USA wants to move the industry forward.

He continued with his assessment of where the group was. The processors appear to be adamantly opposed to modifying the COAR and a number of the users of COAR have urged caution in any modification of COAR. But all agreed that the COAR needs some improvements. Where do we do it then? Should we go to Revenue and augment the WCPR by adding fresh and frozen H&G, fresh and frozen fillets and roe products? And put everything else in the COAR? If other product types become significant in the market we could add them to the report.

John questioned who really needed this additional information. Was it just the fishermen? Is there a government agency that needs a quarterly report? He has not heard support from the economists. If it comes down to information that fishermen need to negotiate a price, then isn't this between the fishermen and the processors?

Bruce responded that this information was needed; that even if a bureaucrat didn't know he needed it, he did. This change has been recommended at last year's Salmon Forum.

Doug got the group on track again by suggesting listing the options.

#### Options

1. Add product forms to Revenue WPR
2. USA Proposal to use COAR.
3. Tune-up COAR
4. 3<sup>rd</sup> party reporting directly to fishermen/ processors subject to contract.

1. What are goals/ objectives?
2. What are the methods to achieve?
3. What are the intended results? Who uses it?
4. What are the advantages/ disadvantages?
5. What are the costs/ benefits?

Bruce wanted to flesh out the 3<sup>rd</sup> party idea that Stephanie suggested. Geron captured the basic idea on a flip chart.

#### 3<sup>rd</sup> Party Reporting/Verification

- Fishermen/ USA would pay for 3<sup>rd</sup> party collection and verification of agreed wholesale information
- Processors agree to provide information 3 times a year
- Product forms: canned, fresh H&G, frozen H&G, fresh fillets, frozen fillets, roe

Gunnar commented that this was only one option; the point is that it is achieved without involving the state.

Scott voiced his opinion that he could not believe that the processors would agree to this. Gary agreed. He said his company would not give this information willingly. Their customers would also have access to this information. Annually is OK but not during the season. They wouldn't have control even if a private group collects the information.

#### **Option 4 – 3<sup>rd</sup> Party**

##### **Goals / Objectives**

- a) Provide USA the information that they need
- b) Without increasing the reporting burden on processors
- c) Protects proprietary information
- d) Provide predictability

Scott asked how more frequent reporting could jeopardize competition. Gunnar explained that the processors are in the middle. On one side there are fishermen who feel that with more information they can get a better deal and on the other side there are the wholesale buyers that also feel they could get a better deal with more information. If the market can get proprietary information then both the processors and the fishermen stand to lose. This option potentially provides the means for USA to access this information without the market getting it.

#### **Option 4 – 3<sup>rd</sup> Party**

##### **Methods to achieve objectives**

- a) Contract between fishermen/ a processor or processors
- b) Agreement on the information to collect
- c) Agreement on how to pay for
- d) Agreement on maintaining confidentiality
- e) Agreement on frequency of reporting

#### **Option 4 – 3<sup>rd</sup> Party**

##### **What are intended uses/ Who uses**

- a) Fishermen who have the contracts

#### **Option 4 – 3<sup>rd</sup> Party**

##### **Advantages**

- Cost state less
- More flexible
- Information can be precise, specific
- Better tracking of product forms
- No additional cost to processors
- COAR remains annual report

##### **Disadvantages**

- Processors won't participate
- Won't provide information to public
- Cost too high for fishermen
- Fragments harvester solidarity
- Too much power in processor hands
- No statutory requirement to do



- Less bias in pricing

Larry Persily arrived; the group resumed discussion of Option 1 – Add product forms to WPR. Larry felt that the WPR was not a Revenue function. Revenue doesn't audit these reports nor do they have the staff to do audits. Scott and Bruce disagreed. Every tax dollar is at the exvessel level. Expansion to the wholesale level is a proprietary black hole. Harvesters pay ASMI and other taxes and it gives us a tool to negotiate and increase the exvessel price. It is in our best interest to increase world market share. This will bring up the tax base.

Larry said it would take the equivalent of one person or \$60,000. And that would not include any auditing capabilities. Revenue would have to respect confidentiality. Revenue will release summarized information for 3 or more taxpayers.

**Option 1 – Add product forms (fresh, frozen, roe) to WPR****Goals/ Objectives**

- a) Provide fishermen information they need
- b) Doesn't change COAR
- c) Good fit between WPR and additional reporting
- d) Reporting frozen, fresh, roe by ADF&G area

**Option 1 – Add product forms (fresh, frozen, roe) to WPR****Method to achieve objectives**

- a) Seek legislation
- b) Seek funding
- c) Industry agreement to support this option and the means to achieve – lobby for it

Bruce, as chairman of the UFA marketing committee, said he has agreement there.

**Option 1 – Add product forms (fresh, frozen, roe) to WPR****What are intended uses/ Who uses**

- a) Fishermen
- b) Customers of processors
- c) Academics/ researchers
- d) Salmon Marketing Information Service
- e) Any member of the public

Dave said that the processors wouldn't use this information. If he wants information he calls his customers. This option has more negatives for processors. It won't help the industry market fish it will hinder.

Gunnar said that from a research point of view the more information he could access the better. Chris indicated that he would use this information. He finds that fishermen, small processors and the USDA are interested in WPR information.

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**Advantages

- Uniform compliance
- Guaranteed confidentiality
- Give fishermen information
- Make Information available to public
- Keeps data used for research/ public policy separate from data used for price negotiation

Disadvantages

- Future expansion to other species/ users
- Compromise confidentiality
- Cost to provide information
- Complicates product sales/processor/customer relationship
- Companies don't categorize sales by catch area – would have to redo books
- Cost to State of Alaska
- More frequent data reporting tends to produce less accurate data

Geron asked the group where we would be at the end of the meeting? Bruce wanted to know where everyone stood. He wanted to have some news for the 6,000 subscribers of the USA newsletter. He said he wanted to leave the meeting knowing where we were going. Geron reiterated that this was not a decision-making meeting but rather one to identify issues and determine a way to work on those issues.

Dave said that he was still committed to get the PSPA group together to work on definitions of product forms even though it is more difficult now; they may have to have an attorney present. He will go back and have a discussion with his CEO. He felt that the group was further along than yesterday.

Bruce agreed that everyone was in favor of tuning up the COAR. And he heard some support for a separate report outside of COAR. But now he is hearing nothing positive from the processing sector that USA will get their compromise position – a report separate from the COAR.

Dave wants to know if that information is really necessary? He still wants to know what information USA needs other than information they would use at the bargaining table and what it will do for the industry.

Gary will support defining product terms and a tune-up of the COAR but not more frequent reporting.

Gunnar acknowledges that there are benefits from more frequent reporting but does not feel strongly either way. He said that there would be winners and losers from more frequent reporting of wholesale values. There is confusion and a lack of understanding of what is happening in the market leading to disbelief and suspicion in the fleet. There is a lack of willingness to believe when the market is up or down because there is no "official" data. More information would further the cause of a well-informed fleet.

However this information may not actually be useful. Four month old information is not really current. The data could be misinterpreted when applied to the next season. It would be expensive to collect and it may put the entire industry at a bargaining disadvantage when it comes to selling to customers at the wholesale level.

Dave agreed that the processors would like to gain the trust of fishermen. Bruce said that the Salmon Forum recommendation for more frequent reporting actually came out of the committee of industry relations.

Chip observed that harvesters and the processors share the risk and that trust is required but that the processors are unwilling to enter into a contract. So what should be a private affair becomes public to the detriment of everyone.

Geron cautioned the group to not be too pessimistic. There have been steps taken at this meeting. As long as the groups are still talking fate is in your hands. Sometimes taking things to the legislature has unexpected consequences and trade-offs.

Bruce said he read the proposal for COAR enhancements and agrees it is necessary. He wants to bring more clarity to codes for the users. Gunnar felt that it was the responsibility of the users to understand the codes and the product types. This is a complicated industry and some data just doesn't fit the codes. The more we try to match the data to the industry the more complicated it becomes.

Herman agrees. Industry fills out the COAR not only for salmon. For example any fish can be dressed. Different companies may use different codes in an attempt to fit the code to the product. The code N/A results when a company is unable to match a code to a product.

### **Option 3 – Status quo – tune up COAR**

#### **Goals/Objectives**

1. Basic functions of COAR needs to be redone and modified.
2. Data quality needs to be improved including basic data entry, code modernization, fix ambiguous questions, and improve inseason editing tools and historical auditing tools.
3. Publish information in Catch and Production Leaflet, ad-hoc queries. Give other access to data – CFEC, AKFIN, NMFS, internet access
4. Develop ADF&G expertise on industry practices
5. Electronic reporting
6. Valuation of inventory – how to do – procedures for estimating value of inventory
7. Definition of method of calculating wholesale value
8. Prior season data available by beginning of next season – May 1.
9. Evaluate alternative due dates from processors.

### **Option 3 – Status quo – tune up COAR**

#### **Methods to achieve objectives**

1. PSPA processors generate common understanding and terms for product codes for all species.
2. ADF&G establishes liaison. Reviewed by ADF&G
3. Send to ADF&G
4. ADF&G distribute and ask for comments from non-PSPA processors and harvesters.
5. ADF&G consolidates comments, prepares proposal and executes
6. Input/ seek comments from users of COAR – thinking about fundamental uses. Example – Definitions of wholesale value and how this will be used.



**Option 3 – Status quo – tune up COAR**

Who are the users?

- Same group that uses it now

**Option 3 – Status quo – tune up COAR**Advantages

- Can be used more quickly prior to coming season
- Get better, more usable information per USA proposal (definitions)
- Reduce state costs
- Improved quality of data
- Better ADF&G understanding of industry practices
- Improve publication of data, better public/user access to data

Disadvantages

- Earlier reporting date means less product sold
- Earlier – less accurate, more estimates
- Doesn't provide a moving picture of market
- Potential to disrupt historical continuity of data

Bruce indicated he would rather have accuracy than an earlier report. Gary would prefer to stay with April 1. Dave likes the idea that taxes are due at the same time as the COAR.

Bruce asked that the processors get back to him with a response about his proposed 3 times a year Salmon Index Report. Gary indicated that the PSPA processors would likely respond as a group but that he did not control that.

Based on the discussion about modifying COAR to produce a tri-annual salmon report and objections and concerns from processors and users of COAR, USA decided not to pursue option 2. Consequently no analysis of option 2 was conducted at the meeting.

Geron gave the group the option of continuing the discussion or adjourning. The group adjourned at approximately 3 p.m.

**Participants:**

ADF&G: Doug Mecum, Jeff Hartman, Herman Savikko, Carmine DiCostanzo

Wards Cove: Dave Forbush, Sr.

Peter Pan: Gary Greenwood

Ocean Beauty: John Hanrahan

Norquest: Ken Ng

Trident: Doug Donnegan

Cook Inlet Processors: Pat Hardina

Unisea: Kathy Ciskowski

Inlet Salmon: Vince Goddard

Wrangell Seafoods, Del Repnow

United Salmon Association: Bruce Schactler, Virginia Adams, Scott McAllister, Herb Jensen, Chip Treinen, Tom Wischer

Legislators: Representative Alan Austerman, Representative John Harris, Representative Fred Dyson, Senator Loren Leman, Senator Georgiana Lincoln, Lacey Berns (staff to Senator Jerry Mackie)

Salmon Marketing Information Service: Chris McDowell

Alaska Fisheries Information Network: Peggy Murphy

CFEC: Kurt Schelle

University of Alaska: Gunnar Knapp

North Pacific Fisheries Management Council: Chris Oliver and Elaine Dinnford

Department of Revenue: Larry Persily, Deputy Commissioner

Facilitator: Geron Bruce, ADF&G

Recorder: Ellen Simpson, ADF&G

# **Observations on the Commercial Operator's Annual Report and Proposals for Changes**

by

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**Prepared for a meeting on  
"Discussion of Potential Changes to the  
Commercial Operators Annual Report Database,  
Reporting Requirements, and United Salmon Association Proposal  
for a Report on Wholesale Prices for Salmon Products"**

**Westmark Hotel  
Anchorage, Alaska  
November 9-10, 1999**

## **Introduction**

The following are summary observations relating to the Commercial Operator's Annual Report (COAR). These observations are based on my experience as a user of the COAR data for research about Alaska fisheries and markets over the past decade.

### **Importance of the Commercial Operator Annual Report**

The COAR reports are a very important source of information about the Alaska commercial fishing industry. They are the only source of reliable data on many important aspects of the industry, including:

- **Ex-vessel price.** The COAR reports provide the only available *accurate* source of data on average ex-vessel prices received by fishermen, which may be calculated by dividing total amount paid (*including* adjustments) by total pounds purchased.
- **Production.** The COAR reports provide the only available source of data on fish products production in Alaska. Production is reported in extensive detail, by both product and process.
- **Wholesale value and prices.** The COAR reports provide extensive detailed data on wholesale value of production and average wholesale prices (which may be calculated by dividing total value by production pounds).
- **Other data.** The COAR reports provide the only available source of data on many other aspects of the seafood industry, such as custom processing and processing of Canadian fish.



The COAR data are absolutely critical to the ability of the State of Alaska--or anyone else--to have a clear idea of what is actually happening in the Alaska seafood industry.

### **Problems With the COAR Data**

As a researcher, I have experienced several problems with the COAR data. These are attributable not to the reporting requirement itself--the information processors are required to report and when they are required to report it--but to how the reporting requirement and the data are administered by the Alaska Department of Fish and Game (ADFG). These problems are attributable, in part or in whole, to a lack of funding. Specifically, they include:

- **Lack of compliance.** Not all processors comply with the COAR reporting requirements. This is apparently particularly a problem with smaller operators and with operators who have gone out of business and neglect to file reports for the previous year.
- **Delays in data coding.** Data coding is a slow process. ADF&G has a limited number of staff who can code the data (and check that the coding is accurate and the data are complete and make sense). This delays the period of time until final data are available by many months.

**Data are not published.** For many years ADFG published COAR data in the annual Catch and Production reports. These reports provided a useful, consistently formatted source of public information about the seafood industry. It has now been more than ten years since the last Catch and Production report was published. Since then, there have been only sporadic publications of COAR data. ADF&G have been responsive to special requests for information, but have only limited time to assist with these requests. The fact that data are not published on a regular or timely basis in a consistent format significantly hampers their utility for research purposes.

### **Potential for Making Better Use of the COAR Data**

Beyond addressing the problems resulting from lack of compliance and lack of publication of the COAR data, there is much potential to use the COAR data to gain a better understanding of the Alaska seafood industry and how it is changing. The following are examples of questions which could be answered using the COAR data:

- How is production of Alaska seafood products changing? Are we selling more products fresh? Are we producing more value-added products? Of what kinds? How much value is added in value-adding?
- How is the structure of the Alaska seafood industry changing? Is the number of seafood processors increasing or declining? Is the industry becoming more dominated by a few large firms, or less? How many buyers, of what scale, exist for each species in different areas?
- What are margins between wholesale prices and ex-vessel prices in different areas? How are these margins changing?
- How are recovery rates for seafood products changing?

### **If It Ain't Broke, Don't Fix It**

We should remember the adage: "If it ain't broke, don't fix it." The point of this saying is that it's better to stick with something that's basically working rather than to risk really breaking it by trying to "fix" it. My point is that we should be careful to avoid making changes to the COAR that might compromise its most important purpose, which is to serve as a comprehensive source of information for the state about the seafood industry.

The COAR is not broke. The present reporting requirements, the reporting form, and the timeline for reporting the information have been developed over many years. They make sense. Processors know how to report the information. The State and other users have experience with how to interpret it.

As noted above, the most important problems with the COAR data don't result from the reporting requirements but rather with lack of support for compliance, data entry, data publication, and analysis. The solution is to give adequate funding and attention to these activities, rather than to change the reporting requirement itself.

### **Obtaining More Timely Wholesale Price Information**

Many fishermen and fishermen's organizations have expressed a desire for an objective, timely and comprehensive source of information on wholesale prices received by processors, which could serve as a basis for price negotiations and price formulas. This makes sense. It is entirely reasonable for the State to assist in collecting and distributing this information.

The Alaska Department of Revenue Canned Salmon Wholesale Price Report is an example of a reporting requirement which was originally developed for and which is currently being used for exactly this purpose.

The wholesale prices for fresh and frozen products which may be calculated from the COAR database are not suitable as a basis for price agreements because the information is not reported until the April of the following calendar year, and is typically not available until June or July.

To obtain better wholesale price information for fresh and frozen products for use as a basis for price formulas, I believe it makes much more sense to modify or expand the Alaska Department of Revenue Canned Salmon Wholesale Price Report than to modify or expand the COAR reporting requirements. I believe this for the following reasons:

- The Department of Revenue (DOR) report is specifically designed for the purpose of tracking wholesale prices. Processors report specific information needed for the purpose of tracking wholesale prices several times per year.
- In contrast, the COAR report is designed to capture much more information (such as volumes bought, prices paid, and custom processing). We should not have the tail (of more timely wholesale price information) wag the dog (of comprehensive reporting of buying and production). It is not practical to report this information more than once per year, and long enough after the end of the reporting period so that the information can be assembled by processors.

- We have recent experience with modifying the DOR report to better meet the reporting needs of the industry for wholesale price information. We know how the process works.
- The COAR report is already very long and comprehensive. Any modifications will make it still more cumbersome to report.
- ADFG resources for COAR enforcement, data entry, publication and analysis are already severely strained. Adding additional responsibilities will only increase the challenges presently faced by ADFG.
- A wholesale price reporting requirement for use in price negotiations and formulas should reflect careful thought on the part of both fishermen and processors about what is *most important* to know as a basis for reporting. It would be impractical to develop detailed formulas based on prices of many different products or for many different regions--and such price information would likely face many confidentiality restrictions. We should avoid the temptation to think "the more information, the better" in developing reporting requirements, but should instead think carefully about what information is most needed.



*COAR summary outlining advantages of more frequent reporting of data  
by the SALMON MARKET INFORMATION SERVICE (SMIS)*

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**Background**

This paper is a response to a data request made of the Salmon Market Information Service (SMIS) by United Salmon Association. The SMIS was asked to write a brief summary outlining the advantages of more frequent reporting of wholesale salmon price data currently released once a year in the Commercial Operators Annual Report (COAR). The data request followed a meeting held in Anchorage on November 9 and 10, 1999 to discuss potential changes to the COAR.

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**Discussion**

**Wholesale Price**

If wholesale prices of salmon products are viewed as a river, then the river starts with FOB Alaska first wholesale price as reported in the Commercial Operators Annual Report (COAR). As the product travels "downstream" through brokers, importers, wholesalers and retailers on its way to consumers, cost is added at each level.

Data services such as Bill Atkinson's News Report or Urner-Barry's Seafood Price Current provide useful, consistent and frequent information for identifying trends. However, such pricing information is substantially downstream of FOB Alaska wholesale prices. Shipping, commissions, duties, storage and other factors play substantial roles in setting downstream wholesale prices.

While Alaska processors' production costs remain proprietary and confidential, FOB Alaska wholesale price data represent only one layer of such costs, whereas downstream wholesale prices represent several layers of costs and profit-taking. This in turn makes ex-vessel price less significant in terms of the stated wholesale price. One processor may be able to access his end-use market quite directly, while another may have to support the cost burden of multiple levels of commission and consignment profit-taking before the fish reaches its downstream wholesale price point. In essence, FOB Alaska wholesale price gives fishermen the clearest picture of what their catch actually brought on the market.

**Species Targeting**

Some salmon fisheries in Alaska have the ability to selectively target different species. In many cases, the decision to target a specific species requires capital investment, gear changes and lost opportunity on other species resulting from commitment of fishing effort or vessel set-up. If the ex-vessel price comes up short, the fisherman stands to lose money on his targeting decision. Increased frequency of FOB Alaska wholesale salmon prices could alleviate some of that risk to fishermen.

Downstream wholesale prices can fluctuate for a variety of reasons, many of which are beyond the control of processors. Some factors include exchange rates, harvest shortfalls in other fisheries, health-related consumer issues such as the recent salmonella scare in Japan, and a host of other factors. In the case of a processor who has sold or committed inventory before the market spikes up, that

price spike is of no benefit. So while the downstream wholesale indicator (Atkinson, Urner-Barry, etc.) may go up substantially, the processor's wholesale price (and ability to pay ex-vessel price) remains unchanged.

If a fisherman were to make a targeting decision based on such downstream indicators, he might be operating under an unrealistic expectation of his processor's ability to pay an ex-vessel price. More frequent reporting of FOB Alaska wholesale prices would reduce that risk by providing some indicator of whether or not a price increase traveled back "upstream" to the processor. The current timing of annual reporting renders the COAR useless for pre-season targeting decisions.

### **Accuracy Relative to Harvest Year, Sales Season**

Reporting three times a year would increase the accuracy and pertinence of COAR data. The vast majority of Alaska's salmon harvest occurs during July and August, meaning the sales season for salmon caught during a particular harvest year runs from July of one calendar year through June of the next. Currently, the COAR reporting period follows the calendar year and prices are averaged across the year. Since salmon prices are so responsive to supply levels, this creates the potential for an average price that is very different from actual wholesale prices that occurred during either of the two sales seasons within the calendar year.

For instance, the 1997 harvest season saw landings of 30 million sockeye in Alaska, down from 50 million the previous year. Japan's Tsukiji market wholesale prices for frozen sockeye increased by 33 percent in a single month (August 1997) presumably in response to reduced supply. Given the once-a-year reporting format, the COAR is unable to account for such changes and simply averages the results of two [markedly different] sales seasons for this product form.

As it currently exists, the COAR is unable to distinguish one sales season from the other and as a result is far less accurate than it could be with more frequent reporting. A three-times-a-year reporting structure would provide the ability to track wholesale prices on a month-to-month basis, identifying prices for the sales season rather than averaging portions of two (potentially very different) sales seasons.

### **Product Form Composition**

Quite simply, the COAR is the only accurate source of data that exists for determining the product-form composition and product-form volume of the Alaska salmon harvest.

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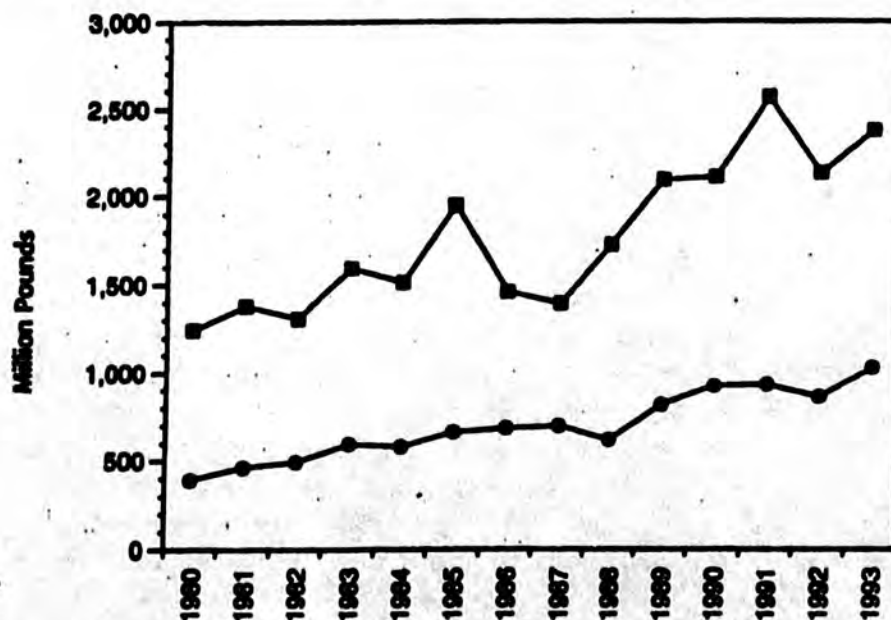
## Understanding Salmon Markets

by Terry Johnson  
and Craig Wiese

*What is happening in salmon markets? What exactly is a market? Where do our fish go, and who decides how much we get for them? Why do salmon cost so much in the supermarket? What will prices be in the future?*

World salmon markets are changing. At one time, Alaskans could sell every salmon they caught because they produced nearly half the world supply. When salmon runs decreased, the price went up, and most fishermen would still earn enough money. But today a lot more salmon is on the market. Wild salmon landings have increased in Alaska and elsewhere, and farms are now producing as much salmon as the Alaska fishing industry. So much salmon is produced in the world today, compared with the 1980s, that prices have been forced down so consumers will purchase it all. In 1993, 2.4 billion pounds of salmon were produced worldwide. Japan is the largest consumer, purchasing 35%-45%. The figure below shows world salmon production and Japan salmon consumption since 1980.

**World Salmon Production (■) and Japanese Salmon Consumption (●)**



**SOURCES:**

World salmon production, from  
ASMI 1993 and State of Alaska  
1993.

Japanese salmon consumption,  
from Knapp 1992 and Bill  
Atkinson's News Report 1994.



Salmon Market Information Service reports are published by the University of Alaska Anchorage under a contract with the Alaska Seafood Marketing Institute (ASMI). Salmon fishermen pay for these reports through a 1% tax on their landings. Contact: Salmon Market Information Service, University of Alaska Anchorage, (907) 786-7750.

Many sources of salmon market information are available to fishermen:

- Newsletters, such as *Bill Atkinson's News Report* (206) 525-3235, *Seafood Trend Newsletter* (206) 523-2280, and *State of Alaska Weekly Fish Report* (907) 561-5585.
- Salmon Market Information Service reports.
- Fishing industry trade journal market reports.
- Seafood industry trade journals.
- Radio, TV, and daily newspaper coverage.

To use these sources, a fisherman must have a basic knowledge about salmon markets and how market information is presented. The purpose of this publication is to explain the basics.

## What is a market?

The term "market" can be confusing because it has several different meanings, and all are used regularly. A market can refer to a region where sales occur, as in "the biggest market for sockeye salmon is Japan." Or it can be a reference to the economic outlook for sales, such as, "the market is down because of the recession." Market also refers to the buyers of a product. For example, fishermen often use the term market to mean the processing company that buys the raw fish. When people talk about marketing or a marketing campaign, they're talking about the promotion and selling of a product, as in "what's the best way to market frozen salmon in Omaha?" Market can also refer to the place where a product is sold, whether it's the entire U.S. retail market or the store where you buy groceries. All of these meanings are correct and most of them are used in this publication. A person simply has to pay attention to the context in which the word is used.

Eight species of salmon are sold throughout the world: six Pacific species (sockeye, pink, chum, coho, king, and Asian cherry salmon), plus Atlantic salmon and saltwater pen-reared rainbows or "salmon trout." The markets for these eight species involve tens of product forms, dozens of countries, hundreds of companies, thousands of middlemen, and tens of thousands of fishermen and fish farmers.

For each combination of species and product form, there are buyers in the market who want that product and others who are not interested. An exporter looking for canned reds to sell in Britain isn't interested in fresh reds, at any price. A smoker who wants kings to make into lox won't be interested in the finest pinks money can buy.

The process of buyers finding the product they want, agreeing on a price, and purchasing it from a seller, is the essence of a market in action.

## Where do Alaska salmon go, and how are they processed?

Of the five species of Alaska salmon on the market, **sockeyes** and **pinks** account for most of Alaska salmon revenues. Sockeyes go to three main markets: Japan, the United States, and Europe. Nearly 80% of Alaska sockeyes are frozen, and more than 95% of the frozen sockeyes go to Japan. About half the canned sockeye production goes to the United Kingdom. The other half remains in the United States, where major markets are in the northeast and northern midwest states.

Some 70% of our pink harvest is canned, and about half of that is exported. The United Kingdom is our biggest export customer. The other half of canned

production, along with most of the fresh and frozen product, is sold around the United States, especially in the southeastern and mid-Atlantic states.

**Chums** are usually sold fresh or frozen in the United States. In fact, some marketers say chums are America's favorite wild salmon because of their low price and mild flavor. Some chums are exported to Japan because most of Alaska's chums return earlier in the season than the huge Japanese runs. In the United States, chums are used commonly to make smoked salmon products. One-third to one-half of chum production is exported, with Canada and Japan the primary destinations.

**Cohos** go fresh or frozen to restaurants and supermarkets in domestic markets, especially in the west. Larger coho are often smoked, in the United States and in Japan. About 70% of our cohos are exported, mostly to Japan.

**Kings** are popular with U.S. and European smokehouses because of their rich flesh and large size. Smaller kings may be steaked for restaurants or supermarkets. Some high quality troll kings, and Yukon River kings, are now exported fresh or frozen to Japan. (Sources: Knapp 1992, SMIS 1994.)

## **How does the price, which starts out so low, get to be so high?**

The price of a salmon may start out at 70¢ a pound to the fisherman for fish delivered to the tender, yet that same salmon can sell for \$8 a pound in a supermarket. Table 1 shows how the cost increases at each step of the distribution system, using the example of frozen sockeye shipped to Japan and sold as fillet slices in the Japanese supermarket.

A processor's raw fish cost (before processing begins) includes the fisherman's price, tender fees, and taxes. Processors pay for a whole fish but throw away heads, guts, and fins. The amount paid for the "waste" is called processing yield cost. Not all of the waste is worthless, however. Eggs, which are extracted along with the guts, have value and are sold. In Table 1, the value of the eggs is added back in, and "deducted" from raw product expenses before processing yield cost is calculated.

Importing costs (duties, customs fees, bank charges), transportation, reprocessing, wholesale, and retail sale expenses make a product rise in value quickly as it moves up the distribution chain. The largest price jump comes at the supermarket, where a 40% to 60% markup between wholesale and retail is common.

There are two main distribution paths for sockeye salmon in Japan. The majority of Alaska sockeyes go directly from American processor to importer to Japanese reprocessor and then to a supermarket or restaurant. This path is labeled "direct" in the table. A smaller portion, 25% or less, is sold through the wholesale central market system. This path is labeled "central market." It differs from the "direct" distribution system in that fish move from importers through two layers of wholesalers before moving on to secondary processors.

Central market wholesale prices are quoted in the Japan market section of fishing industry magazines and in market newsletters. The central market wholesale system is monitored and regulated by the Japanese government. Average prices for food products are made public and are published regularly. Direct market system activities are not monitored by the government, so wholesale prices paid to importers for salmon by secondary processors or supermarket companies are not made public. Even though only a small percentage of Alaska salmon is sold through central market wholesalers, everyone watches these prices because they are good indicators of price trends. These same trends occur in the

**Table 1: Bristol Bay fisherman's price to Japan retail price for frozen sockeye salmon**

| Raw product                             | Cost (\$/lb)          | Cumulative cost           |               |                          |
|-----------------------------------------|-----------------------|---------------------------|---------------|--------------------------|
| Fisherman's price                       | \$0.70                | \$0.70                    |               |                          |
| Fish & ASMI tax (3.3%)                  | \$0.02                | \$0.72                    |               |                          |
| Tender                                  | \$0.12                | \$0.84                    |               |                          |
| Less roe value (3%)<br>(roe \$4.75/lb)  | (\$0.14)              | \$0.70                    |               |                          |
| <b>Primary processing</b>               |                       |                           |               |                          |
| Processing yield                        | 74%                   | \$0.95                    |               |                          |
| Direct labor                            | \$0.17                | \$1.12                    |               |                          |
| Packaging                               | \$0.05                | \$1.17                    |               |                          |
| Miscellaneous                           | \$0.05                | \$1.22                    |               |                          |
| Overhead/profit                         | \$0.50                | \$1.72                    |               |                          |
| <b>Importation</b>                      |                       |                           |               |                          |
|                                         | <b>\$/lb</b>          | <b>\$/lb</b>              |               |                          |
| Freight (from Bristol Bay)              | \$0.28                | \$2.00                    |               |                          |
| Import duty (5.0% C&F)                  | \$0.10                | \$2.10                    |               |                          |
| Bank charge (3% C&F)                    | \$0.06                | \$2.16                    |               |                          |
| Customs handling (4% C&F)               | \$0.08                | \$2.24                    |               |                          |
| Transportation                          | \$0.15                | \$2.39                    |               |                          |
| Cold storage (5 months)                 | \$0.15                | \$2.54                    |               |                          |
| Loan interest (5 months)<br>(9%/yr C&F) | \$0.07                | \$2.61                    |               |                          |
| Importer margin (5%)                    | \$0.13                | \$2.74                    |               |                          |
| <b>Wholesale</b>                        |                       |                           |               |                          |
|                                         | <b>Central market</b> | <b>Central cumulative</b> | <b>Direct</b> | <b>Direct cumulative</b> |
| Primary wholesaler (5.5%)               | \$0.15                | \$2.89                    | \$0.00        | \$2.74                   |
| Sales tax (3%)                          | \$0.09                | \$2.98                    | \$0.08        | \$2.82                   |
| Secondary wholesaler (15%)              | \$0.45                | \$3.43                    | \$0.00        | \$2.82                   |
| Sales tax (3%)                          | \$0.10                | \$3.53                    | \$0.00        | \$2.82                   |
| <b>Secondary processing</b>             |                       |                           |               |                          |
| Transportation                          | \$0.10                | \$3.63                    | \$0.10        | \$2.92                   |
| Kirimi process yield (80%)              | \$0.91                | \$4.54                    | \$0.91        | \$3.83                   |
| Labor                                   | \$0.35                | \$4.89                    | \$0.35        | \$4.18                   |
| Packaging                               | \$0.10                | \$4.99                    | \$0.10        | \$4.28                   |
| Overhead                                | \$0.30                | \$5.29                    | \$0.30        | \$4.58                   |
| Margin (10%)                            | \$0.59                | \$5.87                    | \$0.59        | \$5.17                   |
| <b>Retail</b>                           |                       |                           |               |                          |
| Transportation                          | \$0.15                | \$6.02                    | \$0.15        | \$5.32                   |
| Retail overhead/profit                  | \$2.58                | \$8.61                    | \$3.30        | \$8.62                   |

In this example, the fisherman gets 70¢ per pound for sockeye salmon, while the fillet slices sell for more than \$8 a pound in the Japanese supermarket.

**NOTES:**

Assume 110¥/\$

C&F = Cost (processor price) & freight (U.S. to Japan).

Assume 30% retail margin for central market path.

**SOURCE:**

Wiese 1992.

direct market system, although the wholesale price (the price paid by retailers) are typically lower in the direct market system.

## Who decides how much we get for our fish?

The consumer decides how much money we get for our fish. Each day millions of people decide whether to buy a piece or a can of salmon. If consumers aren't buying, wholesalers have to lower the price, and if they get less for their fish, they have to pay less to their suppliers. The suppliers pay less to the processors, and on down the line to the fishermen. When demand is strong retailers charge more, suppliers charge more, and so on.

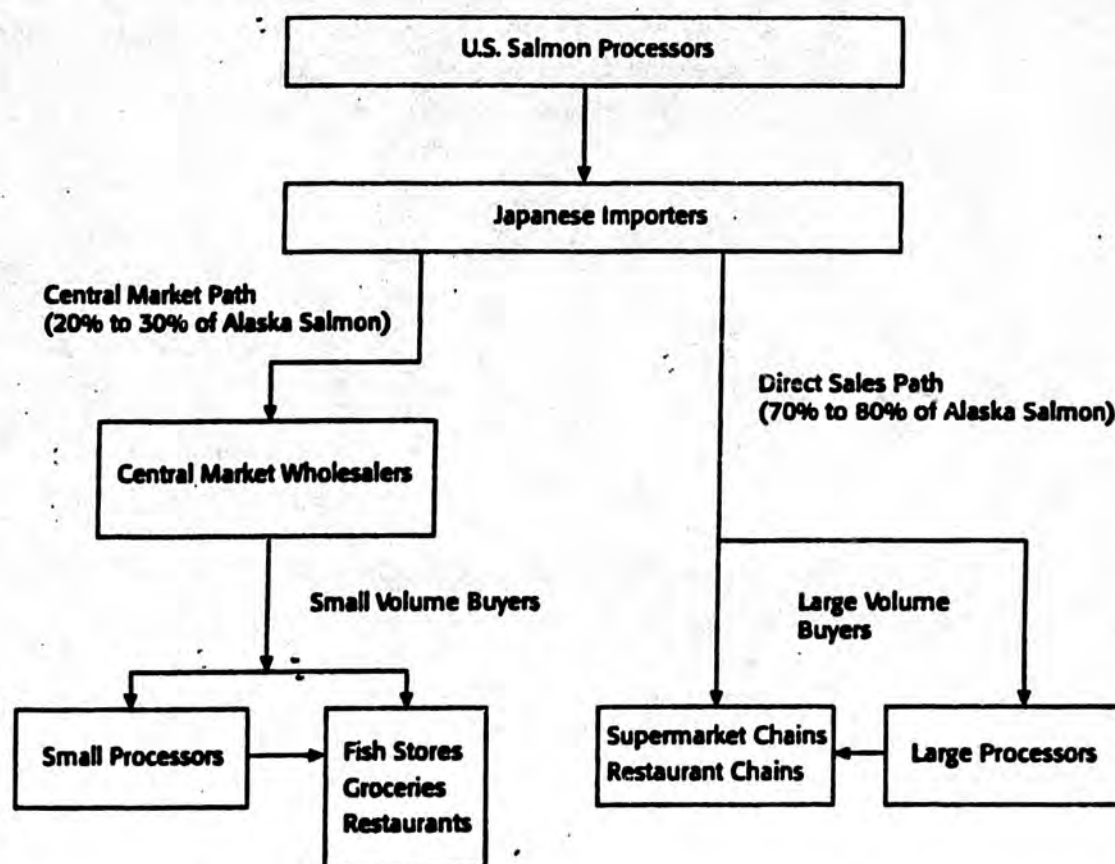


## Japan Imported Salmon Distribution System

Japanese importers buy huge volumes of product and resell in large volume lots. Super-market chains, restaurant chains, large processors, and central market wholesalers sell large volumes of salmon and buy directly from importers. Sales at local fish stores, neighborhood grocery stores, individual restaurants, and small processors are generally not large enough to deal directly with importers. They buy through the central market wholesale system, which breaks down purchases from importers into smaller lots. Large volume buyers avoid wholesalers because wholesalers charge a fee for their services. Approximately 70% to 80% of Alaska salmon is sold directly by importers to large volume buyers.

### SOURCE:

Bill Atkinson in "Japan Salmon Market Wholesale and Distribution," presented at the Alaska Fish Conference and Exposition, October 11, 1991, and personal communication with Bill Atkinson.



Some fishermen believe that the processors set prices, but in truth processors—like fishermen—are price takers, not price setters. They pay the fishermen based on what they think they can get from their buyers. Processors try to predict how much the fish will be worth when it's time to sell, using the same information available to fishermen. They deduct operating and overhead costs and some profit, and pass along the rest to the fishermen in the form of ex-vessel price. Sometimes processors miscalculate, pay too much, and lose money. Other times they make an unanticipated profit. Often they share a portion of the profit with their fishermen in the form of post-season price adjustments.

## What are the effects of exchange rates, inventories, and other indicators of price?

Many factors influence fishermen's prices for salmon. One is predicted supply. Catch predictions influence how much buyers are willing to pay. If the Alaska Department of Fish and Game predicts huge salmon runs, importers won't pay high prices for fish that may be hard to sell over the course of the following year.

Another factor in price is inventories. When the cold storage and warehouses are full, wholesale buyers know they don't have to bid up the price to get product. When inventories are low, wholesalers worry about meeting their customers' demands, so they pay more to ensure they have an enough fish. Inventory reports are key indicators of short term price trends.

Consumption, or the rate at which fish is eaten, influences prices. Big inventories and big landings don't necessarily drive down prices if consumers are

aggressively buying the product. Consumption, in turn, is influenced by factors such as the state of the economy and prices of competing foods, like tuna, chicken, beef, and pork.

Exchange rates are important. Japanese consumers (and retailers, distributors, and wholesalers) pay in yen, but American processors and fishermen want dollars. So importers must use yen to buy dollars. When the dollar is "strong" (and the yen is "weak") it takes a lot of yen to buy a dollar, or a dollar's worth of fish. A strong dollar keeps ex-vessel prices low because the cost of a fish product in the weaker foreign currency must remain competitive (inexpensive by U.S. dollar standards) with other food choices the consumer faces. On the other hand, a weak dollar tends to raise the price paid to fishermen because products in the import country will be high by U.S. dollar standards. Alaska fishermen have been fortunate that the dollar has gotten steadily weaker compared to the yen for many years. This has lessened the price impact of increased world salmon supplies.

### **How do competing supplies affect prices?**

Competing supplies of salmon influence prices. Wild Pacific salmon come only from Alaska, the Lower 48, Canada, Japan, and Russia. Farmed salmon are produced in the United States, Canada, Japan, Norway, Chile, Scotland, Denmark, Ireland, New Zealand, Tasmania (Australia), and the Shetland Islands. These sources all produce salmon that compete in the market.

Farmed Atlantic and coho salmon compete with Alaska sockeyes, cohos, and kings. Norway, the United Kingdom, and Chile are the major producers of farmed Atlantics, while Chile and Japan are the big producers of farmed cohos. Japanese buyers of sockeye salmon pay close attention to world production of farmed cohos and Atlantics. With large farmed stocks now available, they no longer have to bid up prices for sockeye salmon like they once did to have an adequate supply of good quality fish. Farmed product can be used if the sockeye supply gets too low or the price too high.

Wholesale buyers have species preferences, but won't pay much more for their preferred product if they can get something similar for a lower price. Generally, consumers don't know one species from another, or care. Distinctions between wild and farmed are even less important.

Wholesale buyers do care, however, whether the fish are available year-round, have good quality flesh, and are good-looking on the outside. Salmon farmers can produce uniformly high-quality fish—equal to the best wild salmon—and can deliver them fresh throughout the year.

The worldwide growth in production of all kinds of salmon, especially farmed fish, has pushed fish prices downward, and no change in that situation is expected.

### **Why do prices vary from one part of Alaska to another?**

Fish prices vary from one area to another in Alaska. Why? Differences in operating cost is one reason. In general, it costs more to run a processor in western Alaska than in Southeast or Cook Inlet, because labor, transportation, supplies, and insurance are more expensive. If the fish are worth the same in the market, higher operating costs leave less to pay to the fishermen.

Some fish are worth more than others because of quality. Where fish arrive all at once and are caught in huge quantities, they tend not to be handled as well as



those taken in smaller quantities over a longer period, so they are worth less on the market.

Furthermore, some have better intrinsic quality. Salmon that have a higher oil content in the flesh, such as Yukon River kings and Copper River sockeyes, command a higher price from buyers. Salmon caught at sea tend to have higher oil content than those taken close to the rivermouth. They also tend to be more uniformly bright on the outside and the flesh tends to be less variable in color and texture. Consistent quality is desirable and makes a fish worth more to a buyer.

## **How to project prices**

How can we use all this information to project ex-vessel prices? One way is to compare the present with the past to estimate the future. This is usually done just before the season starts so that current market conditions have a close connection to the next season's prices. Historical data show how factors affecting price move up and down, and how ex-vessel price changes accordingly. By seeing how current values fit with historical patterns, we can estimate ex-vessel prices in the near future. With practice and time, anyone can judge reasonably well how price will change in the coming fishing season compared to the last.

Factors to watch include:

- Total projected salmon supply, including wild and farmed production of target species and substitutes.
- Inventories remaining from the previous season of target and substitute species.
- Consumption rates.
- Exchange rates.
- Attitudes of traders within the industry, as reflected by reports in industry newsletters and trade journals.

For example, in sockeye salmon markets the total projected supply includes estimated sockeye harvests in Alaska, Canada, and Russia, as well as estimates of wild coho harvests in Alaska and Canada. Farmed salmon production also must be included, particularly coho production in Chile.

Inventories of target and substitute species remaining from the previous season (called carryover) are important because they add to the total projected supply for the next season. Carryover inventory also gives us information about consumption (demand) at the previous season average price compared with the previous supply.

Consumption rate is affected mostly by price. Factors to watch, besides supply, are trends in economic conditions and trends in the price of competing foods. Changes in eating habits (health conscious eating, for example) and advertising can also affect consumption.

Exchange rate influences the price that can be paid for export products. About 85% of Alaska sockeye salmon, 35% of pinks, and 70% of cohos are exported. Three quarters of the sockeyes go to Japan and 10% to Britain. Exported pinks go mostly to Britain. Cohos go to Japan and Canada. The exchange rates to watch are the Japanese yen and the British pound. When the dollar trends down in value over several months compared to either of these currencies and wholesale prices in the import countries remain the same or go up, an importer can pay more to an American processor. In the fish business this means better prices for the fisherman (assuming that catch doesn't go up to the point of driving prices down).



**Table 2: Prices and Catch for Sockeye Salmon**

| Year | Ex-vessel sockeye price (\$/lb) | Wholesale sockeye price Japan (\$/lb) | Alaska sockeye salmon catch (million lbs) |
|------|---------------------------------|---------------------------------------|-------------------------------------------|
| 1980 | \$0.59                          | \$2.00                                | 187                                       |
| 1981 | \$0.87                          | \$2.91                                | 226                                       |
| 1982 | \$0.83                          | \$2.47                                | 189                                       |
| 1983 | \$0.70                          | \$1.55                                | 306                                       |
| 1984 | \$0.77                          | \$2.42                                | 223                                       |
| 1985 | \$0.99                          | \$2.82                                | 222                                       |
| 1986 | \$1.43                          | \$3.04                                | 195                                       |
| 1987 | \$1.55                          | \$3.77                                | 225                                       |
| 1988 | \$2.35                          | \$5.28                                | 189                                       |
| 1989 | \$1.42                          | \$4.28                                | 261                                       |
| 1990 | \$1.28                          | \$3.46                                | 306                                       |
| 1991 | \$0.83                          | \$3.04                                | 259                                       |
| 1992 | \$1.33                          | \$3.26                                | 343                                       |
| 1993 | \$0.71                          | \$2.47                                | 381                                       |

**SOURCES:**

ADF&amp;G 1994 and Knapp 1992.

Finally, it is worth remembering that in Japan, wholesale market prices reflect all of the factors listed above. Buyers at the wholesale level (owners of retail markets, restaurants, processors) are aware of the supply situation at any given time and what consumers are willing to pay. The price they offer to wholesalers integrates the many salmon market factors including the attitudes and moods of traders. Knowledgeable processors and fishermen watch Japan wholesale price over a period of weeks and months to stay abreast of price trends.

## How to understand what you read

Market information is presented in three different ways: written text, tables of data, and graphs. Most often a market report is simply a written explanation of sales, supply, and price trends. Jargon may be used, however, that is peculiar to the business of marketing. The glossary at the end of this publication defines some of the common jargon used in salmon market discussions.

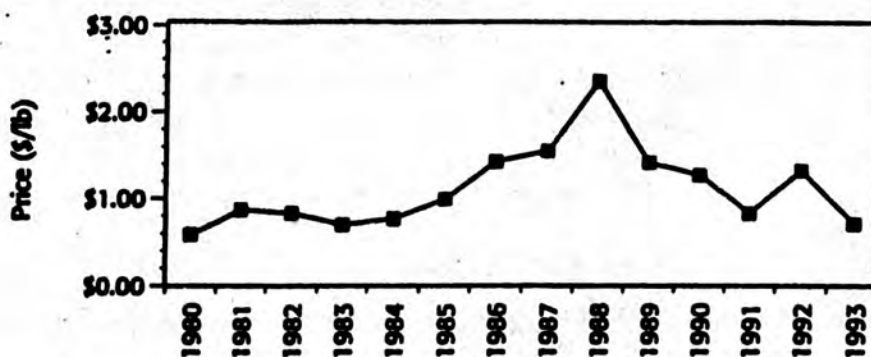
Numbers concerning production and price, especially over a period of months or years, are commonly presented in tables. Tables efficiently present data and can be used to find relationships between sets of data. Table 2 gives numerical information about catch volume, ex-vessel price, and wholesale price in Japan for Alaska sockeyes.

It is not always easy to spot relationships in a table. Relationships are easiest to see when data is plotted on a graph. For that reason graphs are commonly used in salmon market articles.

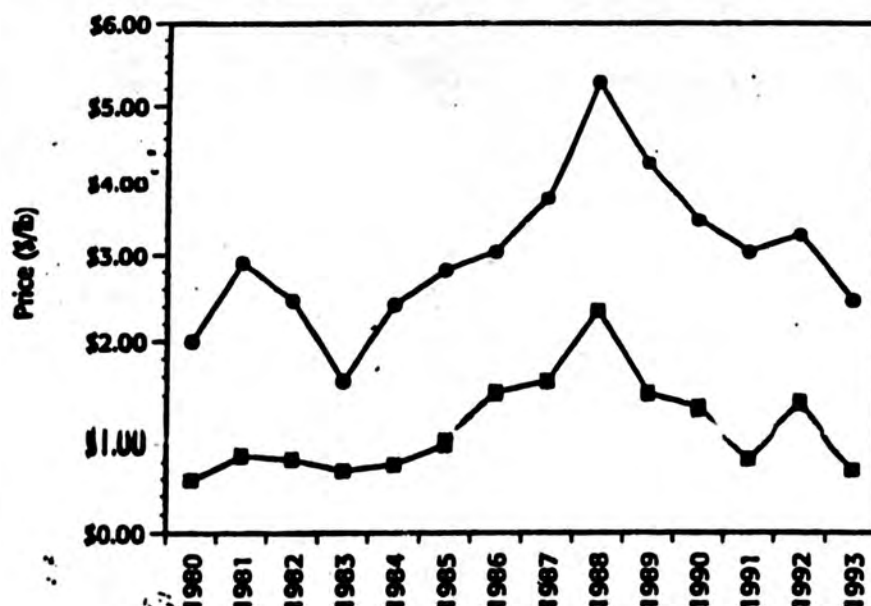
The three following graphs, plotted from numbers in Table 2, show increasing levels of complexity in relationships. The first simply shows how average ex-vessel price for sockeyes in Alaska has changed since 1980. The next graph goes a step further and shows how both ex-vessel price in Alaska and average wholesale price for sockeyes in Japan have changed during the same period. With two sets of data on one graph it is easy to compare the prices with one another. Do they increase and decrease together and is the difference between the two always the same?

The third graph provides even more facts and relationships. The sockeye catch in Alaska is added to the data about ex-vessel and wholesale prices. Notice that the scale for price is on the left side of the graph and the scale for pounds is on the right. In this graph the relationship between price and sockeye supply can be

### Alaska Ex-Vessel Sockeye Price

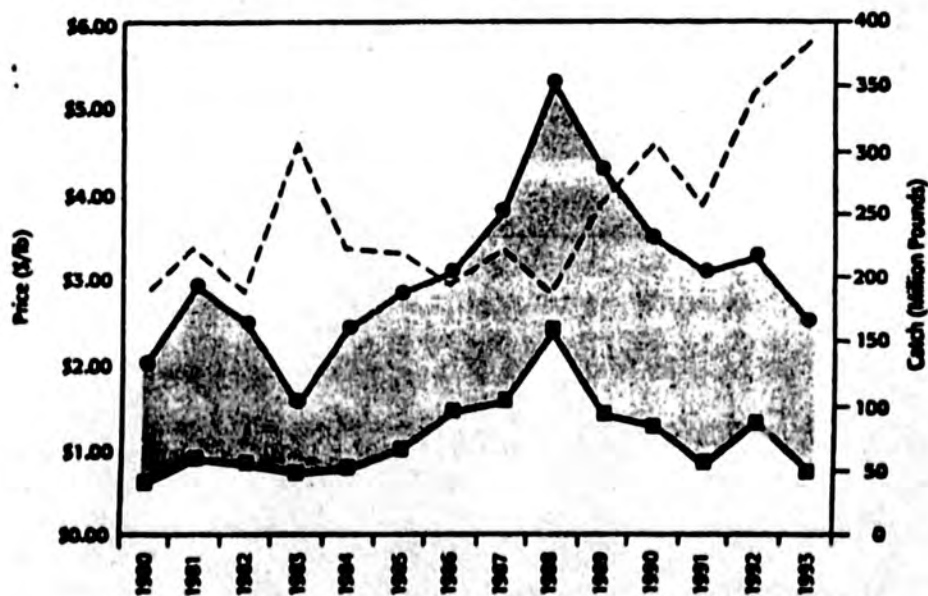


### Alaska Ex-Vessel Sockeye Price (■) and Japan Wholesale Price (●)



Since 1980, ex-vessel price and Japan wholesale price have increased and decreased together.

### Alaska Sockeye Catch (---) vs. Wholesale (●) and Ex-Vessel Price (■)



Since 1980, when Alaska sockeye catch has increased, price has decreased.

seen. When the Alaska sockeye catch increases or decreases, how is price affected? Is the change in catch from one year to the next proportional to the change in ex-vessel price and wholesale price? Is the cause-and-effect relationship between catch and price different in later years compared with earlier years, or is it about the same? It often takes time to study graphs in order to understand the significance of the relationships they show.

### **Final note**

The fundamentals of salmon markets laid out in this publication provide a background for understanding salmon market information found in fishing industry newsletters, trade magazines, and the Salmon Market Information Service reports. Understanding what is happening in the markets allows a fisherman to make better short-term and long-term business plans.

If you want more information about salmon markets, or if you need help interpreting the information you have, call or visit your local Sea Grant Marine Advisory Program office.

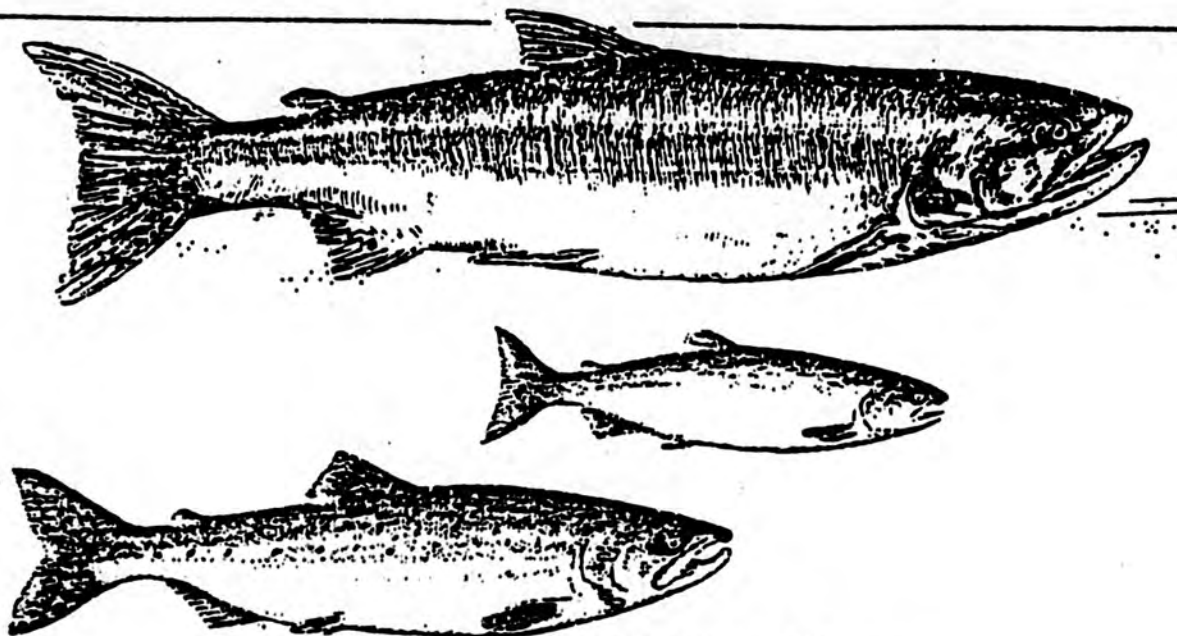
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## Glossary of salmon market terms

- Broker:** An agent who sells a product for the owner, for a commission. Usually brokers do not buy product or acquire any ownership. Fees usually are 3% to 5% of the sales price.
- CIF:** Cost, insurance, freight. The price an importer or wholesaler pays for fish which has been processed, and for which insurance and freight fees have already been paid. It is processor cost plus freight and insurance.
- Distributor/Wholesaler:** An agent who buys large lots of product and then sells small quantities to many food service or retail outlets.
- Domestic:** Within the same country. The U.S. domestic market includes all of the United States.
- Exchange rate:** The value of a unit of a particular currency, expressed in units of another currency.
- Export:** Sent outside the country of origin.
- Ex-vessel:** The price paid to fishermen.
- Food service industry:** The group of food providers that includes restaurants, and cafeterias in establishments like schools, hospitals, nursing homes, prisons, and businesses.
- FOB:** Free on board. A term used in a sales agreement which specifies that the buyer is responsible for all transportation costs including freight and insurance from the location designated on the shipping document.
- 48 tall basis:** The units in which canned salmon price and production are quoted. A method of expressing canned salmon production, regardless of can size, so that production from one year to the next can be compared.
- Ikura:** Processed salmon roe product consisting of individual eggs.
- IQF:** Individually quick frozen.
- Inventory:** The amount of product currently kept in storage ready for sale. Carryover is inventory at the beginning of a new season which remains from the previous season.
- Marketing:** The business of tailoring the right mix of product form, price, and promotion to a specific segment of the population to meet a sales goal.
- Market niche:** A segment of the population that buys a certain product because it suits their needs in terms of product form, price, packaging, and promotion style.
- Metric ton:** 2,200 pounds
- Processing yield:** Processed weight divided by the original whole fish weight. The result is given as a percentage.
- Sujiko:** Processed salmon roe product where the eggs remain in the skein (see ikura).
- Terminal area:** At the mouth of a river or near a hatchery where fish spawn.
- Value added:** Further processing or packaging of a product which causes the product to sell for a higher cost.
- Wholesale price:** The price paid by restaurants and retailers, and food service establishments. Not to be confused with the "first wholesale" or "producer" price, which the processor receives.
- Yen per kilogram:** The way fish is priced in Japan. A kilogram is 2.2 pounds. To convert: (1) divide the ¥/kg price by 2.2 to get a ¥/lb. price (2) divide the ¥/lb. price by the exchange rate to get \$/lb. Thus fish priced at 500¥/kg converts to \$2.06/lb, at a 110¥/\$ exchange rate.

**FILE COPY****A Report****on the possible development of a program to determine****Wholesale Price Averages  
for Salmon Products****(as required by Statute Chapter SLA 49--HB 381)**

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**Department of Commerce and Economic Development****In conjunction with****Commercial Fisheries Entry Commission****Department of Revenue****January 1984**

## WHOLESALE PRICE REPORT

### III. Brief List of Arguments For and Against a Wholesale Price Reporting System

The following is a list of arguments typically raised by those for and against wholesale price reporting. No attempt is made at this point to determine whether the arguments are valid.

#### Arguments For

1. In 1980 and 1982, the Bristol Bay fisheries was hard hit by strikes. Millions of dollars were lost to the State, fishermen, and processors as a result. Total losses of the 1980 strike, for example, were estimated by Development Planning and Research Associates to be as high as \$70 million at the wholesale level. Fishermen went on strike because they felt that they were not receiving a fair price. As a means to improve their share of the revenue and to facilitate contract negotiations, many 1983 contracts call for fishermen to receive final settlements after the season which are based on wholesale prices received by the processor.

Since the State currently reports wholesale prices of only canned salmon, it is necessary to expand the reporting system to include fresh, frozen, and cured salmon products in order to have a means of verifying wholesale prices reported by the processor. State reported wholesale prices, by encouraging this type of contract, reduces the risk of another prolonged strike.

2. It is very difficult to establish a fair ex-vessel price before the season since volume of landings and market conditions are not known. A contract based on post-season settlements allows prices received by fishermen to be based on the actual value received by the processor in the marketplace. This has several benefits. First, the fishermen shares the risk of fluctuating prices with the processors. This benefits the processors since a lower wholesale price results in a lower ex-vessel price (although not below the minimum base price). Second, fishermen have an incentive to provide a higher quality fish. Third, this type of contract provides hope for alleviating future price disputes. Fourth, post season



## WHOLESALE PRICE REPORT

settlements benefit processors because the delayed payment facilitates their cash flow management. The State can support this effort by reporting wholesale price averages.

3. A State reported value of wholesale price would reduce the need of fishermen's associations requesting and paying for an independent audit to verify a processors posted wholesale price for each contract. Since fishermen do not trust processors' posted prices and can't afford extensive audits, a State reported wholesale price is necessary to facilitate contract negotiations and help prevent future costly strikes.

4. Because of direct business relationships, processors have far greater access to information about the marketplace than fishermen and are able to take advantage of this knowledge in price negotiations. Published wholesale prices by the State would provide a better understanding of the marketplace and help fishermen obtain a fairer price for their products.

5. Existing publications do not accurately reflect true wholesale prices. Existing publications rely primarily on telephone surveys of a limited number of processors. Prices quoted are typically asking prices as opposed to prices actually received. Only the State can enforce penalties and hence receive and report accurate and objective wholesale price information based on actual sales prices.

6. The State itself needs wholesale price averages to determine the importance of fisheries in various State regions. The information, for example, can be used in forecasting models, limited entry management, impact analysis, development of loan programs, and evaluation of enhancement projects.

7. Although many fishermen do not have contracts with processors, all fishermen benefit when associations negotiate contracts with processors. These negotiated prices become a standard for all processors. A reporting system that facilitated price negotiations would thereby benefit all fishermen.

8. Fishermen would in fact pay for the cost of collecting and reporting wholesale price information because they would receive proportionately lower ex-vessel prices.

## WHOLESALE PRICE REPORT

9. If reporting of wholesale prices resulted in higher ex-vessel prices, the State of Alaska would benefit because so many of its fisheries taxes are based on ex-vessel prices.

10. Information collected by the State would assist fishermen in production decisions such as allocation of time among different runs, methods of catch, and premiums for quality vs. volume. This would increase the total value of Alaska's fisheries.

### Arguments Against

1. In recent years, the mechanism by which processors pay fishermen has varied depending on estimates of catch, market conditions, and competition among fishermen and processors. Both fishermen and processors are free to choose the manner in which they negotiate their price. The variety of prices and the uncertainty is the very essence of the free market system. In the long run, it rewards those buyers and sellers that plan and perform most efficiently. To change to a system based on wholesale prices simply increases costs, delays solutions, leads to government intrusions and adds little certainty.

2. The information would be costly to collect and provide no compensating benefits. In addition, the groups benefitting, i.e. the fishermen, would not be the group paying, i.e. the fish processors.

3. The government shouldn't get involved since its none of its business to interfere with the free enterprise system by favoring one group over another.

4. The report would be misleading because an average wholesale price is a meaningless number. Not only is there little relationship between wholesale price received and ex-vessel prices at a given date, but the term wholesale price can not be clearly defined. Misleading or inaccurate numbers may result in increased contract disputes and prolonged negotiations. What is of true concern is the actual performance of a specific plant, not a Statewide average. Individual company audits are therefore a better way to verify wholesale prices for contractual purposes than State-provided averages. They are not only more accurate, but the beneficiaries would have to directly pay the costs.

## WHOLESALE PRICE REPORT

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13. There would be serious risk that information supplied by processors would not remain confidential and that disclosure of sensitive information could injure a firm's ability to compete effectively.

14. Other States, such as Washington and Oregon, do not require processors to submit detailed reports on their wholesale prices. Publishing data for Alaska processors is not only costly, but would put processors at a competitive disadvantage by revealing their prices.



## Salmon Product Forms

### Fresh

Fresh Chum Bright No. 1  
Fresh Chum Dark GMC No. 1  
Fresh Chum Round Ocean-Run

Fresh Fillet Chum S/on No. 1  
Fresh Fillet King Red S/on No. 1  
Fresh Fillet Silver S/on No. 1

Fresh Green Roe Chum  
Fresh Green Roe King  
Fresh Green Roe Pink  
Fresh Green Roe Silver  
Fresh Green Roe Sockeye

Fresh King Red Bright No. 1  
Fresh King Red SB No. 1  
Fresh King Troll Red H/on No. 1  
Fresh King Troll White H/on No. 1  
Fresh King White Bright No. 1  
Fresh King White SB No. 1

Fresh Pink Round Ocean-Run  
Fresh Silver Blush No. 1  
Fresh Silver Bright No. 1  
Fresh Silver Round Ocean-Run  
Fresh Silver Troll No. 1

Fresh Sockeye H/on No. 1  
Fresh Sockeye No. 1  
Fresh Sockeye Round Ocean-Run

### FROZEN

Frozen Chum H/on A NS IQF  
Frozen Chum H/on No. 1 2/4 IQF  
Frozen Chum H/on No. 1 4/6 IQF  
Frozen Chum H/on No. 1 6/9 IQF  
Frozen Chum H/on NS NG IQF  
Frozen Chum Bright A 2/4 IQF  
Frozen Chum Bright A 4/6 IQF  
Frozen Chum Bright A 6/9 IQF

Frozen Chum Bright No. 1 4/6 IQF  
Frozen Chum Bright No. 1 6/9 IQF  
Frozen Chum Bright No. 1 9/up IQF  
Frozen Chum Bright No. 1 NS IQF  
Frozen Chum Dark GMC No. 1 2/4 IQF  
Frozen Chum Dark GMC No. 1 4/6 IQF  
Frozen Chum Dark GMC No. 1 6/9 IQF  
Frozen Chum Dark GMC No. 1 9/up IQF

Frozen Chum Bright A 9/up IQF  
Frozen Chum Bright No.1 2/4 IQF  
Frozen Chum Dark PMC No.1 4/6 IQF  
Frozen Chum Dark PMC No.1 6/8 IQF  
Frozen Chum Dark PMC No.1 8/Up IQF  
Frozen Chum Dark PMC NS NG IQF  
Frozen Chum Dark UMC NS NG IQF

Frozen Chum NS A IQF  
Frozen Chum NS B IQF  
Frozen Chum NS NG IQF  
Frozen Chum SB A 2/4 IQF  
Frozen Chum SB A 4/6 IQF  
Frozen Chum SB A 6/9 IQF  
Frozen Chum SB A 9/up IQF  
Frozen Chum SB A NS IQF  
Frozen Chum SB No.1 2/4 IQF  
Frozen Chum SB No.1 4/6 IQF  
Frozen Chum SB No.1 6/9 IQF  
Frozen Chum SB No.1 9/up IQF  
Frozen Chum SB No.1 NS IQF

Frozen Chum Portions S/on PBO  
Frozen Chum Portions S/off PBO

Frozen King Red A-/11 IQF  
Frozen King Red A 11/18 IQF  
Frozen King Red A 18/UP IQF  
Frozen King Red A NS IQF  
Frozen King Red Blush NS NG IQF  
Frozen King Red Dark NS NG IQF  
Frozen King Red H/ON NS NG IQF  
Frozen King Red NO.1 -/11 IQF  
Frozen King Red NO.1 11/18 IQF  
Frozen King Red NO.1 18/UP IQF  
Frozen King Red NO.1 NS IQF  
Frozen King Red NS NG IQF

Frozen King White Blush NS NG IQF  
Frozen King White Bright A NS IQF  
Frozen King White Bright NO.1 NS IQF  
Frozen King White Dark NS NG IQF

Frozen Kings Troll Red Blush A -/11 IQF  
Frozen Kings Troll Red Blush A 11/18 IQF  
Frozen Kings Troll Red Blush A 18/UP IQF

Frozen Chum Dark GMC NS NG IQF  
Frozen Chum Dark PMC No.1 2/4 IQF  
Frozen Fillet Chum PBO S/Off A IQF  
Frozen Fillet Chum PBO S/Off NS NG IQF  
Frozen Fillet Chum PBO S/Off 1.5-2.5 NO.1 IQF  
Frozen Fillet Chum PBO S/Off 2.5-3.5 NO.1 IQF  
Frozen Fillet Chum PBO S/Off 3.5-UP NO.1 IQF  
Frozen Fillet Chum PBO S/ON 1.5-2.5 NO.1 IQF  
Frozen Fillet Chum PBO S/ON 2.5-3.5 NO.1 IQF  
Frozen Fillet Chum PBO S/ON 3.5-UP NO.1 IQF  
Frozen Fillet Chum PBO S/ON A IQF  
Frozen Fillet Chum PBO S/ON NS NG IQF

Frozen Fillet Chum S/Off 1.0-2.5 NO.1 IQF  
Frozen Fillet Chum S/Off 2.5-3.5 NO.1 IQF  
Frozen Fillet Chum S/Off 3.5-UP NO.1 IQF  
Frozen Fillet Chum S/Off A IQF  
Frozen Fillet Chum S/Off NS NG IQF  
Frozen Fillet Chum S/On 1.5-2.5 NO.1 IQF  
Frozen Fillet Chum S/On 2.5-3.5 NO.1 IQF  
Frozen Fillet Chum S/On 3.5-UP NO.1 IQF  
Frozen Fillet Chum S/On A IQF  
Frozen Fillet Chum S/On NS NG IQF  
Frozen Fillet Chum S/On SMC NS IQF  
Frozen Fillet Chum VP PBO S/OFF 1.0-2.5 no.1  
Frozen Fillet Chum VP PBO S/OFF 2.5-3.5 NO.1  
Frozen Fillet Chum VP PBO S/OFF 3.5-UP NO.1  
Frozen Fillet Chum VP PBO S/OFF A  
Frozen Fillet Chum VP PBO S/OFF NS NG  
Frozen Fillet Chum VP PBO S/ON 1.0-2.5 NO.1  
Frozen Fillet Chum VP PBO S/ON 2.5-3.5 NO.1  
Frozen Fillet Chum VP PBO S/ON 3.5-UP NO.1  
Frozen Fillet Chum VP PBO S/ONA  
Frozen Fillet Chum VP PBO S/ON NS NG  
Frozen Fillet Chum VP S/OFF 1.0-2.5 NO.1  
Frozen Fillet Chum VP S/OFF 2.5-3.5 NO.1  
Frozen Fillet Chum VP S/OFF 3.5-UP NO.1  
Frozen Fillet Chum VP S/OFF A  
Frozen Fillet Chum VP S/OFF NS NG  
Frozen Fillet Chum VP S/ON 1.5-2.5 NO.1  
Frozen Fillet Chum VP S/ON 2.5-3.5 NO.1  
Frozen Fillet Chum VP S/ON 3.5-UP NO.1  
Frozen Fillet Chum VP S/ON NS NG

Frozen Fillet King Red S/On A IQF  
Frozen Fillet King Red VP S/On NS NG

Frozen Kings Troll Red Blush NO.1 -11 IQF  
 Frozen Kings Troll Red Blush NO1 11/18 IQF  
 Frozen Kings Troll Red Blush NO1 18/UP IQF  
 Frozen Kings Troll Red Bright A -11 IQF  
 Frozen Kings Troll Red Bright A 11/18 IQF  
 Frozen Kings Troll Red Bright A 18/UP IQF  
 Frozen Kings Troll Red Bright A NS IQF  
 Frozen Kings Troll Red Bright NO1 -11 IQF  
 Frozen Kings Troll Red Bright NO1 11/18 IQF  
 Frozen Kings Troll Red Bright NO1 18/UP IQF  
 Frozen Kings Troll Red Bright NO1 NS IQF  
 Frozen Kings Troll Red Bright NS NG IQF  
 Frozen Kings Troll White Bright NO1 -18 IQF  
 Frozen Kings Troll White Bright NO1 18/UP IQF  
 Frozen Kings Troll White Bright A NS IQF  
 Frozen Kings Troll White Blush NO1 NS IQF  
 Frozen Kings Troll White Blush A NS IQF

Frozen Fillet Silver PBO S/Off 1.0-2.5 NO.1 IQF  
 Frozen Fillet Silver VP S/On 1.5-2.5 NO. 1 IQF  
 Frozen Fillet Silver PBO S/Off 2.5-3.5 NO.1 IQF  
 Frozen Fillet Silver PBO S/Off 3.5-UP NO.1 IQF  
 Frozen Fillet Silver PBO S/Off A IQF  
 Frozen Fillet Silver PBO S/Off NS NG IQF  
 Frozen Fillet Silver PBO S/On 1.5-2.5 NO.1 IQF  
 Frozen Fillet Silver PBO S/On 2.5-3.5 NO.1 IQF  
 Frozen Fillet Silver PBO S/On 3.5-UP NO.1 IQF  
 Frozen Fillet Silver PBO S/On A IQF  
 Frozen Fillet Silver PBO S/On NS NG IQF  
 Frozen Fillet Silver S/Off 1.0-2.5 NO.1 IQF  
 Frozen Fillet Silver S/Off 2.5-3.5 No. 1 IQF  
 Frozen Fillet Silver S/Off 3.5-UP NO.1 IQF  
 Frozen Fillet Silver S/Off A IQF  
 Frozen Fillet Silver S/Off NS NG IQF  
 Frozen Fillet Silver S/On 1.5-2.5 NO.1 IQF  
 Frozen Fillet Silver S/On 2.5-3.5 NO.1 IQF  
 Frozen Fillet Silver S/On 3.5-UP NO.1 IQF  
 Frozen Fillet Silver S/On A IQF  
 Frozen Fillet Silver S/On NS NG IQF  
 Frozen Fillet Silver VP PBO S/OFF NS NG  
 Frozen Fillet Silver VP PBO S/ON 1.5-2.5 NO.1  
 Frozen Fillet Silver VP PBO S/ON 2.5-3.5 NO.1  
 Frozen Fillet Silver VP PBO S/ON 3.5-UP NO.1  
 Frozen Fillet Silver VP PBO S/ON NS NG  
 Frozen Fillet Silver VP S/Off 1.0-2.5 NO.1  
 Frozen Fillet Silver VP S/Off 2.5-3.5 NO.1

Fillet King Troll Red VP NS NG  
 Fillet King White Troll VP S/On No.1 NS

Fillet Sockeye S/On 1.5-2.5 NO.1 IQF  
 Fillet Sockeye S/On 2.5-3.5 NO.1 IQF  
 Fillet Sockeye S/On 3.5-UP NO.1 IQF  
 Fillet Sockeye S/On A IQF  
 Fillet Sockeye S/On NS NG IQF  
 Fillet Sockeye S/On VP S/ON 1.5-2.5 NO1  
 Fillet Sockeye S/On VP S/ON 2.5-3.5 NO1  
 Fillet Sockeye S/On VP S/ON 3.5-UP NO

Frozen Ikura Chum Salmon Roe  
 Frozen Ikura King Salmon Roe  
 Frozen Ikura Pink Salmon Roe  
 Frozen Ikura Silver Salmon Roe  
 Frozen Ikura Sockeye Salmon Roe



Frozen Fillet Silver VP S/Off 3.5-UP NO.1  
Frozen Fillet Silver VP S/Off NS NG  
Frozen Fillet Silver VP S/On 1.5-2.5 NO.1  
Frozen Fillet Silver VP S/On 2.5-3.5 NO.1  
Frozen Fillet Silver VP S/On 3.5-UP NO.1  
Frozen Fillet Silver VP S/On NS NG

Frozen Pink Bright No1 -/2 IQF  
Frozen Pink Bright No1 2/Up IQF  
Frozen Pink A NS IQF  
Frozen Pink B NS IQF  
Frozen Pink NS NG IQF  
Frozen Pink NS NG BLK  
Frozen Pink NO.1 3/UP IQF  
Frozen Pink NO.1 -/2 IQF  
Frozen Pink NO.1 2/UP IQF  
Frozen Pink A -2/ IQF  
Frozen Pink A 2/UP IQF

Frozen Silver Troll Blush A 2/4 IQF  
Frozen Silver Troll Blush A 4/6 IQF  
Frozen Silver Troll Blush A 6/9 IQF  
Frozen Silver Troll Blush A 9/UP IQF  
Frozen Silver Troll Blush NO1 2/4 IQF  
Frozen Silver Troll Blush NO1 4/6 IQF  
Frozen Silver Troll Blush NO1 6/9 IQF  
Frozen Silver Troll Blush\*NO.1 9/UP IQF  
Frozen Silver Troll Blush NO1 NS IQF  
Frozen Silver Troll Blush NS NG IQF  
Frozen Silver Troll Bright A 2/4 IQF  
Frozen Silver Troll Bright A 4/6 IQF  
Frozen Silver Troll Bright A 6/9 IQF  
Frozen Silver Troll Bright A 9/UP IQF  
Frozen Silver Troll Bright NO1 2/4 IQF  
Frozen Silver Troll Bright NO1 4/6 IQF  
Frozen Silver Troll Bright NO1 6/9 IQF  
Frozen Silver Troll Bright NO1 9/UP IQF  
Frozen Silver Troll NS NG IQF  
Frozen Silver Troll Redskin NO1 NS IQF  
Frozen Silver Troll Redskin NS NG IQF

Frozen Sujiko Chum Salmon Roe  
Frozen Sujiko King Salmon Roe  
Frozen Sujiko Silver Salmon Roe  
Frozen Sujiko Sockeye Salmon Roe

Frozen Silver A 2/4 IQF  
Frozen Silver A 4/6 IQF  
Frozen Silver A 6/9 IQF  
Frozen Silver A 9/UP IQF  
Frozen Silver A NS IQF  
Frozen Silver B NS IQF  
Frozen Silver NO.1 2/4 IQF  
Frozen Silver NO.1 4/6 IQF  
Frozen Silver NO1 6/9 IQF  
Frozen Silver NO1 9/UP IQF  
Frozen Silver NS NG IQF  
Frozen Silver Blush A 2/4 IQF  
Frozen Silver Blush A 4/6 IQF  
Frozen Silver Blush A 9/UP IQF  
Frozen Silver Blush NO1 2/4 IQF  
Frozen Silver Blush NO1 4/6 IQF  
Frozen Silver Blush NO1 6/9 IQF  
Frozen Silver Blush NO1 9/UP IQF  
Frozen Silver Redskin NO1 2/4 IQF  
Frozen Silver Redskin NO1 4/6 IQF  
Frozen Silver Redskin NO1 6/9 IQF  
Frozen Silver Redskin NO1 9/UP IQF  
Frozen Silver Redskin NS NG IQF

Frozen Sockeye H/On A 2/4 iqf  
Frozen Sockeye H/On A 4/6 IQF  
Frozen Sockeye H/On A 6/9 IQF  
Frozen Sockeye H/On NO1 2/4 IQF  
Frozen Sockeye H/On NO1 4/6 IQF  
Frozen Sockeye H/On NO1 6/9 IQF  
Frozen Sockeye H/On NS NG IQF  
Frozen Sockeye A 2/4 IQF  
Frozen Sockeye A 4/6 IQF  
Frozen Sockeye A 6/9 IQF  
Frozen Sockeye A NS IQF  
Frozen Sockeye NO1 2/4 IQF  
Frozen Sockeye NO1 4/6 IQF  
Frozen Sockeye NO1 6/9 IQF  
Frozen Sockeye B NS BLK FRZ  
Frozen Sockeye NO1 NS BLK FRZ  
Frozen Sockeye NS B IQF  
Frozen Sockeye NS NG IQF  
Frozen Sockeye NS S IQF  
Frozen Sockeye Round A NS BLK  
Frozen Sockeye Round NO1 NS BLK  
Frozen Sockeye Round NS NG BLK

  
**UNITED SALMON ASSOCIATION***Wild Salmon***P.O. Box 762 • Kodiak • AK • 99615****Phone: (907) 486-6899 • Fax: (907) 486-7058 • Email: [kodiak@unitedsalmon.org](mailto:kodiak@unitedsalmon.org)**

United Salmon Association supports HB363. This creates a wholesale price index for Alaska Salmon products by inserting the wholesale price reporting of other major processed salmon products into existing reporting requirements for canned salmon. It is expected that once this information is available that it will be useful not only to the industry but also to all those engaged in evaluating and regulating this important Alaskan industry.

Before going on it is important to acknowledge that all Alaskans are stakeholders in commercial salmon fisheries. Clearly there is a link between stakeholders and the salmon resources, for the salmon belong to all Alaskans. But the connection between stakeholders other than harvesters and commercial salmon fisheries may not be clear. Given that commercial salmon fisheries generate tax revenues that go into Alaska's general fund, all Alaskans are clearly stakeholders in those fisheries.

Throughout the industry and all those that track and report it, there is no data base that tells us all, in a timely, useable manner, what are the 1<sup>st</sup> wholesale values and what are the product forms produced from this "Alaska's largest renewable resource".

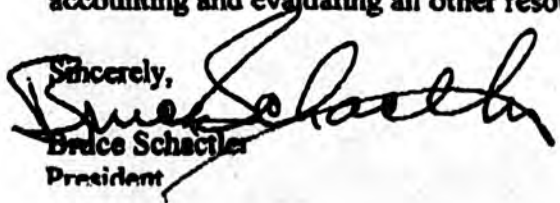
To properly and accurately account this resource, HB363 has been introduced. The salmon resource is taxed statewide at approximately 8% of ex vessel value (the value, fishermen receive at dockside). This includes raw fish tax, ASMI tax, marketing tax, aquaculture tax, local severance tax and state corporate taxes. HB363 will give all Alaskans a complete picture with which to assess and account all aspects of the salmon fisheries price structure and usage.

This accurate, real time data will build trust between harvesters and processors by filling in the huge gaps in wholesale market information, since ex vessel prices and Alaska's tax base is directly linked to wholesale prices, this database should supply the understanding of how the two prices meet.

HB363 will also provide valuable market information to harvesters and marketers to use to expand and develop new markets. With new understanding and better information the expansion of the salmon industry should raise ex vessel prices, which will increase revenue into the general fund. In 1999, a .01 (cent) increase would be another \$680,000.00 into the general fund.

HB363 is a great step forward for all Alaskans that benefit from the salmon resource. It will finally give the State of Alaska the same price, utilization and volume data that is used in accounting and evaluating all other resources in the state.

Sincerely,

  
Bruce Schachtler  
President



P.O. Box 762 • Kodiak • AK • 99615

Phone: (907) 486-6899 • Fax: (907) 486-7058 • Email: [usalmon@ptialaska.net](mailto:usalmon@ptialaska.net)

**Six reasons United Salmon Association supports HB 363, that creates the new Alaska Salmon Price Report.**

1. So all stake holders will know the full value of Alaska's salmon industry in a timely and accurate accounting of current wholesale values. Existing information sources are outdated and unreliable once they become available.
2. So ASMI can better plan and evaluate marketing strategies. All salmon fishermen pay one percent of their gross into salmon marketing. Without timely wholesale price information there is no way for them to accurately assess the benefits of their marketing efforts.
3. So PNP aquaculture associations may best plan their production and cost recovery efforts. Assessing the results of wholesale prices will be helpful in making good decisions based on timely and accurate market information
4. For the University of Alaska and its ongoing evaluation of commercial fisheries. Where ever the value of Alaska's salmon fisheries is in demand reliable and timely wholesale information is lacking.
5. So the legislature and the board of fish can best assess the value of Alaska's commercial salmon fisheries. Information concerning the economic benefits of commercial salmon fisheries is always sketchy when these two bodies meet to discuss salmon fisheries and their economic benefits.
6. So all stakeholders can better assess the relationship between ex-vessel prices and wholesale markets. Without this information no one knows if ex-vessel prices or the revenues they generate are fair.

Accounting the benefits of commercial fishing revenues and taxes has little meaning to stakeholders and administrators without also accounting wholesale values as a means of evaluating the economic performance of this most important Alaskan industry.

Sincerely,

Bruce Schactler  
President





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### **What HB363 does, that COAR doesn't**

- 1) Alaska Salmon Price Report (ASPR) is timely and Commercial Operators Annual Report (COAR) is not.
  - a) ASPR is published (3) times per year by Department of Revenue
  - b) COAR is done (1) per year by ADF&G. COAR information is up to 16 months old by the time it's published as "non-draft".

Example: 1999 season information COAR will not be officially available until late summer of 2000 at the earliest. (This, dependent on level of compliance by reporters)

- 2) ASPR will be accurate and is intended to be a real time price index for assessing and evaluating Alaska's Commercial Salmon harvest. COAR on the other hand was developed in cooperation with the Federal Government (NOAA) and is used for annual accounting purpose.
  - a) HB363 (ASPR) is the ACTUAL "1<sup>st</sup> wholesale value" of Alaska Salmon and represents the true gross value of Alaska Salmon Industry.
  - b) COAR represents the price "Freight on Board" (F.O.B.) plant in Alaska where produced.
    - 1) This may include product sold thru or on adjusted or theoretical price based on actual sales elsewhere after various unspecified deductions  
COAR asks for estimated prices of product in Inventory, once again a price that is not our actual "invoiced" value.
- 3) ADF&G cannot audit COAR, Department of Revenue can audit ASPR information
- 4) COAR doesn't account product production volumes.
  - a) This deficiency makes it impossible to assess and follow market direction as well as changes in market demand as it concerns product development.
  - b) Without this production information, cross-referencing tax revenue with production isn't possible.

- 5) Reporting compliance with COAR is a big problem because of lack of enforcement ability in ADF&G. Compliance is not a problem with Department of Revenue.

**Why COAR does not compromise confidentiality with our customers.**

- 1) May it first be known that the processor's customers are also the fishermen's customers and that the United Salmon Association is equally concerned about this kind of confidentiality?
- 2) As HB363 is written, once prices are published they will be out dated and too generic for current market price comparisons. ASPR information will only reflect history and have no relevance to real time market values.
- 3) The ASPR does not report individual detailed product information. Instead the new product categories are aggregates of different product forms within each category and are reported as such. For example the category "frozen fillets" will report all frozen fillet products together (as one product). There are many different individual product types; skin on bone in fillets, skin on boneless fillets, skinless-boneless fillets, vacuumed packed, shatter packed and so on that are reported individually in the COAR.
  - a) This new ASPR format will be very useful to many various users of this database but basically worthless to competitors to realize any confidential information that would give them any new market or financial advantages.

Sincerely,



Bruce Schactler  
President



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2/24/2000

Dear Committee Member,

There have been several arguments made by opponents of HB363 that I thought should be simply addressed. One statement is that the new Alaska Salmon Price Report (ASPR) isn't needed because the Commercial Operators Annual Report (COAR), with in ADF&G, is the same information and is all anyone needs. Another statement is that this information in COAR will be harmful in the market place.

I hope I have simply and adequately addressed these for you. As you can see, both concerns have been delt with in the design of HB363.

At a meeting in November in Anchorage with ADF&G, United Salmon Association and the majority of major processors, "HB363 type" changes to COAR were strongly opposed by processors. Processors made several suggestions such as "aggregate product groups" and putting the new report in "a different venue" than COAR. We have taken those suggestions and made the changes to come up with HB363 as a compromise proposal that will bring this resource information base into the 21<sup>st</sup> century.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Schactler".

Bruce Schactler  
President



**Subject: HB363**

**Date: Mon, 21 Feb 2000 13:09:46 -0900**

**From: "Herb & Barb Jensen" <hbjensen@ilhawaii.net>**

**To: "Mary Kapsner" <Representative\_Mary\_Kapsner@legis.state.ak.us>, "John Harris" <Representative\_John\_Harris@legis.state.ak.us>, "Jim Whitaker" <Representative\_Jim\_Whitaker@legis.state.ak.us>, "Hal Smalley" <Representative\_Hal\_Smalley@legis.state.ak.us>, "Fred Dyson" <Representative\_Fred\_Dyson@legis.state.ak.us>, "Carl Morgan" <Representative\_Carl\_Morgan@legis.state.ak.us>, "Bill Hudson" <Representative\_Bill\_Hudson@legis.state.ak.us>**

As Chairman of United Salmon Association seine division of Prince William Sound I support HB363. I could give you 4 pages of reasons why it is beneficial to all in the State of Alaska I will leave that to United Salmon Association president Bruce Schactler.

HB363 is a public trust issue and a revenue issue. The State of Alaska's responsibilities to the public is an accounting of its resources, in this case salmon products both fresh, frozen and eggs. Currently the public does not know what has been produced in 1999 and will not for another 4-6 months, and then that is not conclusive. That raises the question from the public, is the State of Alaska collecting the proper amount of taxes from these products?

United Salmon Association is a non-profit marketing organization with membership from Ketchikan to Bristol Bay. United Salmon Association has limited resources, this is the second time since 1997 that we have had to spend money that is needed elsewhere to deal with a public trust issue. United Salmon Association can not afford a lobbyist or whatever amount of resources that it takes to compete with the corporations involved in the Alaskan seafood industry over a public trust issue.

In keeping this short, United Salmon Association hopes that you hear our message and unanimously push for passage of HB363.

Thank You;  
Herb Jensen  
Chairman PWS USA  
Purse seine division  
ph 907-424-3767  
fax 907 424-3867  
e-mail [hbjenen@ptialaska.net](mailto:hbjenen@ptialaska.net)

# KODIAK REGIONAL AQUACULTURE ASSOCIATION

BOX 3407 KODIAK, ALASKA 99615

(907) 486-6555

Fax (907) 486-4105



February 23, 2000

Representative John Harris  
Alaska State Representative  
State Capitol  
Juneau 99601-1182

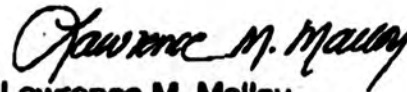
Dear Representative Harris:

House Bill #363, an Act Relating to Salmon Production Reports, was reviewed by the Kodiak Regional Aquaculture Association's Board of Directors, at their meeting of February 22, 2000. The Board voted 9-2 to support passage of this Bill as written.

KRAA, being an active, major financial supporter of Kodiak salmon enhancement projects and an entity whose funding source is directly related to salmon ex-vessel value has a keen interest in developing a clear understanding of how ex-vessel salmon prices are determined.

To that end, we offer our support for passage of House Bill #363.

Sincerely,

  
Lawrence M. Malloy,  
Executive Director

February 23, 2000

This letter is in response to a request made by Representative Austerman's office regarding House Bill 363, a proposal to increase the frequency of wholesale price reporting of certain salmon products. The Salmon Market Information Service (SMIS), as a user of such data, was asked to comment on increased reporting frequency.

The SMIS program would benefit substantially from increased reporting frequency of Alaska production and wholesale salmon prices specified in HB 363. The program would welcome the consistency of such government-compiled data, an improvement over the information that is now available. It should be noted that the absence of this data (the result of present data-release timing) is not a major impediment to the existing program. Market indicators are available from other sources and the program is currently using those sources.

The SMIS researches and reports on market conditions for salmon. The "flagship" of the program is the Salmon Market Bulletin, published 6-7 times annually. Since November 1998, McDowell Group has published eight bulletins, serving a subscription list of just over 3,000. Two times a year, the bulletin is sent to all Alaska salmon permit holders (over 11,000) plus the non-permit holders on the subscriber list.

A comparison of two state-generated reports containing wholesale price and volume data illustrates the usefulness of more frequent reporting. The two reports are:

- The Wholesale Price report (WPR) for thermally processed salmon, including canned salmon. Published three times a year by Alaska Department of Revenue. Between 1989 and 1998, canned salmon made up 36% of Alaska production volume.
- Data from the Commercial Operators Annual Report (COAR) is available through ADF&G, via database queries, usually 5 to 6 months after the end of the calendar-year reporting period. The COAR covers those fresh and frozen salmon products specifically identified in HB 363. Between 1989 and 1998, fresh and frozen salmon made up 61% of Alaska production volume.

The COAR, because of its timing, is of limited use in reporting market trends. We use it primarily for historical analyses of data and for identifying product-form composition of past seasons. Data drawn from the COAR is used in two of our eight bulletins, both times as a source for back-page items in the "bits and pieces" section. By comparison, six of eight salmon market bulletins contain information from the WPR for canned salmon, including two major articles with accompanying tables and graphs. The WPR is more pertinent because of its reporting frequency and we use it to identify volume and pricing trends of the current sales year. It is used frequently in the bulletin, in presentations and to satisfy a large number of data requests.





Consulting and Research in Economics, Business and Marketing

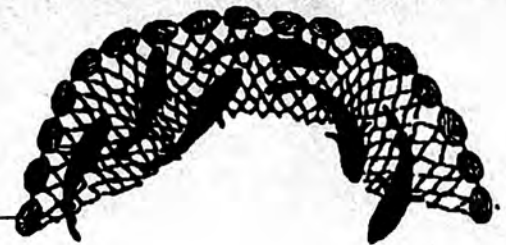
While additional information on salmon markets is always desirable, the data that would result from HB 363 would be especially useful, as fresh and frozen salmon make up over 60% of Alaska production. Such data would enable the SMIS to provide reasonably pertinent reporting and analysis of Alaska production and wholesale price information for over 95% of production. Currently, the SMIS is able to do so for only 36% of production: namely, canned salmon as reported in the WPR three times a year.

A handwritten signature in dark ink, appearing to read "Chris McDowell". The signature is fluid and cursive, with a large, stylized "M" at the end.

Chris McDowell

Project Manager, Salmon Market Information Service

**KODIAK SEINERS ASSOCIATION**  
P.O. Box 2399  
Kodiak, Alaska 99615  
Phone 907/486-4686 Fax 907/486-7655



Representative Alan Austerman  
Representative John Harris

Dear Sirs;

I am writing this letter of support of House Bill 363 "An Act relating to salmon product reports; and providing for an effective date" on behalf of the Kodiak Seiner's Association. I am a member of the board of directors of KSA. Members of our organization seine in the Kodiak salmon management area. Many of our members reside in the Kodiak area but many reside in other parts of the state also. We feel that passage of this bill is necessary to update information gathering for the State of Alaska's salmon industry.

Current reporting requirements don't accurately cover all product forms and aren't available in a timely manner. We feel that harvesters, other industry members, as well as the State and local governments all have an interest in knowing the value of the state's salmon production in a timely manner as provided for in HB 363.

I thank you for sponsoring this bill and all the work you have put into it.

Sincerely;

*Oliver N. Holm*  
Oliver N. Holm

# Cordova District Fishermen United

Celebrating 65 Years of Service to Commercial Fishermen in Cordova, Alaska  
P.O. Box 939 Cordova, Alaska 99574 / Telephone (907) 424-3447 / Fax (907) 424-3430

February 24, 2000

House Special Committee on Fisheries  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

**SENT VIA FACSIMILE TO 907.465.3799**

Dear Members,

Cordova District Fishermen United (CDFU) is pleased to provide comment to you regarding our support for HB 363.

Timely, accurate, and verifiable reporting of the ex-vessel and wholesale values of Alaska's salmon, as well as known production, provides a variety of benefits to our industry, coastal communities, programs dependent upon ex-vessel value assessments, and the State of Alaska. HB 363 provides a proven mechanism for gathering and providing the information that will form the basis for better decision-making by those dependent upon the reporting that this legislation requires.

We are all too well aware of the vagaries of natural resource markets. Access to timely and accurate information regarding the condition of salmon markets will afford more accurate evaluation of the myriad of decisions that are constantly being made by those impacted by Alaska's salmon fisheries.

We urge your support for HB 363.

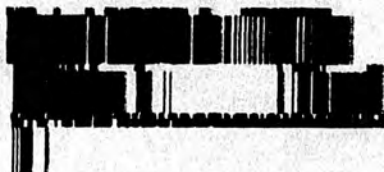
Respectfully Submitted,

*Sue Aspelund*

Sue Aspelund  
Executive Director

cc: Representative Alan Austerman





P.O. Box 1649

Cordova, Alaska 99574-1649

907-424-3115

Fax: 907-424-3116

E-mail: [crspa@copperriver.com](mailto:crspa@copperriver.com) Web: <http://www.copperriver.com>

---

Members  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801

Sent by facsimile to 465-4956

Dear members

The Copper River Salmon Producers Association is in full support of passage of House Bill 363. As the Alaska salmon industry moves into the new millennium, we find ourselves working within an antiquated structure that clearly does not provide timely and meaningful information which harvesters and processors can use to develop preseason contracts. Preseason contracts with a higher ex-vessel value results in increased tax benefits to the state and programs dependant on ex-vessel value contributions (i.e., marketing and aquiculture assessments)

Other supporters of this Bill have outlined reasons this should be passed, which we fully support.

Sincerely,

Bill Webber, President

**Subject: HB363****Date:** Mon, 21 Feb 2000 13:09:46 -0900**From:** "Herb & Barb Jensen" <hbjensen@ilhawaii.net>**To:** "Mary Kapsner" <Representative\_Mary\_Kapsner@legis.state.ak.us>,  
"John Harris" <Representative\_John\_Harris@legis.state.ak.us>,  
"Jim Whitaker" <Representative\_Jim\_Whitaker@legis.state.ak.us>,  
"Hal Smalley" <Representative\_Hal\_Smalley@legis.state.ak.us>,  
"Fred Dyson" <Representative\_Fred\_Dyson@legis.state.ak.us>,  
"Carl Morgan" <Representative\_Carl\_Morgan@legis.state.ak.us>,  
"Bill Hudson" <Representative\_Bill\_Hudson@legis.state.ak.us>

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In keeping this short, United Salmon Association hopes that you hear our message and unanimously push for passage of HB363.

Thank You;  
Herb Jensen  
Chairman PWS USA  
Purse seine division  
ph 907-424-3767  
fax 907 424-3867  
e-mail [hbjensen@ptialaska.net](mailto:hbjensen@ptialaska.net)



United Southeast Alaska Gillnetters  
PO Box 22427  
Juneau, Alaska 99802  
(907) 586-5860 Fax (907) 586-5648  
E-mail: usag@gillnetters.org

March 4, 2000

House Special Committee on Fisheries  
Representative John Harris, Co-Chair  
Representative Carl Morgan, Jr., Co-Chair  
State Capitol  
Juneau, AK

RE: HB 363

Dear Committee Members,

We are writing this letter in support of HB 363 "An act relating to salmon product reports; and providing for an effective date." The changes this legislation provides is access to information on salmon forms, product and price in a more timely manner while still providing confidentiality to the processors.

Information from this new report will replace an outdated system and provide the legislature, Board of Fish, ASMI, City governments and the harvesters themselves accurate information to the true and full value of the harvest in a reasonable time period. This allows ASMI to better plan and evaluate existing marketing strategies. PNP aquaculture associations may more effectively plan their production and cost recovery efforts. And most importantly the State of Alaska and the harvesters will be better able to assess the relationship between ex-vessel prices and wholesale markets. Without this information the stakeholders and the State of Alaska does not know if the ex-vessel price and the revenues generated to the State of Alaska from taxes paid on the ex-vessel price is fair.

Under the present system, not all product forms are covered. ADFG does not have the ability to audit and force compliance with reporting requirements, under this legislation the Dept of Revenue will have the ability to audit and enforce timely reporting of the Alaska Salmon Price Report.

Thank you for considering our position of support for HB 363.

Kathy Hansen  
Executive Director





# UNITED FISHERMEN OF ALASKA

March 2, 2000

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
907/586-2820  
Fax: 907/463-2545  
E-Mail: ufa@alaska.net

Representative Carl Morgan, Jr.  
Representative John Harris  
Co-Chairs  
House Special Committee on Fisheries  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Dear Representatives Morgan and Harris,

United Fishermen of Alaska represents 23 commercial fishermen's groups and over 8,000 fishermen. We support HB 363.

This bill is intended to modernize and clarify the economic value of Alaska's commercial salmon fisheries for all stakeholders and to end the mystery of how ex-vessel salmon prices are determined.

All Alaskans are stakeholders in commercial salmon fisheries. There is a clear link between stakeholders and the salmon resources, for the salmon belong to all Alaskans.

But the connection between stakeholders other than harvesters and commercial salmon fisheries may not be so clear. Given that commercial salmon fisheries generate fisheries business taxes that go into Alaska's general fund and 50% is passed on to local government, all Alaskans are clearly stakeholders in those fisheries.

History shows us that for the first seventy years of the last century the salmon industry was the largest industry in Alaska and a major contributor to this nation's food production. Canned salmon was a staple on food shelves particularly through out the British Commonwealth. Through this time a business culture developed between processors and harvesters based on a "buy now settle later" price arrangement. In this arrangement grounds prices are paid to fishermen in season, then later when the harvest is over and the bulk of fish have been sold, final payments are made to fishermen based on wholesale prices, known only to the processors.

Also during this time, it was established that the taxes the industry pays are based on ex-vessel prices. This "buy now settle later" price arrangement on which all taxes are paid clearly impacts harvesters and all stakeholders in the outcome of wholesale prices. But to this day stakeholders are denied the price information needed to know and understand their position in wholesale markets that determine salmon prices.

#### MEMBER ORGANIZATIONS

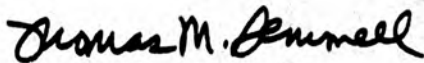
Alaska Longline Fishermen's Association • Alaska Trollers Association • Concerned Area "M" Fishermen  
Cook Inlet Aquaculture Association • Copper River Salmon Producers Association • Cordova District Fishermen United  
Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fisheries Association  
Northern Southeast Regional Aquaculture Association • Northwest Setnetters Association • Petersburg Vessel Owners Association  
Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association • Seafood Producers Cooperative  
Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association  
United Cook Inlet Drift Association • United Southeast Alaska Gillnetters

Without knowledge of wholesale prices the "buy now settle later" arrangement between processors and harvesters leaves an unaccounted hole in the price structure of Alaska's salmon industry. This is the mystery of commercial salmon prices. How much money does the commercial salmon harvest generate at first wholesale and how does that compare to ex-vessel prices where taxes are collected? All stakeholders directly or indirectly have an interest in salmon markets and it is important to have a clear picture of this revenue source for the use and benefit of all Alaskans.

Passage of SB 363 will fill this unaccounted hole in salmon pricing and provide all stakeholders in Alaska's most precious natural resource the information they require to know and understand the benefits of the commercial salmon industry.

We are aware of some concerns raised by some processors and are willing to work toward a reasonable resolution of this issue.

Sincerely,

A handwritten signature in dark ink, reading "Thomas M. Gemmell". The signature is written in a cursive, slightly slanted style.

Thomas M. Gemmell  
Executive Director

Copy: Representative Alan Austerman



February 22, 2000

Representative Alan Austerman  
Capitol Room 434  
Juneau, Alaska 99801

Dear Representative Austerman,

As sponsor of HB 363 relating to salmon product reports, I request the following information be reviewed and considered in relation to your bill.

At Alaska Seafood International, LLC (ASI), we produce value added seafood products on a commodity scale from wholesalers, primary processors or brokers, throughout Alaska. As a processor of "value added" products, the wholesale price we obtain for our products reflects the value we add to salmon in coatings, sauces, stuffings, packaging, etc., and would not reflect the prevailing market prices for a specific species from a specific area. We substitute different salmon species in our products based on availability and price.

As an example, a specific lot of fish purchased from frozen storage through a broker may contain fish from several producers caught in different areas, at different times. The exact origin, or geographic region, of the fish ASI purchases may not always be known, hence detailed reporting of such would be a huge and burdensome task for our business to undertake while not serving the information goals of your legislation.

Inclusion of ASI's price data would probably distort the statistics generated rather than enhance them. Our obtained wholesale prices should fluctuate less as a result of market forces that drive commodity markets up and down for specific species.

Based on the above information, I request an exemption for ASI from the provisions of HB 363. Your consideration is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Howard M. Benedict".

Howard M. Benedict  
Chairman of the Board

cc: Co-chair Rep. Harris, House Special Committee on Fisheries  
Co-chair Rep. Morgan, House Special Committee on Fisheries





United Southeast Alaska Gillnetters  
PO Box 22427  
Juneau, Alaska 99802  
(907) 586-5860 Fax (907) 586-5648  
E-mail: usag@gillnetters.org

March 4, 2000

House Special Committee on Fisheries  
Representative John Harris, Co-Chair  
Representative Carl Morgan, Jr., Co-Chair  
State Capitol  
Juneau, AK

RE: HB 363

Dear Committee Members,

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Under the present system, not all product forms are covered. ADFG does not have the ability to audit and force compliance with reporting requirements, under this legislation the Dept of Revenue will have the ability to audit and enforce timely reporting of the Alaska Salmon Price Report.

Thank you for considering our position of support for HB 363.

Kathy Hansen  
Executive Director

**BRISTOL BAY DRIFTNETTERS  
ASSOCIATION**

February 28, 1999

Fisheries Committee

**Dear Representatives Harris and Morgan and other Members:**

We are writing on behalf of Bristol Bay Driftnetters Association in support of House Bill 363. Our members reside throughout the State of Alaska and also outside of the state where most processors are located. All members with whom we have spoken feel that this bill has many benefits for the fisheries of the State and it's passage is very important to provide crucial and auditable data in a timely fashion.

Thank you for your consideration of this vital legislation.

Sincerely,

***Dan Barr***

President, BBDA

***Scott Stevenson***

Vice President

2408 Nob Hill Avenue North / Seattle, WA 98109

Phone: (206) 285-1111, Fax: (206) 284-1110



# Prime Select Seafoods, Inc.

Box 846 • Cordova, AK 99574 • Ph: (907) 424-7750 • Fx: (907) 424-7751 • E-mail: salmon@pssifish.com • www.pssifish.com

February 26, 2000

Representative Carl Morgan  
Juneau, Alaska

Representative Morgan,

I would like to take this opportunity to explain my opposition to HB-363.

First I would like to point out that if you or any member of the House Fisheries Committee have ever filled out a COAR report you would find it difficult to ever consider asking the processing industry to repeat the process three times a year. On the average it takes us two weeks with all of our office staff working to compile the data required to complete one year end COAR report. To have to repeat this process during the middle of our fishing seasons would create a huge burden of time and expense on us as a small or even large processor. Our time and resources are better spent during the active fishing seasons trying to sell salmon into the ever changing market conditions.

The argument of time and expense to produce the annual COAR report may not influence your decision much but I think it deserves a fare amount of consideration. I think it is also appropriate to point out that the processing industry already contributes a considerable amount of its time and resources acting as the tax collector for raw fish tax owed by fishermen along with being the enforcer for the child support collection system that many fishermen seem to be involved with. All of these duties are required by law, punishable by fines and not voluntary. Adding two more COAR reports to the picture is unreasonable.

My main reason for opposing HB-363 is that I believe it would produce the exact opposite result that USA wants and actually lower the average price paid to fishermen further reducing raw fish tax revenue to the state. The reason I feel this would happen is that this information would be public and accessible to our Norwegian and Chilean farm salmon competitors. To publish detailed information about harvest amounts and production costs while the Alaskan salmon harvest is in progress will only be used against us by these competitors to lower the overall price of salmon. They are a huge influence in the market already. Why assist them further? I further believe that the COAR reports should only be accessible with written permission from individual companies and should otherwise have the same right to privacy as tax returns. Only the Department of Revenue should have access to this information for the purposes of assessing taxes. There are currently a number of private agencies compiling sales data on the internet that organizations like USA can subscribe to to collect the information they use to negotiate prices. The State of Alaska should not be spending money to collect this sales data for USA.

Jeff Bailey  
President  
Prime Select Seafoods Inc.



**United Salmon Association**

P.O. Box 762, Kodiak, Alaska 99615

Kodiak, Alaska

phone 907/486-6899

fax 907/486-7058

Southeast Alaska

Prince William Sound

Kodiak

Area M

Bristol Bay

Mr. Jeff Hartman  
ADF&G

March 22, 1999

Dear Jeff:

The Wholesale Case Price Average Report (WCPR) and the Commercial Operator's Annual Report (COAR) are the two reports used to gather information for the Alaska salmon commercial fishery resource.

Presently, the WCPR is under the authority of the Department of Revenue. Processors of thermally processed salmon products must report to the DOR three times per year (Jan, May, Sept) the sales volume, product form (can size) and first wholesale value. This report is released approximately 2 weeks after the due date for submission required of individual company reports. Statistics are published as a statewide whole, both in volume and value of various container size.

The COAR is under authority of ADF&G. Processors of salmon are required to report to ADF&G once a year; this report includes all products produced from the salmon resource, including roe, whole fish bones, fillets, smoked products, bait and even the duplicate reporting of canned products. This report is published approximately 3 to 5 months after the due date of April 1. This puts the report out to the public approximately one year after the end of the previous salmon season.

These reports are the sources of information used by the University of Alaska, University of Washington, NPFMC, Board of Fish, Alaska Legislature, or anyone else that desires to look at the State's salmon fishery.

The State's salmon fishery utilizes a huge workforce - as many as 35,000 people participate. With a 75% resident involvement of permit holders, the 5-7x multiplier makes this fishery that much more important. These reports contain the information used for Board of Fish allocation, ADF&G management, and social and economic models needed for the State to understand the true value of one of its most important natural resources. These reports are also being used by harvesters as price verifications for yearly contract with processors.

100% of tax revenue realized from the salmon fishery is generated from the salmon fishery is generated from the ex-vessel price. These taxes include: Raw Fish Tax, ASMI Tax and 1% Marketing Tax as well as local severance taxes and aquaculture taxes. Across the State, this tax ranges from 7-10% of the ex-vessel value. As industry contracts become the norm, sophistication involving product form and marketing partnerships will become more and more dependent on the State's collection of wholesale data. This process in turn should gradually bring a rise to ex-vessel prices thus raising revenue to the state.

The COAR has several areas that need reform. The first is the area of timing the release of the information coupled with the frequency of reporting. It does not make sense that complete, published reports of information on the 1998 salmon fishery will not be available until July, August or even September of 1999. As of today, March 1999, there is no one anywhere that can verify the product forms, volume or value of the 1998 salmon resource with more than an historical guess! The report should be far earlier and more often for real-time tracking of this most important resource.

A second area to address is the subject of noncompliance. The report is currently due not until April. The primary reason for the 3-5 month delay in publication is not data input and compilation, but lack of compliance with the due date and the inability of ADF&G to enforce compliance of the approximate 250 reporting entities.

The third problem is accuracy. Since this is only a database within ADF&G, with no ability to audit, reporting is not as accurate as it should be, according to confidential statements by COAR reporters. There are several small adjustments needed to modernize and make this report more accurate.

We would suggest the following changes to provide the State of Alaska and all those dependent on the salmon resource with a salmon report that has full transparency of wholesale prices and production for all salmon products; a report that is timely and accurate and inclusive!

1. Change reporting dates from April 1 to January 1 for the Sept. 1-Dec. 31 period, May 1 for the Jan. 1-April 30 period and September 1 for the May 1-Aug. 31 period.
2. Include all products and byproducts (canned, fresh, frozen, smoked.....)
3. Include total production figures of all various products and byproducts
4. Apply report value only on all products sold, not in storage
5. Exempt processors processing less than 250,000 lbs. From the Jan-April and May-Aug. reports only, requiring one annual report on Jan. 1
6. Value reported must be "arms length" based on actual sales receipts - not sales to subsidiaries and without included discounts of any kind
7. Compilation of reports should be as locally specific or detailed as possible, but still reportable
8. If involvement published in a particular product form doesn't allow for publication because of confidentiality, reporting area should be expanded, or combined, to include more than three. Example: 1997 COAR coho fillets with no skin & no ribs: Combine all Southeast for 5 processors and/or combine Cook Inlet and Kodiak for 4 processors. This should be done as often as possible to understand the market and the involvement of these products in the market.
9. A daily fine or some specific deterrent to submitting late reports needs to be in place to insure compliance. Without timely compliance, timely publication cannot take place.
10. An audit procedure must be identified to insure accuracy. The use of this report by so many entities for so many businesses and social reasons makes accuracy imperative.
11. Ex-vessel "amount paid" should detail base price, tender (dock delivery) and chilled/RSW. Presently, reporting is not consistent among reporting entities.

And finally, a couple of questions: What do the labels "Dressed (salmon only)" and "food fish" mean in the reports?

Thank you for taking the time to read this. I appreciate your help.

Sincerely,

Bruce Schactler,  
President

*These are meeting notes from the November 9-10, 1999, COAR MEETING.  
HB 363 is directly related to OPTION 1, pages 9 & 10.*

DISCUSSIONS OF POTENTIAL CHANGES TO THE COMMERCIAL OPERATORS  
ANNUAL REPORT DATABASE, PROCESSOR REPORTING REQUIREMENTS, AND  
UNITED SALMON ASSOCIATION PROPOSAL FOR A REPORT ON WHOLESALE  
PRICES FOR SALMON PRODUCTS

Anchorage, Alaska  
November 9 -10, 1999

MEETING NOTES

Geron Bruce opened the meeting with an introductory statement and explained why the Commercial Operators Annual Report (COAR) is the ADF&G's responsibility. The department's mission is broad and includes more than just management of the resource. Title 16 defines the department's mission to include managing, protecting, maintaining, improving, and extending the fish, game and aquatic plant resources of the state in the interest of the economy and general welfare of the people of Alaska. Collecting information to understand and evaluate the impact of fisheries on the economy is fundamental to this mission. The COAR is therefore necessary to the department's mission. The ADF&G does little analysis on the data itself but makes the data available to others for analysis and study.

ADF&G does not expect any decisions to be made at this meeting but instead hopes that the issues will be identified and that follow up actions will be clearly laid out. Geron introduced the ADF&G staff present. Each attendee then introduced himself and gave a short statement of what he expected this meeting to accomplish. Statements included - any changes to the report should protect current uses, changes should strengthen the report, information collected should be standardized between companies and accurately portray the market, most onerous report required from processors, have had difficulty interpreting the report, report needs to be more timely, it's an information source we can all use.

Herman Savikko gave a short report on the history of the COAR, the purpose of the COAR and reporting requirements and forms. He referred to several handouts - a 1999 Blue Sheet, copies of 5 AAC 39.130 and AS 16.05.101 - AS 16.05.050, and a blank 1998 COAR Booklet. He answered questions after his presentation. There will be no substantive changes in the COAR for 1999.

Gunnar Knapp made the observation that it was ironic that when Alaska was a poor state the ADF&G budget allowed publication of a Catch and Production Leaflet but since 1986, during a period with record catches, funding problems have precluded publishing a report. He noted that one way to get more out of the information that we do have is to publish.

Bruce Schactler felt that the product forms listed in the COAR were not clear to users of the COAR data. A short discussion ensued regarding compliance with the reporting requirements. Herman said that 5 AAC 39.130 gives the ADF&G authority to collect certain information but does not specifically mention the COAR. He also said most of the major companies have submitted reports by the April 1 deadline or have requested an extension. He did not know exactly what was the percentage of companies meeting the April 1 deadline.

Stephanie Madsen asked if there was a report requested of the harvesters and if that information was not being collected then there was a lack of understanding of the costs of harvesting. Herman replied that the first buyer of the product is responsible for reporting. There have been a



few reports, e.g. by Jeff Hartman, Joe Terry, that have analyzed harvesting costs but there are no large scale plans for a comprehensive survey. Stephanie noted that these additional surveys add to the reporting burden faced by processors.

Vince Goddard offered some practical suggestions for improving the report. He suggested that ADF&G meet with processors once a year to define the protocols and terms used in the COAR, for example - calculating wholesale values, defining what FOB plant means, how to estimate sales in April for equivalency with February sales and how to get more refined data based on H & G and canned production.

Doug Mecum asked the processors in the group to explain exactly what was so onerous about this report. Pat Hardina replied that she prepares one report for each of 4 plants. And she cannot get the information from her company's software in the form requested by the COAR so there is quite a bit of additional calculation. For example - the total amount paid by gear. After the fish is purchased from the fisherman the company no longer tracks it by gear type. Some of the information the COAR requests is purely a guess - estimating the value of future sales, for example.

Doug followed up by asking how long the report took to prepare. Pat responded that 3 or 4 people each do a part. Doug then asked what information we get from the COAR that we don't get from fish tickets. Herman responded that the COAR information is not an inseason tool. Earnings data from the COAR has been used in allocation issues brought before the Board of Fisheries or the Council. It has also been used to prioritize ADF&G budgets. Elaine Dinneford added that the COAR data supports legislative budget requests, was used in determining Exxon Valdez Oil Spill settlements and provides a way to get exvessel prices when they are not entered on fish tickets as is common in Bristol Bay.

Gunnar Knapp gave the next presentation. He passed out a summary of his presentation. Gunnar believes the COAR has problems with lack of support for compliance, data coding and entry, data analysis and publication but not in the reporting requirement itself. The COAR goes way beyond just reporting wholesale prices; it includes other information that is only collected once a year. For example, what is the product mix from the state's salmon harvest? He would prefer to expand the Alaska Department of Revenue Canned Salmon Wholesale Price Report to include fresh and frozen products rather than change the COAR. Another option would be to involve a private third party. Either of these would give fishermen the wholesale pricing information they need for price negotiations and formulas. He added that we should think carefully about what information is actually most needed.

A short discussion about the accuracy of the COAR followed Gunnar's presentation. Chip Treinen was concerned about requiring an onerous report with out any enforcement. He felt that the emphasis should be on getting better data. Dave Forbush disagreed. He believes that the COAR is accurate, but that different systems at different companies may make it difficult to get comparable data. Herman said that cross checks between the COAR data and fish ticket data and comparisons across companies are routinely done. Double checking wholesale data is more difficult.

Bruce Schactler felt that a more timely report should be the primary change.

Chris McDowell spoke to how he uses the COAR data. He said it was important for economic analysis in SE Alaska. The COAR data has value especially when looking at small towns. He uses it for employment data and as a measure of economic activity especially with recent rapid

changes like the declines in the timber industry. He also uses COAR data for the SMIS report. He has encountered some problems with data confidentiality, e.g. data from the Kuskokwim. It is the only place to find product form composition. The COAR is best for coarse data; it covers the bulk of the trade.

Jeff Hartman has used the COAR data to evaluate the cost to industry of the oil spill in a natural resource damage assessment project. It was the only source available to track those effects. He also has used COAR data to evaluate the impact that the Endangered Species Act has on communities. The COAR data is useful in any evaluation of loss to the fishing industry e.g. the impact of federal regulations in Glacier Bay.

Kurt Schelle uses the exvessel prices as reported in the COAR. CFEC applies these prices to every item in the fish ticket file to get a total value for each fishery. The value field from fish tickets doesn't include bonuses or adjustments or is sometimes left blank. Data audits occur naturally. CFEC also fills data requests from the public and has some use for catcher/processor wholesale price data.

Chris Oliver uses COAR data as baseline reference data and relies on it heavily. Any changes should not detract from the form or function of the current database.

Elaine Dinneford noted that the COAR is a systematic gathering of data in a neutral environment. The current due date allows us to capture more inventory sold, more settlements and more postseason adjustments.

Bruce Schactler said that the direction that the industry is headed drives the decisions that fishermen have to make. The COAR is not timely enough for ASMI, for ADF&G budgets, for the Board of Fisheries, or for USA contract negotiations. At the last Salmon Forum the sounding board recommended that the COAR reporting frequency be increased to twice a year.

Dave Forbush stated that not everyone agreed with that recommendation. The ensuing discussion focused around the use of the COAR by USA. Scott McAllister noted that the legislature has always responded in the past to the fishermen's need for the wholesale value of canned salmon. We need a timelier COAR. This would be simply modernizing an existing report. The additional reports would be for salmon only - an Alaska Salmon Report. Pat Hardina felt the COAR was good for long-term data comparisons but that there were inaccuracies in calculating fine detailed data and wondered why fishermen needed this data now when it had not been needed in the past. The data assumptions had not been important until processors started signing USA contracts.

Chris McDowell noted that the processor costs are proprietary and vary from year to year depending on recovery rates. He didn't think that the COAR would make a big difference to USA because the processor costs aren't reported. Bruce said that the use of COAR data in negotiations would be decided as needed.

Carmine DiCostanzo outlined a proposal that has recently received funding from NMFS. The draft proposal was available at the meeting. ADF&G will receive \$0.5 million over 3 years to update, strengthen and improve the COAR. The project will also enable ADF&G to develop more understanding of industry practices as a benefit of this project. The discussion following Carmine's presentation centered on the following issues: timeliness of the COAR, non-compliance, NMFS regulations, and frequency of reporting and electronic reporting.



- This project will not change the due date of the COAR. The goal is to make data available as soon after April 1<sup>st</sup> as possible; data is usually available after September. Incomplete data is available from ADF&G and it is helpful to someone familiar with the fishery.
- 5 AAC 39.130, Reporting Requirements, is a Board of Fisheries regulation. If stronger regulation were needed, it would have to go to the Board for consideration. Department of Revenue, however, requires a bond to ensure compliance.
- New NMFS regulations will require reporting by the offshore sector. NMFS is funding the COAR project and insisted on a hands-on approach. Bruce thought that this would add cost to the COAR and wondered if NMFS was willing to discuss long-term funding. Carmine indicated that there might be additional funds after the first three years but he does not know their long-term plans.
- Carmine emphasized that this project would update the basic functions of the COAR, modernize codes, eliminate ambiguous questions, improve data quality and resume publication of the Catch and Production Leaflet but that the funding is inadequate to effect any major changes such as increasing the frequency of COAR submittal. He felt it was important to clean up the COAR and make it work before making any major changes.
- One of the goals of this project is to evaluate the feasibility of electronic reporting of the COAR. NMFS is implementing electronic groundfish fish tickets in 2000, but hard copies will still have to be filled out. ADF&G is not developing this kind of software.

Dave Forbush volunteered to put together a working group of PSPA members in Seattle to define product terms. He likes the idea of electronic reporting and felt that the industry had the ability but different companies had different accounting systems, different formats. He agreed that the existing report should be fixed before broadening the scope of the COAR.

Bruce Schactler presented the USA proposal for a wholesale price report for salmon. He reiterated his problem with the definition of product codes in the COAR and acknowledged Dave's offer to help solve this problem. But he felt that the biggest problem with the COAR is frequency of reporting. USA wants the report submitted three times a year for salmon data only. Other species would remain as they are now. The reporting dates would be the same as the WCPR reporting dates. The first report would be due October 1<sup>st</sup> for the period ending August 31<sup>st</sup>.

Each report would include amount of salmon purchased and the price, what products were produced and the volume of each, how much was sold and for how much, FOB plant. This won't be an historical document. The salmon season isn't over yet but this report should cover 95% of the catch. USA wants a continuous year-round database.

The next reporting period would end January 1<sup>st</sup> and the report would be due February 1<sup>st</sup>. This report will pick up the last 5% of the salmon catch and the majority of the frozen product sales. Most sockeye is gone by January 1<sup>st</sup>. Some retros would be included in this report as well. This method would be more like a movie rather than a snapshot.

The last report would be due June 1 for the period ending April 30<sup>th</sup>. This report would cover the last of the sales and the beginning of the new season. Once a year reporting for other species is fine but salmon demands more attention. NMFS wants real time information – why is salmon any different?

One advantage would be that processors wouldn't have to put a theoretical value on fish still in the freezer.



Finding the money to do this is a big problem. There are options. By statute there is money earmarked for the collection of data from the 1% ASMI tax. USA proposes to use the surplus from that fund. Up to 10% of the 1% tax collected is allowed for use by the SMIS. Last year that 10% was \$280,000 and the SMIS only used \$120,000 leaving \$160,000 that was absorbed by ASMI.

After Bruce finished his presentation there was a long discussion between the processors and Bruce. Most of the processors participated and were generally opposed to his proposal. Kathy Ciskowski wanted to know why the McDowell report did not meet this need. Bruce replied that it lacked 1999 data. Dave noted that the processors don't have 1999 data either. Bruce said that the processors know the wholesale price and Dave replied that the number of pounds sold by fishermen in 1999 was available. Bruce said that those numbers would not match the COAR but he did not know why.

Vince Goddard commented that a month was not enough time to prepare a report; they needed at least 2 months and fall was too busy in the plant to have to prepare a report. Gary felt they had to have a cut off point. The good product is sold first so the price is high; the remaining product is usually lower quality. Processors must be allowed to value remaining inventory or an inaccurate picture of the total production will result. Don't mess with the COAR.

John Hanrahan felt the report should be separate from the COAR. Annual sales reporting makes more sense than quarterly reporting. Reporting the gross sales price would discourage better packaging and in-store promotions. He would like to see the net sales price reported and would not like to publish inventories because it weakens the processors bargaining position with their customers.

Bruce felt that the gross wholesale value needed to be reported for economists to derive multipliers. The wholesale price reported must be consistent for all processors. How the wholesale price affects negotiations is between USA and the processors. This is not just a sales report to help USA members in contract negotiations. The idea first came from the Board of Fisheries. This is for everyone. This is for the governor.

Vince doesn't want to mess with the COAR. He suggested uncoupling the price to the fisherman from the WCPR, and then you would have what you want except for marketing information. The product types would have to be limited to H&G, canned and combine the remainder. We do specific orders for specific customers and could not calculate an accurate recovery.

Kris Norosz pointed out that once this information became public it would be available to her competition especially internationally.

Scott did not want to create more work for the processors. Canned product, fresh and frozen H&G, and maybe fillets should be reported three times a year as a wholesale price index. Visualize a component of COAR. Maybe over time niche marketing could be added. Fishermen pay a lot (1%) for a marketing effort.

Doug Mecum asked Bruce why those dates were chosen and if you had to choose one date? Bruce replied that the first date was informational, gives the value of the fresh product sold and reveals market strategy. The second report covers the majority of sockeye sales and the wholesale value. The last report in June finishes the previous season and removes any gaps. No one date would work.

Doug asked Kurt Schelle if CFEC would be able to use this data to calculate earnings by fishery for use in allocation discussions. Kurt replied that it would be more difficult because they can't access raw data from the Department of Revenue.

Doug then asked the processors what was the difference between reporting canned and frozen product? Many processors answered – Can sizes are standard. H&G is classified in 4 size groups. It is difficult to calculate FOB inventory. Pat Hardina noted that the canned pack could be carried over. Frozen product competes with farmed product; divulging inventory would remove the competitive advantage.

Pat then asked about USA's marketing efforts. Scott responded that ASMI needs good information on carry over, what products to sell and to develop their budget. Pat said that ASMI is more promotional. A discussion ensued about the ASMI mission and product inventory. The ASMI board is aware of the USA proposal but has not considered it. USA was told to wait until after this meeting.

The first day ended after Dave Forbush asked Bruce Schactler why USA was attempting to use the regulatory power of a state agency to get information for use in salmon price negotiations about wholesale values for salmon. Bruce said he turned to the state because the companies had refused to voluntarily provide the information when requested.

Wednesday, November 10

Gary and Bruce discussed some of the problems with the COAR; Geron captured these on the first flip chart.

#### Changes to COAR

1. More specific product codes/classes
2. Real time moving picture of salmon market – 3 times a year

Alan Austerman asked if the state was getting the information it needs? He thought that 18-month-old information was old information and liked the 3 times a year approach. The state shouldn't worry about final numbers. That should be the analysts business, e.g. UAA. He was concerned about the entire industry. The processors should report more frequently and get something more usable for industry.

1. Can processors report wholesale price data more frequently? – YES
2. What are the benefits/ Is it useful?—OPINIONS VARIED.

Stephanie said that the year-end report should continue for continuity and compatibility with historical data. Increased reporting was going to burden the processors; there is no one button to push to generate a report. Pat noted that most here were against substantively changing the COAR. She also questioned the value of collecting more frequent sales information because every year is different and one year doesn't necessarily translate to the next. ASMI and USA can't sell product we've already produced. Their role is to promote Alaska seafood generically. They don't sell specific product.

To respond to Pat's comments, Scott said that he had no way to account for his 1% investment to ASMI. He wanted some sort of audit trail. He also had no way to assess the success of the ASMI program. He felt the fishermen were on the verge of a new relationship with the processors.

Bruce said that the harvesters are unhappy with the processors because they are too slow to move into a food driven market. USA is finding new markets – trying to help at the marketing level. USA wants to move the industry forward.

He continued with his assessment of where the group was. The processors appear to be adamantly opposed to modifying the COAR and a number of the users of COAR have urged caution in any modification of COAR. But all agreed that the COAR needs some improvements. Where do we do it then? Should we go to Revenue and augment the WCPR by adding fresh and frozen H&G, fresh and frozen fillets and roe products? And put everything else in the COAR? If other product types become significant in the market we could add them to the report.

John questioned who really needed this additional information. Was it just the fishermen? Is there a government agency that needs a quarterly report? He has not heard support from the economists. If it comes down to information that fishermen need to negotiate a price, then isn't this between the fishermen and the processors?

Bruce responded that this information was needed; that even if a bureaucrat didn't know he needed it, he did. This change has been recommended at last year's Salmon Forum.

Doug got the group on track again by suggesting listing the options.

#### Options

1. Add product forms to Revenue WPR
2. USA Proposal to use COAR.
3. Tune-up COAR
4. 3<sup>rd</sup> party reporting directly to fishermen/ processors subject to contract.

1. What are goals/ objectives?
2. What are the methods to achieve?
3. What are the intended results? Who uses it?
4. What are the advantages/ disadvantages?
5. What are the costs/ benefits?

Bruce wanted to flesh out the 3<sup>rd</sup> party idea that Stephanie suggested. Geron captured the basic idea on a flip chart.

#### 3<sup>rd</sup> Party Reporting/Verification

- Fishermen/ USA would pay for 3<sup>rd</sup> party collection and verification of agreed wholesale information
- Processors agree to provide information 3 times a year
- Product forms: canned, fresh H&G, frozen H&G, fresh fillets, frozen fillets, roe



Gunnar commented that this was only one option; the point is that it is achieved without involving the state.

Scott voiced his opinion that he could not believe that the processors would agree to this. Gary agreed. He said his company would not give this information willingly. Their customers would also have access to this information. Annually is OK but not during the season. They wouldn't have control even if a private group collects the information.

#### **Option 4 – 3<sup>rd</sup> Party**

##### **Goals / Objectives**

- a) Provide USA the information that they need
- b) Without increasing the reporting burden on processors
- c) Protects proprietary information
- d) Provide predictability

Scott asked how more frequent reporting could jeopardize competition. Gunnar explained that the processors are in the middle. On one side there are fishermen who feel that with more information they can get a better deal and on the other side there are the wholesale buyers that also feel they could get a better deal with more information. If the market can get proprietary information then both the processors and the fishermen stand to lose. This option potentially provides the means for USA to access this information without the market getting it.

#### **Option 4 – 3<sup>rd</sup> Party**

##### **Methods to achieve objectives**

- a) Contract between fishermen/ a processor or processors
- b) Agreement on the information to collect
- c) Agreement on how to pay for
- d) Agreement on maintaining confidentiality
- e) Agreement on frequency of reporting

#### **Option 4 – 3<sup>rd</sup> Party**

##### **What are intended uses/ Who uses**

- a) Fishermen who have the contracts

#### **Option 4 – 3<sup>rd</sup> Party**

##### **Advantages**

- Cost state less
- More flexible
- Information can be precise, specific
- Better tracking of product forms
- No additional cost to processors
- COAR remains annual report

##### **Disadvantages**

- Processors won't participate
- Won't provide information to public
- Cost too high for fishermen
- Fragments harvester solidarity
- Too much power in processor hands
- No statutory requirement to do

- Less bias in pricing

Larry Persily arrived; the group resumed discussion of Option 1 – Add product forms to WPR. Larry felt that the WPR was not a Revenue function. Revenue doesn't audit these reports nor do they have the staff to do audits. Scott and Bruce disagreed. Every tax dollar is at the exvessel level. Expansion to the wholesale level is a proprietary black hole. Harvesters pay ASMI and other taxes and it gives us a tool to negotiate and increase the exvessel price. It is in our best interest to increase world market share. This will bring up the tax base.

Larry said it would take the equivalent of one person or \$60,000. And that would not include any auditing capabilities. Revenue would have to respect confidentiality. Revenue will release summarized information for 3 or more taxpayers.

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**

**Goals/ Objectives**

- a) Provide fishermen information they need
- b) Doesn't change COAR
- c) Good fit between WPR and additional reporting
- d) Reporting frozen, fresh, roe by ADF&G area

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**

**Method to achieve objectives**

- a) Seek legislation
- b) Seek funding
- c) Industry agreement to support this option and the means to achieve – lobby for it

Bruce, as chairman of the UFA marketing committee, said he has agreement there.

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**

**What are intended uses/ Who uses**

- a) Fishermen
- b) Customers of processors
- c) Academics/ researchers
- d) Salmon Marketing Information Service
- e) Any member of the public

Dave said that the processors wouldn't use this information. If he wants information he calls his customers. This option has more negatives for processors. It won't help the industry market fish it will hinder.

Gunnar said that from a research point of view the more information he could access the better. Chris indicated that he would use this information. He finds that fishermen, small processors and the USDA are interested in WPR information.

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**Advantages

- Uniform compliance
- Guaranteed confidentiality
- Give fishermen information
- Make Information available to public
- Keeps data used for research/ public policy separate from data used for price negotiation

Disadvantages

- Future expansion to other species/ users
- Compromise confidentiality
- Cost to provide information
- Complicates product sales/processor/customer relationship
- Companies don't categorize sales by catch area – would have to redo books
- Cost to State of Alaska
- More frequent data reporting tends to produce less accurate data

Geron asked the group where we would be at the end of the meeting? Bruce wanted to know where everyone stood. He wanted to have some news for the 6,000 subscribers of the USA newsletter. He said he wanted to leave the meeting knowing where we were going. Geron reiterated that this was not a decision-making meeting but rather one to identify issues and determine a way to work on those issues.

Dave said that he was still committed to get the PSPA group together to work on definitions of product forms even though it is more difficult now; they may have to have an attorney present. He will go back and have a discussion with his CEO. He felt that the group was further along than yesterday.

Bruce agreed that everyone was in favor of tuning up the COAR. And he heard some support for a separate report outside of COAR. But now he is hearing nothing positive from the processing sector that USA will get their compromise position – a report separate from the COAR.

Dave wants to know if that information is really necessary? He still wants to know what information USA needs other than information they would use at the bargaining table and what it will do for the industry.

Gary will support defining product terms and a tune-up of the COAR but not more frequent reporting.

Gunnar acknowledges that there are benefits from more frequent reporting but does not feel strongly either way. He said that there would be winners and losers from more frequent reporting of wholesale values. There is confusion and a lack of understanding of what is happening in the market leading to disbelief and suspicion in the fleet. There is a lack of willingness to believe when the market is up or down because there is no "official" data. More information would further the cause of a well-informed fleet.

However this information may not actually be useful. Four month old information is not really current. The data could be misinterpreted when applied to the next season. It would be expensive to collect and it may put the entire industry at a bargaining disadvantage when it comes to selling to customers at the wholesale level.



Dave agreed that the processors would like to gain the trust of fishermen. Bruce said that the Salmon Forum recommendation for more frequent reporting actually came out of the committee of industry relations.

Chip observed that harvesters and the processors share the risk and that trust is required but that the processors are unwilling to enter into a contract. So what should be a private affair becomes public to the detriment of everyone.

Geron cautioned the group to not be too pessimistic. There have been steps taken at this meeting. As long as the groups are still talking fate is in your hands. Sometimes taking things to the legislature has unexpected consequences and trade-offs.

Bruce said he read the proposal for COAR enhancements and agrees it is necessary. He wants to bring more clarity to codes for the users. Gunnar felt that it was the responsibility of the users to understand the codes and the product types. This is a complicated industry and some data just doesn't fit the codes. The more we try to match the data to the industry the more complicated it becomes.

Herman agrees. Industry fills out the COAR not only for salmon. For example any fish can be dressed. Different companies may use different codes in an attempt to fit the code to the product. The code N/A results when a company is unable to match a code to a product.

### **Option 3 – Status quo – tune up COAR**

#### **Goals/Objectives**

1. Basic functions of COAR needs to be redone and modified.
2. Data quality needs to be improved including basic data entry, code modernization, fix ambiguous questions, and improve inseason editing tools and historical auditing tools.
3. Publish information in Catch and Production Leaflet, ad-hoc queries. Give other access to data – CFEC, AKFIN, NMFS, internet access
4. Develop ADF&G expertise on industry practices
5. Electronic reporting
6. Valuation of inventory – how to do – procedures for estimating value of inventory
7. Definition of method of calculating wholesale value
8. Prior season data available by beginning of next season – May 1.
9. Evaluate alternative due dates from processors.

### **Option 3 – Status quo – tune up COAR**

#### **Methods to achieve objectives**

1. PSPA processors generate common understanding and terms for product codes for all species.
2. ADF&G establishes liaison. Reviewed by ADF&G
3. Send to ADF&G
4. ADF&G distribute and ask for comments from non-PSPA processors and harvesters.
5. ADF&G consolidates comments, prepares proposal and executes
6. Input/ seek comments from users of COAR – thinking about fundamental uses. Example – Definitions of wholesale value and how this will be used.

**Option 3 – Status quo – tune up COAR**

Who are the users?

- Same group that uses it now

**Option 3 – Status quo – tune up COAR**Advantages

- Can be used more quickly prior to coming season
- Get better, more usable information per USA proposal (definitions)
- Reduce state costs
- Improved quality of data
- Better ADF&G understanding of industry practices
- Improve publication of data, better public/user access to data

Disadvantages

- Earlier reporting date means less product sold
- Earlier – less accurate, more estimates
- Doesn't provide a moving picture of market
- Potential to disrupt historical continuity of data

Bruce indicated he would rather have accuracy than an earlier report. Gary would prefer to stay with April 1. Dave likes the idea that taxes are due at the same time as the COAR.

Bruce asked that the processors get back to him with a response about his proposed 3 times a year Salmon Index Report. Gary indicated that the PSPA processors would likely respond as a group but that he did not control that.

Based on the discussion about modifying COAR to produce a tri-annual salmon report and objections and concerns from processors and users of COAR, USA decided not to pursue option 2. Consequently no analysis of option 2 was conducted at the meeting.

Geron gave the group the option of continuing the discussion or adjourning. The group adjourned at approximately 3 p.m.

**Participants:**

ADF&G: Doug Mecum, Jeff Hartman, Herman Savikko, Carmine DiCostanzo

Wards Cove: Dave Forbush, Sr.

Peter Pan: Gary Greenwood

Ocean Beauty: John Hanrahan

Norquest: Ken Ng

Trident: Doug Donnegan

Cook Inlet Processors: Pat Hardina

Unisea: Kathy Ciskowski

Inlet Salmon: Vince Goddard

Wrangell Seafoods, Del Repnow

United Salmon Association: Bruce Schactler, Virginia Adams, Scott McAllister, Herb Jensen, Chip Treinen, Tom Wischer

Legislators: Representative Alan Austerman, Representative John Harris, Representative Fred Dyson, Senator Loren Lerman, Senator Georgiana Lincoln, Lacey Berns (staff to Senator Jerry Mackie)

Salmon Marketing Information Service: Chris McDowell

Alaska Fisheries Information Network: Peggy Murphy

CFEC: Kurt Schelle

University of Alaska: Gunnar Knapp

North Pacific Fisheries Management Council: Chris Oliver and Elaine Dinnford

Department of Revenue: Larry Persily, Deputy Commissioner

Facilitator: Geron Bruce, ADF&G

Recorder: Ellen Simpson, ADF&G



# **Observations on the Commercial Operator's Annual Report and Proposals for Changes**

by

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Reporting Requirements, and United Salmon Association Proposal  
for a Report on Wholesale Prices for Salmon Products"

Westmark Hotel  
Anchorage, Alaska  
November 9-10, 1999

## **Introduction**

The following are summary observations relating to the Commercial Operator's Annual Report (COAR). These observations are based on my experience as a user of the COAR data for research about Alaska fisheries and markets over the past decade.

### **Importance of the Commercial Operator Annual Report**

The COAR reports are a very important source of information about the Alaska commercial fishing industry. They are the only source of reliable data on many important aspects of the industry, including:

- **Ex-vessel price.** The COAR reports provide the only available *accurate* source of data on average ex-vessel prices received by fishermen, which may be calculated by dividing total amount paid (*including* adjustments) by total pounds purchased.
- **Production.** The COAR reports provide the only available source of data on fish products production in Alaska. Production is reported in extensive detail, by both product and process.
- **Wholesale value and prices.** The COAR reports provide extensive detailed data on wholesale value of production and average wholesale prices (which may be calculated by dividing total value by production pounds).
- **Other data.** The COAR reports provide the only available source of data on many other aspects of the seafood industry, such as custom processing and processing of Canadian fish.

The COAR data are absolutely critical to the ability of the State of Alaska--or anyone else--to have a clear idea of what is actually happening in the Alaska seafood industry.

### **Problems With the COAR Data**

As a researcher, I have experienced several problems with the COAR data. These are attributable not to the reporting requirement itself--the information processors are required to report and when they are required to report it--but to how the reporting requirement and the data are administered by the Alaska Department of Fish and Game (ADFG). These problems are attributable, in part or in whole, to a lack of funding. Specifically, they include:

- **Lack of compliance.** Not all processors comply with the COAR reporting requirements. This is apparently particularly a problem with smaller operators and with operators who have gone out of business and neglect to file reports for the previous year.
- **Delays in data coding.** Data coding is a slow process. ADF&G has a limited number of staff who can code the data (and check that the coding is accurate and the data are complete and make sense). This delays the period of time until final data are available by many months.

**Data are not published.** For many years ADFG published COAR data in the annual Catch and Production reports. These reports provided a useful, consistently formatted source of public information about the seafood industry. It has now been more than ten years since the last Catch and Production report was published. Since then, there have been only sporadic publications of COAR data. ADF&G have been responsive to special requests for information, but have only limited time to assist with these requests. The fact that data are not published on a regular or timely basis in a consistent format significantly hampers their utility for research purposes.

### **Potential for Making Better Use of the COAR Data**

Beyond addressing the problems resulting from lack of compliance and lack of publication of the COAR data, there is much potential to use the COAR data to gain a better understanding of the Alaska seafood industry and how it is changing. The following are examples of questions which could be answered using the COAR data:

- How is production of Alaska seafood products changing? Are we selling more products fresh? Are we producing more value-added products? Of what kinds? How much value is added in value-adding?
- How is the structure of the Alaska seafood industry changing? Is the number of seafood processors increasing or declining? Is the industry becoming more dominated by a few large firms, or less? How many buyers, of what scale, exist for each species in different areas?
- What are margins between wholesale prices and ex-vessel prices in different areas? How are these margins changing?
- How are recovery rates for seafood products changing?

## **If It Ain't Broke, Don't Fix It**

We should remember the adage: "If it ain't broke, don't fix it." The point of this saying is that it's better to stick with something that's basically working rather than to risk really breaking it by trying to "fix" it. My point is that we should be careful to avoid making changes to the COAR that might compromise its most important purpose, which is to serve as a comprehensive source of information for the state about the seafood industry.

The COAR is not broke. The present reporting requirements, the reporting form, and the timeline for reporting the information have been developed over many years. They make sense. Processors know how to report the information. The State and other users have experience with how to interpret it.

As noted above, the most important problems with the COAR data don't result from the reporting requirements but rather with lack of support for compliance, data entry, data publication, and analysis. The solution is to give adequate funding and attention to these activities, rather than to change the reporting requirement itself.

### **Obtaining More Timely Wholesale Price Information**

Many fishermen and fishermen's organizations have expressed a desire for an objective, timely and comprehensive source of information on wholesale prices received by processors, which could serve as a basis for price negotiations and price formulas. This makes sense. It is entirely reasonable for the State to assist in collecting and distributing this information.

The Alaska Department of Revenue Canned Salmon Wholesale Price Report is an example of a reporting requirement which was originally developed for and which is currently being used for exactly this purpose.

The wholesale prices for fresh and frozen products which may be calculated from the COAR database are not suitable as a basis for price agreements because the information is not reported until the April of the following calendar year, and is typically not available until June or July.

To obtain better wholesale price information for fresh and frozen products for use as a basis for price formulas, I believe it makes much more sense to modify or expand the Alaska Department of Revenue Canned Salmon Wholesale Price Report than to modify or expand the COAR reporting requirements. I believe this for the following reasons:

- The Department of Revenue (DOR) report is specifically designed for the purpose of tracking wholesale prices. Processors report specific information needed for the purpose of tracking wholesale prices several times per year.
- In contrast, the COAR report is designed to capture much more information (such as volumes bought, prices paid, and custom processing). We should not have the tail (of more timely wholesale price information) wag the dog (of comprehensive reporting of buying and production). It is not practical to report this information more than once per year, and long enough after the end of the reporting period so that the information can be assembled by processors.



- We have recent experience with modifying the DOR report to better meet the reporting needs of the industry for wholesale price information. We know how the process works.
- The COAR report is already very long and comprehensive. Any modifications will make it still more cumbersome to report.
- ADFG resources for COAR enforcement, data entry, publication and analysis are already severely strained. Adding additional responsibilities will only increase the challenges presently faced by ADFG.
- A wholesale price reporting requirement for use in price negotiations and formulas should reflect careful thought on the part of both fishermen and processors about what is *most important* to know as a basis for reporting. It would be impractical to develop detailed formulas based on prices of many different products or for many different regions--and such price information would likely face many confidentiality restrictions. We should avoid the temptation to think "the more information, the better" in developing reporting requirements, but should instead think carefully about what information is most needed.

*COAR summary outlining advantages of more frequent reporting of data  
by the SALMON MARKET INFORMATION SERVICE (SMIS)*

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***Background***

This paper is a response to a data request made of the Salmon Market Information Service (SMIS) by United Salmon Association. The SMIS was asked to write a brief summary outlining the advantages of more frequent reporting of wholesale salmon price data currently released once a year in the Commercial Operators Annual Report (COAR). The data request followed a meeting held in Anchorage on November 9 and 10, 1999 to discuss potential changes to the COAR.

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***Discussion***

**Wholesale Price**

If wholesale prices of salmon products are viewed as a river, then the river starts with FOB Alaska first wholesale price as reported in the Commercial Operators Annual Report (COAR). As the product travels "downstream" through brokers, importers, wholesalers and retailers on its way to consumers, cost is added at each level.

Data services such as Bill Atkinson's News Report or Urner-Barry's Seafood Price Current provide useful, consistent and frequent information for identifying trends. However, such pricing information is substantially downstream of FOB Alaska wholesale prices. Shipping, commissions, duties, storage and other factors play substantial roles in setting downstream wholesale prices.

While Alaska processors' production costs remain proprietary and confidential, FOB Alaska wholesale price data represent only one layer of such costs, whereas downstream wholesale prices represent several layers of costs and profit-taking. This in turn makes ex-vessel price less significant in terms of the stated wholesale price. One processor may be able to access his end-use market quite directly, while another may have to support the cost burden of multiple levels of commission and consignment profit-taking before the fish reaches its downstream wholesale price point. In essence, FOB Alaska wholesale price gives fishermen the clearest picture of what their catch actually brought on the market.

**Species Targeting**

Some salmon fisheries in Alaska have the ability to selectively target different species. In many cases, the decision to target a specific species requires capital investment, gear changes and lost opportunity on other species resulting from commitment of fishing effort or vessel set-up. If the ex-vessel price comes up short, the fisherman stands to lose money on his targeting decision. Increased frequency of FOB Alaska wholesale salmon prices could alleviate some of that risk to fishermen.

Downstream wholesale prices can fluctuate for a variety of reasons, many of which are beyond the control of processors. Some factors include exchange rates, harvest shortfalls in other fisheries, health-related consumer issues such as the recent salmonella scare in Japan, and a host of other factors. In the case of a processor who has sold or committed inventory before the market spikes up, that

price spike is of no benefit. So while the downstream wholesale indicator (Atkinson, Urner-Barry, etc.) may go up substantially, the processor's wholesale price (and ability to pay ex-vessel price) remains unchanged.

If a fisherman were to make a targeting decision based on such downstream indicators, he might be operating under an unrealistic expectation of his processor's ability to pay an ex-vessel price. More frequent reporting of FOB Alaska wholesale prices would reduce that risk by providing some indicator of whether or not a price increase traveled back "upstream" to the processor. The current timing of annual reporting renders the COAR useless for pre-season targeting decisions.

### **Accuracy Relative to Harvest Year, Sales Season**

Reporting three times a year would increase the accuracy and pertinence of COAR data. The vast majority of Alaska's salmon harvest occurs during July and August, meaning the sales season for salmon caught during a particular harvest year runs from July of one calendar year through June of the next. Currently, the COAR reporting period follows the calendar year and prices are averaged across the year. Since salmon prices are so responsive to supply levels, this creates the potential for an average price that is very different from actual wholesale prices that occurred during either of the two sales seasons within the calendar year.

For instance, the 1997 harvest season saw landings of 30 million sockeye in Alaska, down from 50 million the previous year. Japan's Tsukiji market wholesale prices for frozen sockeye increased by 33 percent in a single month (August 1997) presumably in response to reduced supply. Given the once-a-year reporting format, the COAR is unable to account for such changes and simply averages the results of two [markedly different] sales seasons for this product form.

As it currently exists, the COAR is unable to distinguish one sales season from the other and as a result is far less accurate than it could be with more frequent reporting. A three-times-a-year reporting structure would provide the ability to track wholesale prices on a month-to-month basis, identifying prices for the sales season rather than averaging portions of two (potentially very different) sales seasons.

### **Product Form Composition**

Quite simply, the COAR is the only accurate source of data that exists for determining the product-form composition and product-form volume of the Alaska salmon harvest.



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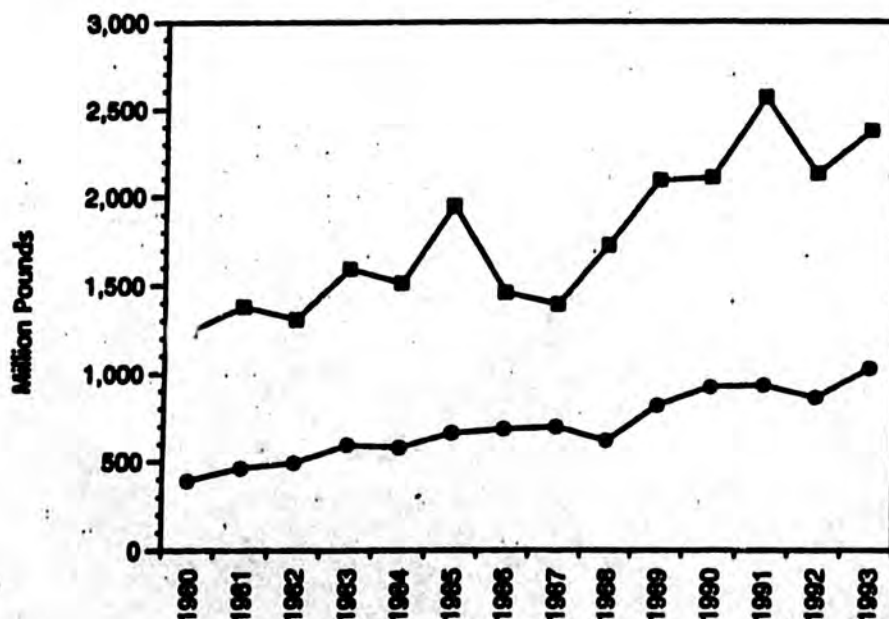
## Understanding Salmon Markets

by Terry Johnson  
and Craig Wiese

*What is happening in salmon markets? What exactly is a market? Where do our fish go, and who decides how much we get for them? Why do salmon cost so much in the supermarket? What will prices be in the future?*

World salmon markets are changing. At one time, Alaskans could sell every salmon they caught because they produced nearly half the world supply. When salmon runs decreased, the price went up, and most fishermen would still earn enough money. But today a lot more salmon is on the market. Wild salmon landings have increased in Alaska and elsewhere, and farms are now producing as much salmon as the Alaska fishing industry. So much salmon is produced in the world today, compared with the 1980s, that prices have been forced down so consumers will purchase it all. In 1993, 2.4 billion pounds of salmon were produced worldwide. Japan is the largest consumer, purchasing 35%-45%. The figure below shows world salmon production and Japan salmon consumption since 1980.

**World Salmon Production (■) and Japanese Salmon Consumption (●)**



**SOURCES:**

World salmon production, from  
ASMI 1993 and State of Alaska  
1993.

Japanese salmon consumption,  
from Knapp 1992 and Bill  
Atkinson's News Report 1994.

Salmon Market Information Service reports are published by the University of Alaska Anchorage under a contract with the Alaska Seafood Marketing Institute (ASMI). Salmon fishermen pay for these reports through a 1% tax on their landings. Contact: Salmon Market Information Service, University of Alaska Anchorage, (907) 786-7750.

Many sources of salmon market information are available to fishermen:

- Newsletters, such as *Bill Atkinson's News Report* (206) 525-3235, *Seafood Trend Newsletter* (206) 523-2280, and *State of Alaska Weekly Fish Report* (907) 561-5585.
- Salmon Market Information Service reports.
- Fishing industry trade journal market reports.
- Seafood industry trade journals.
- Radio, TV, and daily newspaper coverage.

To use these sources, a fisherman must have a basic knowledge about salmon markets and how market information is presented. The purpose of this publication is to explain the basics.

## What is a market?

The term "market" can be confusing because it has several different meanings, and all are used regularly. A market can refer to a region where sales occur, as in "the biggest market for sockeye salmon is Japan." Or it can be a reference to the economic outlook for sales, such as, "the market is down because of the recession." Market also refers to the buyers of a product. For example, fishermen often use the term market to mean the processing company that buys the raw fish. When people talk about marketing or a marketing campaign, they're talking about the promotion and selling of a product, as in "what's the best way to market frozen salmon in Omaha?" Market can also refer to the place where a product is sold, whether it's the entire U.S. retail market or the store where you buy groceries. All of these meanings are correct and most of them are used in this publication. A person simply has to pay attention to the context in which the word is used.

Eight species of salmon are sold throughout the world: six Pacific species (sockeye, pink, chum, coho, king, and Asian cherry salmon), plus Atlantic salmon and saltwater pen-reared rainbows or "salmon trout." The markets for these eight species involve tens of product forms, dozens of countries, hundreds of companies, thousands of middlemen, and tens of thousands of fishermen and fish farmers.

For each combination of species and product form, there are buyers in the market who want that product and others who are not interested. An exporter looking for canned reds to sell in Britain isn't interested in fresh reds, at any price. A smoker who wants kings to make into lox won't be interested in the finest pinks money can buy.

The process of buyers finding the product they want, agreeing on a price, and purchasing it from a seller, is the essence of a market in action.

## Where do Alaska salmon go, and how are they processed?

Of the five species of Alaska salmon on the market, **sockeyes** and **pinks** account for most of Alaska salmon revenues. Sockeyes go to three main markets: Japan, the United States, and Europe. Nearly 80% of Alaska sockeyes are frozen, and more than 95% of the frozen sockeyes go to Japan. About half the canned sockeye production goes to the United Kingdom. The other half remains in the United States, where major markets are in the northeast and northern midwest states.

Some 70% of our pink harvest is canned, and about half of that is exported. The United Kingdom is our biggest export customer. The other half of canned

production, along with most of the fresh and frozen product, is sold around the United States, especially in the southeastern and mid-Atlantic states.

**Chums** are usually sold fresh or frozen in the United States. In fact, some marketers say chums are America's favorite wild salmon because of their low price and mild flavor. Some chums are exported to Japan because most of Alaska's chums return earlier in the season than the huge Japanese runs. In the United States, chums are used commonly to make smoked salmon products. One-third to one-half of chum production is exported, with Canada and Japan the primary destinations.

**Cohos** go fresh or frozen to restaurants and supermarkets in domestic markets, especially in the west. Larger coho are often smoked, in the United States and in Japan. About 70% of our cohos are exported, mostly to Japan.

**Kings** are popular with U.S. and European smokehouses because of their rich flesh and large size. Smaller kings may be steaked for restaurants or supermarkets. Some high quality troll kings, and Yukon River kings, are now exported fresh or frozen to Japan. (Sources: Knapp 1992, SMIS 1994.)

## **How does the price, which starts out so low, get to be so high?**

The price of a salmon may start out at 70¢ a pound to the fisherman for fish delivered to the tender, yet that same salmon can sell for \$8 a pound in a supermarket. Table 1 shows how the cost increases at each step of the distribution system, using the example of frozen sockeye shipped to Japan and sold as fillet slices in the Japanese supermarket.

A processor's raw fish cost (before processing begins) includes the fisherman's price, tender fees, and taxes. Processors pay for a whole fish but throw away heads, guts, and fins. The amount paid for the "waste" is called processing yield cost. Not all of the waste is worthless, however. Eggs, which are extracted along with the guts, have value and are sold. In Table 1, the value of the eggs is added back in, and "deducted" from raw product expenses before processing yield cost is calculated.

Importing costs (duties, customs fees, bank charges), transportation, reprocessing, wholesale, and retail sale expenses make a product rise in value quickly as it moves up the distribution chain. The largest price jump comes at the supermarket, where a 40% to 60% markup between wholesale and retail is common.

There are two main distribution paths for sockeye salmon in Japan. The majority of Alaska sockeyes go directly from American processor to importer to Japanese reprocessor and then to a supermarket or restaurant. This path is labeled "direct" in the table. A smaller portion, 25% or less, is sold through the wholesale central market system. This path is labeled "central market." It differs from the "direct" distribution system in that fish move from importers through two layers of wholesalers before moving on to secondary processors.

Central market wholesale prices are quoted in the Japan market section of fishing industry magazines and in market newsletters. The central market wholesale system is monitored and regulated by the Japanese government. Average prices for food products are made public and are published regularly. Direct market system activities are not monitored by the government, so wholesale prices paid to importers for salmon by secondary processors or supermarket companies are not made public. Even though only a small percentage of Alaska salmon is sold through central market wholesalers, everyone watches these prices because they are good indicators of price trends. These same trends occur in the



**Table 1: Bristol Bay fisherman's price to Japan retail price for frozen sockeye salmon**

| Raw product                             | Cost (\$/lb)   | Cumulative cost    |        |                   |
|-----------------------------------------|----------------|--------------------|--------|-------------------|
| Fisherman's price                       | \$0.70         | \$0.70             |        |                   |
| Fish & ASMI tax (3.3%)                  | \$0.02         | \$0.72             |        |                   |
| Tender                                  | \$0.12         | \$0.84             |        |                   |
| Less roe value (3%)<br>(roe \$4.75/lb)  | (\$0.14)       | \$0.70             |        |                   |
| <b>Primary processing</b>               |                |                    |        |                   |
| Processing yield                        | 74%            | \$0.95             |        |                   |
| Direct labor                            | \$0.17         | \$1.12             |        |                   |
| Packaging                               | \$0.05         | \$1.17             |        |                   |
| Miscellaneous                           | \$0.05         | \$1.22             |        |                   |
| Overhead/profit                         | \$0.50         | \$1.72             |        |                   |
| <b>Importation</b>                      |                |                    |        |                   |
|                                         | \$/lb          | \$/lb              |        |                   |
| Freight (from Bristol Bay)              | \$0.28         | \$2.00             |        |                   |
| Import duty (5.0% C&F)                  | \$0.10         | \$2.10             |        |                   |
| Bank charge (3% C&F)                    | \$0.06         | \$2.16             |        |                   |
| Customs handling (4% C&F)               | \$0.08         | \$2.24             |        |                   |
| Transportation                          | \$0.15         | \$2.39             |        |                   |
| Cold storage (5 months)                 | \$0.15         | \$2.54             |        |                   |
| Loan interest (5 months)<br>(9%/yr C&F) | \$0.07         | \$2.61             |        |                   |
| Importer margin (5%)                    | \$0.13         | \$2.74             |        |                   |
| <b>Wholesale</b>                        |                |                    |        |                   |
|                                         | Central market | Central cumulative | Direct | Direct cumulative |
| Primary wholesaler (5.5%)               | \$0.15         | \$2.89             | \$0.00 | \$2.74            |
| Sales tax (3%)                          | \$0.09         | \$2.98             | \$0.08 | \$2.82            |
| Secondary wholesaler (15%)              | \$0.45         | \$3.43             | \$0.00 | \$2.82            |
| Sales tax (3%)                          | \$0.10         | \$3.53             | \$0.00 | \$2.82            |
| <b>Secondary processing</b>             |                |                    |        |                   |
| Transportation                          | \$0.10         | \$3.63             | \$0.10 | \$2.92            |
| Kirimi process yield (80%)              | \$0.91         | \$4.54             | \$0.91 | \$3.83            |
| Labor                                   | \$0.35         | \$4.89             | \$0.35 | \$4.18            |
| Packaging                               | \$0.10         | \$4.99             | \$0.10 | \$4.28            |
| Overhead                                | \$0.30         | \$5.29             | \$0.30 | \$4.58            |
| Margin (10%)                            | \$0.59         | \$5.87             | \$0.59 | \$5.17            |
| <b>Retail</b>                           |                |                    |        |                   |
| Transportation                          | \$0.15         | \$6.02             | \$0.15 | \$5.32            |
| Retail overhead/profit                  | \$2.58         | \$8.61             | \$3.30 | \$8.62            |

In this example, the fisherman gets 70¢ per pound for sockeye salmon, while the fillet slices sell for more than \$8 a pound in the Japanese supermarket.

**NOTES:**  
Assume 110V/\$

C&F = Cost (processor price) & freight (U.S. to Japan).

Assume 30% retail margin for central market path.

**SOURCE:**  
Wiese 1992.

direct market system, although the wholesale price (the price paid by retailers) are typically lower in the direct market system.

## Who decides how much we get for our fish?

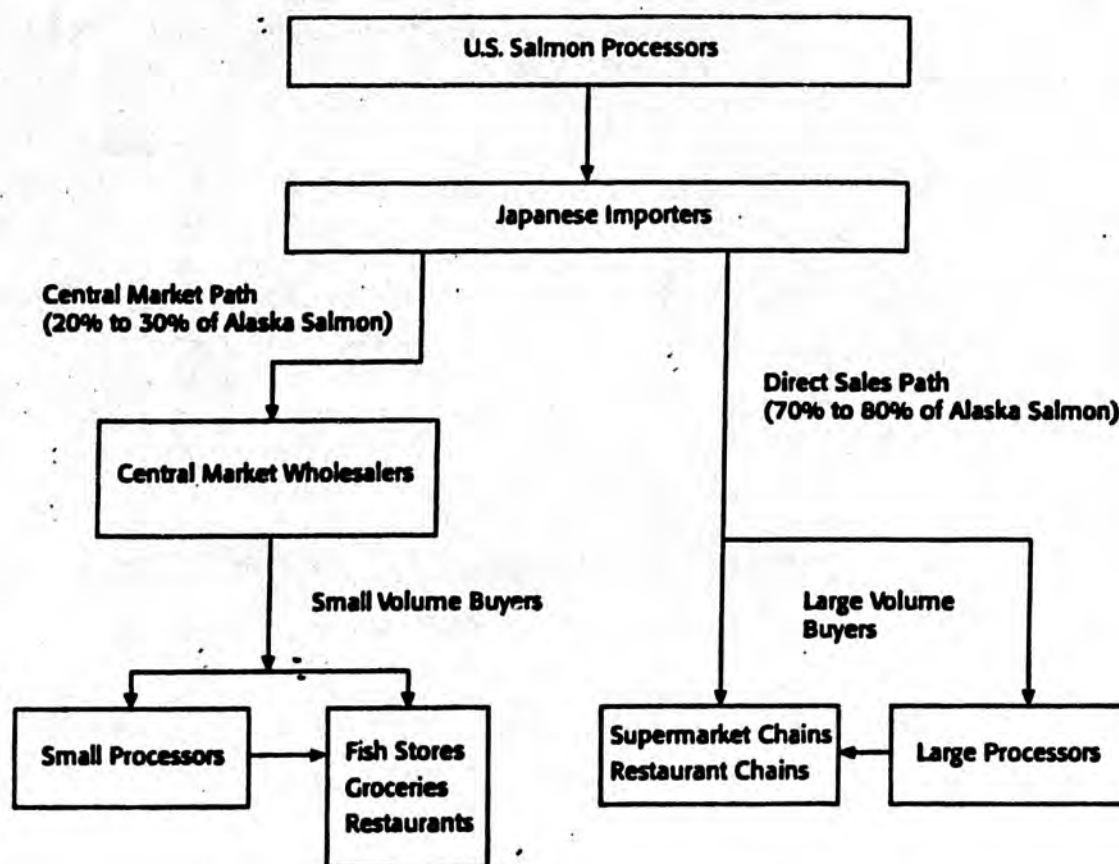
The consumer decides how much money we get for our fish. Each day millions of people decide whether to buy a piece or a can of salmon. If consumers aren't buying, wholesalers have to lower the price, and if they get less for their fish, they have to pay less to their suppliers. The suppliers pay less to the processors, and on down the line to the fishermen. When demand is strong retailers charge more, suppliers charge more, and so on.

## Japan Imported Salmon Distribution System

Japanese importers buy huge volumes of product and resell in large volume lots. Super-market chains, restaurant chains, large processors, and central market wholesalers sell large volumes of salmon and buy directly from importers. Sales at local fish stores, neighborhood grocery stores, individual restaurants, and small processors are generally not large enough to deal directly with importers. They buy through the central market wholesale system, which breaks down purchases from importers into smaller lots. Large volume buyers avoid wholesalers because wholesalers charge a fee for their services. Approximately 70% to 80% of Alaska salmon is sold directly by importers to large volume buyers.

### SOURCE:

Bill Atkinson in "Japan Salmon Market Wholesale and Distribution," presented at the Alaska Fish Conference and Exposition, October 11, 1991, and personal communication with Bill Atkinson.



Some fishermen believe that the processors set prices, but in truth processors—like fishermen—are price takers, not price setters. They pay the fishermen based on what they think they can get from their buyers. Processors try to predict how much the fish will be worth when it's time to sell, using the same information available to fishermen. They deduct operating and overhead costs and some profit, and pass along the rest to the fishermen in the form of ex-vessel price. Sometimes processors miscalculate, pay too much, and lose money. Other times they make an unanticipated profit. Often they share a portion of the profit with their fishermen in the form of post-season price adjustments.

## What are the effects of exchange rates, inventories, and other indicators of price?

Many factors influence fishermen's prices for salmon. One is predicted supply. Catch predictions influence how much buyers are willing to pay. If the Alaska Department of Fish and Game predicts huge salmon runs, importers won't pay high prices for fish that may be hard to sell over the course of the following year.

Another factor in price is inventories. When the cold storage and warehouses are full, wholesale buyers know they don't have to bid up the price to get product. When inventories are low, wholesalers worry about meeting their customers' demands, so they pay more to ensure they have an enough fish. Inventory reports are key indicators of short term price trends.

Consumption, or the rate at which fish is eaten, influences prices. Big inventories and big landings don't necessarily drive down prices if consumers are

aggressively buying the product. Consumption, in turn, is influenced by factors such as the state of the economy and prices of competing foods, like tuna, chicken, beef, and pork.

Exchange rates are important. Japanese consumers (and retailers, distributors, and wholesalers) pay in yen, but American processors and fishermen want dollars. So importers must use yen to buy dollars. When the dollar is "strong" (and the yen is "weak") it takes a lot of yen to buy a dollar, or a dollar's worth of fish. A strong dollar keeps ex-vessel prices low because the cost of a fish product in the weaker foreign currency must remain competitive (inexpensive by U.S. dollar standards) with other food choices the consumer faces. On the other hand, a weak dollar tends to raise the price paid to fishermen because products in the import country will be high by U.S. dollar standards. Alaska fishermen have been fortunate that the dollar has gotten steadily weaker compared to the yen for many years. This has lessened the price impact of increased world salmon supplies.

### **How do competing supplies affect prices?**

Competing supplies of salmon influence prices. Wild Pacific salmon come only from Alaska, the Lower 48, Canada, Japan, and Russia. Farmed salmon are produced in the United States, Canada, Japan, Norway, Chile, Scotland, Denmark, Ireland, New Zealand, Tasmania (Australia), and the Shetland Islands. These sources all produce salmon that compete in the market.

Farmed Atlantic and coho salmon compete with Alaska sockeyes, cohos, and kings. Norway, the United Kingdom, and Chile are the major producers of farmed Atlantics, while Chile and Japan are the big producers of farmed cohos. Japanese buyers of sockeye salmon pay close attention to world production of farmed cohos and Atlantics. With large farmed stocks now available, they no longer have to bid up prices for sockeye salmon like they once did to have an adequate supply of good quality fish. Farmed product can be used if the sockeye supply gets too low or the price too high.

Wholesale buyers have species preferences, but won't pay much more for their preferred product if they can get something similar for a lower price. Generally, consumers don't know one species from another, or care. Distinctions between wild and farmed are even less important.

Wholesale buyers do care, however, whether the fish are available year-round, have good quality flesh, and are good-looking on the outside. Salmon farmers can produce uniformly high-quality fish—equal to the best wild salmon—and can deliver them fresh throughout the year.

The worldwide growth in production of all kinds of salmon, especially farmed fish, has pushed fish prices downward, and no change in that situation is expected.

### **Why do prices vary from one part of Alaska to another?**

Fish prices vary from one area to another in Alaska. Why? Differences in operating cost is one reason. In general, it costs more to run a processor in western Alaska than in Southeast or Cook Inlet, because labor, transportation, supplies, and insurance are more expensive. If the fish are worth the same in the market, higher operating costs leave less to pay to the fishermen.

Some fish are worth more than others because of quality. Where fish arrive all at once and are caught in huge quantities, they tend not to be handled as well as



those taken in smaller quantities over a longer period, so they are worth less on the market.

Furthermore, some have better intrinsic quality. Salmon that have a higher oil content in the flesh, such as Yukon River kings and Copper River sockeyes, command a higher price from buyers. Salmon caught at sea tend to have higher oil content than those taken close to the rivermouth. They also tend to be more uniformly bright on the outside and the flesh tends to be less variable in color and texture. Consistent quality is desirable and makes a fish worth more to a buyer.

## **How to project prices**

How can we use all this information to project ex-vessel prices? One way is to compare the present with the past to estimate the future. This is usually done just before the season starts so that current market conditions have a close connection to the next season's prices. Historical data show how factors affecting price move up and down, and how ex-vessel price changes accordingly. By seeing how current values fit with historical patterns, we can estimate ex-vessel prices in the near future. With practice and time, anyone can judge reasonably well how price will change in the coming fishing season compared to the last.

Factors to watch include:

- Total projected salmon supply, including wild and farmed production of target species and substitutes.
- Inventories remaining from the previous season of target and substitute species.
- Consumption rates.
- Exchange rates.
- Attitudes of traders within the industry, as reflected by reports in industry newsletters and trade journals.

For example, in sockeye salmon markets the total projected supply includes estimated sockeye harvests in Alaska, Canada, and Russia, as well as estimates of wild coho harvests in Alaska and Canada. Farmed salmon production also must be included, particularly coho production in Chile.

Inventories of target and substitute species remaining from the previous season (called carryover) are important because they add to the total projected supply for the next season. Carryover inventory also gives us information about consumption (demand) at the previous season average price compared with the previous supply.

Consumption rate is affected mostly by price. Factors to watch, besides supply, are trends in economic conditions and trends in the price of competing foods. Changes in eating habits (health conscious eating, for example) and advertising can also affect consumption.

Exchange rate influences the price that can be paid for export products. About 85% of Alaska sockeye salmon, 35% of pinks, and 70% of cohos are exported. Three quarters of the sockeyes go to Japan and 10% to Britain. Exported pinks go mostly to Britain. Cohos go to Japan and Canada. The exchange rates to watch are the Japanese yen and the British pound. When the dollar trends down in value over several months compared to either of these currencies and wholesale prices in the import countries remain the same or go up, an importer can pay more to an American processor. In the fish business this means better prices for the fisherman (assuming that catch doesn't go up to the point of driving prices down).

**Table 2: Prices and Catch for Sockeye Salmon**

| Year | Ex-vessel sockeye price (\$/lb) | Wholesale sockeye price Japan (\$/lb) | Alaska sockeye salmon catch (million lbs) |
|------|---------------------------------|---------------------------------------|-------------------------------------------|
| 1980 | \$0.59                          | \$2.00                                | 187                                       |
| 1981 | \$0.87                          | \$2.91                                | 226                                       |
| 1982 | \$0.83                          | \$2.47                                | 189                                       |
| 1983 | \$0.70                          | \$1.55                                | 306                                       |
| 1984 | \$0.77                          | \$2.42                                | 223                                       |
| 1985 | \$0.99                          | \$2.82                                | 222                                       |
| 1986 | \$1.43                          | \$3.04                                | 195                                       |
| 1987 | \$1.55                          | \$3.77                                | 225                                       |
| 1988 | \$2.35                          | \$5.28                                | 189                                       |
| 1989 | \$1.42                          | \$4.28                                | 261                                       |
| 1990 | \$1.28                          | \$3.46                                | 306                                       |
| 1991 | \$0.83                          | \$3.04                                | 259                                       |
| 1992 | \$1.33                          | \$3.26                                | 343                                       |
| 1993 | \$0.71                          | \$2.47                                | 381                                       |

**SOURCES:**

ADF&amp;G 1994 and Knapp 1992.

Finally, it is worth remembering that in Japan, wholesale market prices reflect all of the factors listed above. Buyers at the wholesale level (owners of retail markets, restaurants, processors) are aware of the supply situation at any given time and what consumers are willing to pay. The price they offer to wholesalers integrates the many salmon market factors including the attitudes and moods of traders. Knowledgeable processors and fishermen watch Japan wholesale price over a period of weeks and months to stay abreast of price trends.

## How to understand what you read

Market information is presented in three different ways: written text, tables of data, and graphs. Most often a market report is simply a written explanation of sales, supply, and price trends. Jargon may be used, however, that is peculiar to the business of marketing. The glossary at the end of this publication defines some of the common jargon used in salmon market discussions.

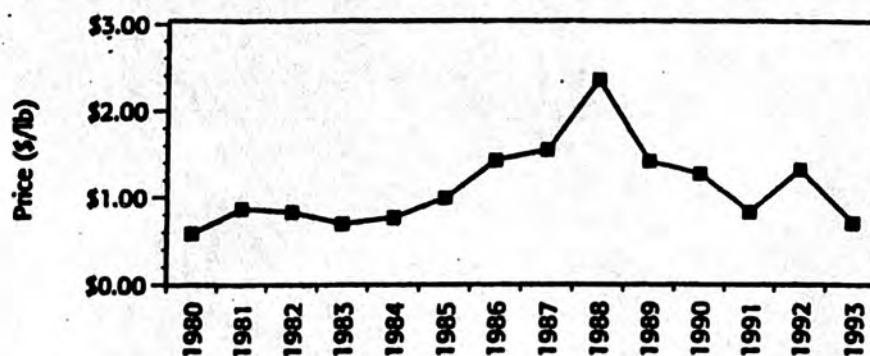
Numbers concerning production and price, especially over a period of months or years, are commonly presented in tables. Tables efficiently present data and can be used to find relationships between sets of data. Table 2 gives numerical information about catch volume, ex-vessel price, and wholesale price in Japan for Alaska sockeyes.

It is not always easy to spot relationships in a table. Relationships are easiest to see when data is plotted on a graph. For that reason graphs are commonly used in salmon market articles.

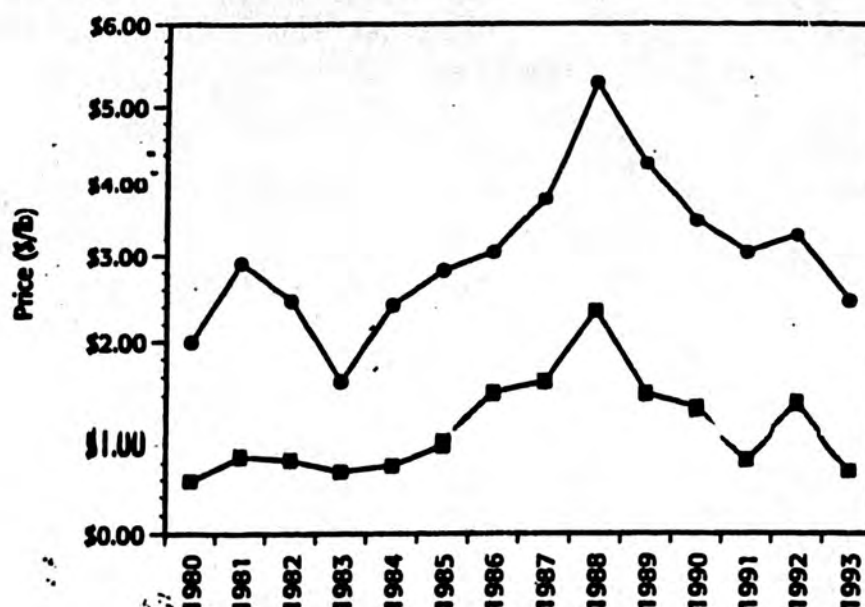
The three following graphs, plotted from numbers in Table 2, show increasing levels of complexity in relationships. The first simply shows how average ex-vessel price for sockeyes in Alaska has changed since 1980. The next graph goes a step further and shows how both ex-vessel price in Alaska and average wholesale price for sockeyes in Japan have changed during the same period. With two sets of data on one graph it is easy to compare the prices with one another. Do they increase and decrease together and is the difference between the two always the same?

The third graph provides even more facts and relationships. The sockeye catch in Alaska is added to the data about ex-vessel and wholesale prices. Notice that the scale for price is on the left side of the graph and the scale for pounds is on the right. In this graph the relationship between price and sockeye supply can be

### Alaska Ex-Vessel Sockeye Price

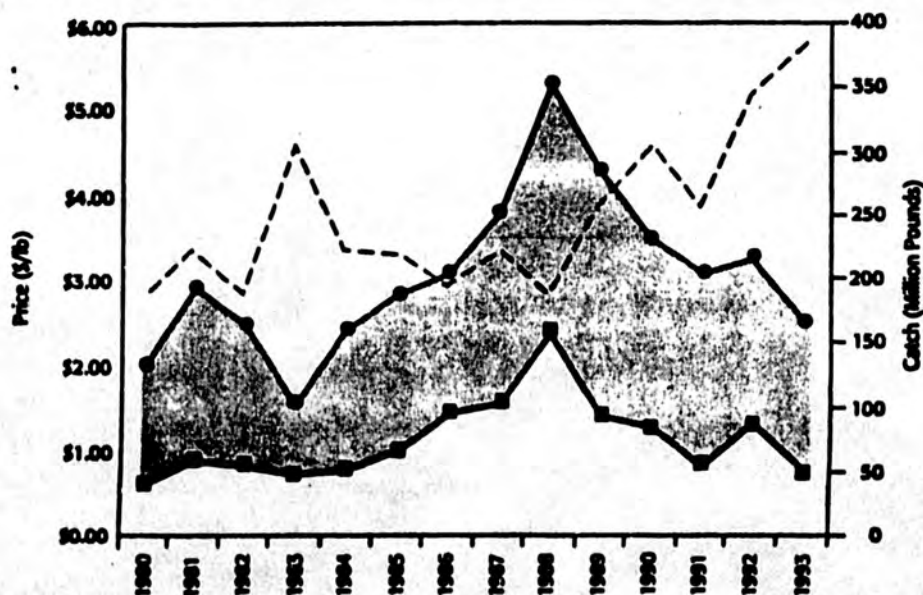


### Alaska Ex-Vessel Sockeye Price (■) and Japan Wholesale Price (●)



Since 1980, ex-vessel price and Japan wholesale price have increased and decreased together.

### Alaska Sockeye Catch (---) vs. Wholesale (●) and Ex-Vessel Price (■)



Since 1980, when Alaska sockeye catch has increased, price has decreased.



seen. When the Alaska sockeye catch increases or decreases, how is price affected? Is the change in catch from one year to the next proportional to the change in ex-vessel price and wholesale price? Is the cause-and-effect relationship between catch and price different in later years compared with earlier years, or is it about the same? It often takes time to study graphs in order to understand the significance of the relationships they show.

### **Final note**

The fundamentals of salmon markets laid out in this publication provide a background for understanding salmon market information found in fishing industry newsletters, trade magazines, and the Salmon Market Information Service reports. Understanding what is happening in the markets allows a fisherman to make better short-term and long-term business plans.

If you want more information about salmon markets, or if you need help interpreting the information you have, call or visit your local Sea Grant Marine Advisory Program office.

### **Sources**

- ADF&G. 1994. Ex-Vessel Price and Catch, Alaska Department of Fish and Game.
- ASMI. 1993. Salmon 2000, Yearbook 1993. Alaska Seafood Marketing Institute, April.
- Bill Atkinson's News Report. 1994. No. 555, June 12.
- Gnapp, G. (Ed.) 1992. Alaska Salmon Markets, May 1992. Institute of Social and Economic Research, University of Alaska Anchorage. 76 pp.
- SMIS. 1994. Alaska Salmon Market Data, November 1994. (U.S. Census figures compiled by ACIB/UAA.) Salmon Market Information Service, University of Alaska Anchorage. 116 pp.
- State of Alaska. 1993. Weekly Fish Report, December 27. Alaska Governor's Office of International Trade.
- Wiese, C. 1992. How Value Increases from the Fisherman to Retail. Alaska Salmon Markets, May 1992. Institute for Social and Economic Research, University of Alaska Anchorage.

## Glossary of salmon market terms

- Broker:** An agent who sells a product for the owner, for a commission. Usually brokers do not buy product or acquire any ownership. Fees usually are 3% to 5% of the sales price.
- CIF:** Cost, insurance, freight. The price an importer or wholesaler pays for fish which has been processed, and for which insurance and freight fees have already been paid. It is processor cost plus freight and insurance.
- Distributor/Wholesaler:** An agent who buys large lots of product and then sells small quantities to many food service or retail outlets.
- Domestic:** Within the same country. The U.S. domestic market includes all of the United States.
- Exchange rate:** The value of a unit of a particular currency, expressed in units of another currency.
- Export:** Sent outside the country of origin.
- Ex-vessel:** The price paid to fishermen.
- Food service industry:** The group of food providers that includes restaurants, and cafeterias in establishments like schools, hospitals, nursing homes, prisons, and businesses.
- FOB:** Free on board. A term used in a sales agreement which specifies that the buyer is responsible for all transportation costs including freight and insurance from the location designated on the shipping document.
- 48 tall basis:** The units in which canned salmon price and production are quoted. A method of expressing canned salmon production, regardless of can size, so that production from one year to the next can be compared.
- Ikura:** Processed salmon roe product consisting of individual eggs.
- IQF:** Individually quick frozen.
- Inventory:** The amount of product currently kept in storage ready for sale. Carryover is inventory at the beginning of a new season which remains from the previous season.
- Marketing:** The business of tailoring the right mix of product form, price, and promotion to a specific segment of the population to meet a sales goal.
- Market niche:** A segment of the population that buys a certain product because it suits their needs in terms of product form, price, packaging, and promotion style.
- Metric ton:** 2,200 pounds
- Processing yield:** Processed weight divided by the original whole fish weight. The result is given as a percentage.
- Sujiko:** Processed salmon roe product where the eggs remain in the skein (see ikura).
- Terminal area:** At the mouth of a river or near a hatchery where fish spawn.
- Value added:** Further processing or packaging of a product which causes the product to sell for a higher cost.
- Wholesale price:** The price paid by restaurants and retailers, and food service establishments. Not to be confused with the "first wholesale" or "producer" price, which the processor receives.
- Yen per kilogram:** The way fish is priced in Japan. A kilogram is 2.2 pounds. To convert: (1) divide the ¥/kg price by 2.2 to get a ¥/lb. price (2) divide the ¥/lb. price by the exchange rate to get \$/lb. Thus fish priced at 500¥/kg converts to \$2.06/lb, at a 110¥/\$ exchange rate.

Representative Carl Morgan, Co-Chair  
Special Committee on Fisheries  
HB 363  
Additions to Packet



### EXPLANATION OF INTENT

The intent of this amendment is:

- To change the reporting submitted by a processor for the quantities of products produced to a one-time per year report, on Jan. 31 (as opposed to three times per year). This will address the concern of potentially unforeseen consequences as a result of providing fish buyers with valuable in-season inventory information. (This will not change the wholesale price reporting, it will remain as it is - three times per year, May 31, Sept. 30, and Jan. 31.)
- To change the department's annual report to include one annual amount for quantities produced along with the monthly and annual wholesale price averages for products sold.
- In the paragraph detailing the "production areas", for the purpose of clarification, the word "produced" is replaced with "processed by a fish processor". And, in definitions, the word "produce" is defined to mean the action of processing.
- To clarify the concern brought up with the previous amendment addressing "secondary processing" by eliminating that term altogether and clarifying the definition of "wholesale" to mean the first sale at wholesale for which the fishery business tax was paid.
- For housekeeping purposes, changing the date for the department's report to be available to the legislature.

**AMENDMENT**

**OFFERED IN THE HOUSE**

**TO: CSHB 363(FSH), Draft Version "H"**

1 Page 1, line 8:

2 Delete "(1)"

3 Page 1, lines 10 - 11:

4 Delete "; and

5 (2) the quantity of salmon products produced by the processor or  
6 an affiliate of the processor"

7 Page 2, lines 4 - 27:

8 Delete all material and insert:

9 "(b) A report submitted by a processor under (a) or (c) of this section must  
10 include

11 (1) the requested information for the following salmon product forms:

12 (A) thermally processed salmon products;

13 (B) fresh headed and gutted salmon products;

14 (C) fresh fillet salmon products;

15 (D) frozen headed and gutted salmon products;

16 (E) frozen fillet salmon products;

17 (F) salmon roe products;

18 (2) the requested information regarding the total quantity of each  
19 salmon product form sold by providing the total number of

20 (A) each size of container in which thermally processed salmon  
21 products were sold by the processor or its affiliate; and

22 (B) pounds for each of the other salmon product forms sold by  
23 the processor or its affiliate; and

(3) for sales to buyers that are not affiliates of the processor, the total quantity of each salmon product form sold by area of production by species, and the wholesale price received."

Page 3, following line 5:

Insert a new bill section to read:

"\* Sec. 4. AS 43.80.050 is amended by adding a new subsection to read:

(f) Each fish processor who submits a report under (a) of this section during a reporting year shall also submit an annual report of the quantity of salmon products produced by the processor or an affiliate of the processor between January 1 and December 31 of the reporting year. The report shall be submitted to the department not later than January 31 of the following reporting year. The report must include

(1) a description of the products and the total quantity of each salmon product form produced by area of production by species for each of the salmon product forms listed in (b)(1) of this section; and

(2) the requested information regarding the total quantity of each salmon product form produced by providing the total number of

(A) each size of container in which thermally processed salmon products were produced by the processor or its affiliate; and

(B) pounds for each of the other salmon product forms produced by the processor or its affiliate."

Renumber the following bill sections accordingly.

Page 3, lines 22 - 23:

Delete "the 15th day of each regular legislative session"

Insert "March 15 [THE 15TH DAY] of each year [REGULAR LEGISLATIVE SESSION]"

Page 3, line 25, following "products":

Insert "and a report of the quantity of salmon products produced during the preceding calendar year"



1 Page 3, line 27, through page 4, line 3:

2 Delete all material.

3 Renumber the following bill sections accordingly.

4 Page 4, line 10:

5 Delete "finished [THERMALLY"

6 Insert "[FINISHED THERMALLY"

7 Page 4, line 11:

8 Delete "less than retail"

9 Insert "wholesale [LESS THAN RETAIL]"

10 Page 4, line 18:

11 Delete "a new paragraph"

12 Insert "new paragraphs"

13 Page 4, line 20:

14 Delete "produced"

15 Insert "processed by a fish processor"

16 Page 4, line 29:

17 Delete "."

18 Insert ";

19 Page 4, following line 29:

20 Insert new paragraphs to read:

21 "(9) "produce" means to process salmon into a salmon product;

22 (10) "wholesale" means the first sale of a salmon product at wholesale  
23 after the fishery business tax was paid or became payable on the salmon from which  
24 the salmon product was produced;"

- 1 Page 5, line 5, following "at":
- 2 Insert "first"



P.O. Box 762 • Kodiak • AK • 99616  
Phone: (907) 486-6899 • Fax: (907) 486-7058 • Email: [kodiak@unitedsalmon.org](mailto:kodiak@unitedsalmon.org)

---

Dear Committee Members,

United Salmon Association (USA) would like to address several points of testimony from the February 28, 2000 hearing in House Fisheries concerning HB363.

**1) "Who will be required to report and how many will report? "**

Although USA and Department of Revenue (DOR) estimated about 50 processors would be reporting, PSPA testified as "fact" that this bill would require 98 reporters. Enclosed please find a report of March 2, 2000 from ADF&G on the actual break down of reporters and the various results of different poundage breaks. As you can see, HB363 as written, would require only 51 of the more than 600 "Processors to report" but would report 99.1% of the production.

**2) "Reporting production is not possible"**

As you can see in your CSHB363 the word "production" has been changed to "Processed". Testimony was very repetitive that reporting fish by area produced couldn't be done; because tender transfers fish from area to area to be processed and no one can keep track of them. If this were the case, I would hope ADF&G would ask what they are reporting on fish tickets and harvest information. Fish transferred between areas are required by ADF&G to be reported and tracked wherever they go and of course they are for logical business reasons!

But HB363 doesn't refer to round fish anywhere. HB363 is about products produced from Raw Round fish. USA sees this type of negative testimony a only one avenue to confuse the issue and the committee as the intent and content of this bill is obvious.



**3) "Reporting Product and Value by Area produced is Impossible."**

Once again, this is a requirement that the processors are already adhering too.

The Commercial Operators Annual Report (COAR) requires the sale and value of these same products to be not only reported by area, as in HB363, but by the plant at which they were produced within that area. I ask (If it's "Impossible" to report as HB363 asks, then "what have they been reporting in COAR for years?"

Any processing worker can tell you that every box and every can that leaves a processing plant has a code on it that designates "place, date, product description and weight." These are shipped either to a buyer or to storage where they are stored in lots, segregated by species and product. Of course this is all quite logical and it is necessary to comply with ADF&G regulations, as well as marketing and sales demands by customers as they ask for species products from specific area's such as "Copper River" or "Kenai River" sockeye etc...

**4) "Is there competition among Processor for the Raw fish"**

For some species in some areas YES. But for the majority of the harvest, the answer is basically NO.

An economic illustration of this is in Prince William Sound (PWS). PWS has probably the highest exvessel value of the seine fisheries, but the lowest permit value. The reason for this is it is virtually impossible for a new entrant to get a market. South East (S.E.) Alaska seine and Kodiak are nearly the same. USA members across the state report these problems on a regular basis. It is one of the reasons for the continued decline in fleet size in the face of large runs and basically stable price.

HB363 has been designed to consider the least new impact to reporters while taking into consideration the actual business practices as they exist today. There are no new physical or practical requirements placed on reporters in HB363 that will cause any new equipment or policy changes. It may however cause present software and accounting to change for the better.

Finally after listening to the testimony against HB363 and knowing the actual specific practices of the industry, USA can do no more than interpret "We can't do it!" to "We don't want to"

Sincerely,



Bruce Schaeffer / USA president

# STATE OF ALASKA

## DEPARTMENT OF FISH AND GAME

### DIVISION OF COMMERCIAL FISHERIES

TONY KNOWLES, GOVERNOR

P.O. BOX 25526  
JUNEAU, AK 99802-5526  
PHONE: (907) 465-6133  
FAX: (907) 465-2804

March 2, 2000

Mr. Bruce Schactler  
USA  
Kodiak, AK 99615

Dear Mr. Schactler:

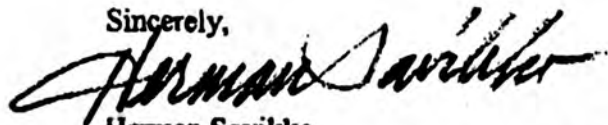
You asked that I run some numbers from our Commercial Operators Annual Report database to determine salmon processing statistics.

I completed those today. While individual data is confidential, I can summarize some numbers for you with reference to HB 363.

The most current available data is for 1998. That year there were 165 companies (unique Federal Identification numbers) processing salmon in Alaska. Using the Alaska Department of Revenue's 240,000-pound limit, there would be 51 companies that fall above that poundage limit. Those 51 companies also process 99.1% of the total production volume for that year (442.7 million pounds net weight was the reported total for salmon production that year). If the cutoff requirement were raised to 540,000 pounds instead of 240,000, there would be 39 companies falling within those limits. If the limit were raised to 1,000,000 pounds then 32 companies would fit that category. Those 32 companies account for nearly 97% of all salmon production in Alaska. Finally, if the limit was 10 million pounds, 12 companies would be involved, accounting for approximately 79% of Statewide salmon production.

If you have any additional questions, please contact me.

Sincerely,



Herman Savikko  
Fishery Information Officer/Fishery Biologist  
Fisheries Coordination Section



# UNITED FISHERMEN OF ALASKA

March 2, 2000

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
907/586-2820  
Fax: 907/463-2545  
E-Mail: ufa@alaska.net

Representative Carl Morgan, Jr.  
Representative John Harris  
Co-Chairs  
House Special Committee on Fisheries  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Dear Representatives Morgan and Harris,

United Fishermen of Alaska represents 23 commercial fishermen's groups and over 8,000 fishermen. We support HB 363.

This bill is intended to modernize and clarify the economic value of Alaska's commercial salmon fisheries for all stakeholders and to end the mystery of how ex-vessel salmon prices are determined.

All Alaskans are stakeholders in commercial salmon fisheries. There is a clear link between stakeholders and the salmon resources, for the salmon belong to all Alaskans.

But the connection between stakeholders other than harvesters and commercial salmon fisheries may not be so clear. Given that commercial salmon fisheries generate fisheries business taxes that go into Alaska's general fund and 50% is passed on to local government, all Alaskans are clearly stakeholders in those fisheries.

History shows us that for the first seventy years of the last century the salmon industry was the largest industry in Alaska and a major contributor to this nation's food production. Canned salmon was a staple on food shelves particularly through out the British Commonwealth. Through this time a business culture developed between processors and harvesters based on a "buy now settle later" price arrangement. In this arrangement grounds prices are paid to fishermen in season, then later when the harvest is over and the bulk of fish have been sold, final payments are made to fishermen based on wholesale prices, known only to the processors.

Also during this time, it was established that the taxes the industry pays are based on ex-vessel prices. This "buy now settle later" price arrangement on which all taxes are paid clearly impacts harvesters and all stakeholders in the outcome of wholesale prices. But to this day stakeholders are denied the price information needed to know and understand their position in wholesale markets that determine salmon prices.

#### MEMBER ORGANIZATIONS

Alaska Longline Fishermen's Association • Alaska Trollers Association • Concerned Area "M" Fishermen  
Cook Inlet Aquaculture Association • Copper River Salmon Producers Association • Cordova District Fishermen United  
Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fisheries Association  
Northern Southeast Regional Aquaculture Association • Northwest Setnetters Association • Petersburg Vessel Owners Association  
Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association • Seafood Producers Cooperative  
Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association  
United Cook Inlet Drift Association • United Southeast Alaska Gillnetters



Without knowledge of wholesale prices the "buy now settle later" arrangement between processors and harvesters leaves an unaccounted hole in the price structure of Alaska's salmon industry. This is the mystery of commercial salmon prices. How much money does the commercial salmon harvest generate at first wholesale and how does that compare to ex-vessel prices where taxes are collected? All stakeholders directly or indirectly have an interest in salmon markets and it is important to have a clear picture of this revenue source for the use and benefit of all Alaskans.

Passage of SB 363 will fill this unaccounted hole in salmon pricing and provide all stakeholders in Alaska's most precious natural resource the information they require to know and understand the benefits of the commercial salmon industry.

We are aware of some concerns raised by some processors and are willing to work toward a reasonable resolution of this issue.

Sincerely,



Thomas M. Gemmell  
Executive Director

Copy: Representative Alan Austerman

**Subject: [Fwd: HB 363]**

**Date:** Wed, 01 Mar 2000 12:11:27 -0900

**From:** Cliff Stone <Cliff\_Stone@legis.state.ak.us>

**Organization:** Alaska State Legislature

**To:** Joanie Waller <Joanie\_Waller@legis.state.ak.us>

fyi

---

**Subject: HB 363**

**Date:** Tue, 29 Feb 2000 19:03:10 -0900

**From:** "Toby Sullivan" <tobys@ptialaska.net>

**To:** "Cliff Stone" <Cliff\_Stone@legis.state.ak.us>

**CC:** "Duncan Fields \ Shoreside Consulting" <dfields@ptialaska.net>,  
"Dan Ogg" <danogg@ptialaska.net>, "Bruce Schactler" <kvrg@ptialaska.net>,  
"Lacey Berns" <lberns@ptialaska.net>

Dear Cliff

Please let Alan know that the Northwest Setnetters Association supports HB 363, the bill addressing salmon reporting requirements for processors. By refining and expanding the list of processed salmon products, this bill will help fishermen, processors, and the state to better understand where Alaska's fish go once they arrive on the dock. All parties will benefit from a more open and transparent salmon marketplace- a hoped for consequence of this bill.

Toby Sullivan  
Board of Directors  
Northwest Setnetters Association  
d

Mrs Susan L Aspelund,  
PO Box 1715  
Cordova, AK 99574

344-7

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/23/2000

C

HB 363

Supports

I am in full support of this legislation. The information provided for in this bill is very important to the state of Alaska in determining the value of the seafood industry here, and to the programs dependent upon the ex-vessel value of our fisheries. I urge your support for HB363

**Email Address**

Mr Victor E Jones,  
PO Box 1831  
Cordova, AK 99574

424-3518

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/23/2000

C

HB 363

Supports

I am in full support of this legislation. The information provided for in this bill is very important to the state of Alaska in determining the value of the seafood industry here, and to the programs dependent upon the ex-vessel value of our fisheries. I urge your support for HB363

**Email Address**

Mr Joe B Cook Jr, Jr  
PO Box 215  
Cordova, AK 99574

387-7

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/23/2000

C

HB 363

Supports

I am in full support of this legislation. The information provided for in this bill is very important to the state of Alaska in determining the value of the seafood industry here, and to the programs dependent upon the ex-vessel value of our fisheries. I urge your support for HB 363

**Email Address**

Ms. Carol E Kouris,  
2101 W 29th Ave #25  
Anchorage, AK 99517

277-8241

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/24/2000

N

HB 363

Supports

I think it is very important that this bill goes through. It will be a big help to the State of Alaska and as a voter, I strongly urge you to pass this bill.

**Email Address**



Mr. Nick Kouris,  
2101 W 29th Ave #25  
Anchorage, AK 99517

277-8241

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/24/2000

N

HB 363

Supports

It is vitally important to me, it is my livelihood. I am a commercial fisherman.

**Email Address**

Mr Henry M Wiese,  
PO Box 1708  
Cordova, AK 99574

366-7

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/24/2000

C

HB 363

Supports

I am in full support of this legislation. The information provided for n this bill is very important to the state of Alaska in determining the value of the seafood industry here, and it the programs dependent upon the ex-vessel value of our fisheries. I urge your support for HB 363

**Email Address**

Mr James D Dundas,  
PO Box 406  
Cordova, AK 99574

590-1

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/24/2000

C

HB 363

Supports

I am in full support of this legislation. The information provided for n this bill is very important to the state of Alaska in determining the value of the seafood industry here, and it the programs dependent upon the ex-vessel value of our fisheries. I urge your support for HB 363

**Email Address**

Mr Charles M Deville,  
PO Box 632  
Cordova, AK 99574

331-0

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/24/2000

C

HB 363

Supports

I am in full support of this legislation. The information provided for in this bill is very important to the state of Alaska in determining the value of the seafood industry here, and to the programs dependent upon the ex-vessel value of our fisheries. I urge your support for HB 363

**Email Address**

Mr Michael B Scott,  
PO Box 833  
Cordova, AK 99574

358-4

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/24/2000

C

HB 363

Supports

I am in full support of this legislation. The information provided for in this bill is very important to the state of Alaska in determining the value of the seafood industry here, and to the programs dependent upon the ex-vessel value of our fisheries. I urge your support for HB 363

**Email Address**

Mr John K Renner,  
PO Box 756  
Cordova, AK 99574

756-3

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/28/2000

C

HB 363

Supports

I am in full support of this legislation. The information provided for in this bill is very important to the state of Alaska in determining the value of the seafood industry here, and to the ex-vessel value of our fisheries. I urge your support for HB363.

**Email Address**

Mr Jack M Babic,  
P.O. Box 1208  
Cordova, AK 99574

424-7244

Distribution

Affiliation

Reg Voter

7

U

Date POM Sent

Constituency

Bill Number

Response

Subject

02/28/2000

C

HB 363

Supports

I am in full support of this legislation. The information is very important to the state of Alaska in determining the value of the seafood industry here, and to the programs dependent upon the ex-vessel value of our fisheries. I urge your support for hb363.

**Email Address**