

SCOMM

114:7

Alaska State Legislature

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Juneau, Alaska
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Special Committee on Fisheries

Monday, February 8, 1999
5:00 PM – 7:00 PM
Room 124

DRAFT AGENDA

I. CALL TO ORDER

II. OVERVIEW: ASMI and Seafood Markets

a. Barbara Belknap, Executive Director, Alaska Seafood Marketing Institute
Overview of Marketplace
Review of ASMI Programs

b. Large Processor Representative - TBA

c. Sandro Lane, President, Taku Smokeries, Juneau, AK
Eric Norman, General Manager, Taku Smokeries, Juneau, AK

III. No Meeting on Monday, February 15, 1999 -- President's Day



Alaska Seafood Marketing Institute - An Overview
Prepared for the Alaska State Legislature Fisheries Committee
By Barbara Belknap, Executive Director
February 8, 1999

The following is a synopsis of ASMI programs. We have full reports on all of our programs available in our Juneau office.

ASMI's mission statement: To create a dynamic, market-driven environment that will expand the global consumption of Alaska seafood by fostering growth opportunities within the food industry through collaborative marketing and quality assurance efforts.

Public Relations:

This program shapes favorable public perceptions of Alaska seafood products, the Alaska seafood industry and ASMI in order to expand awareness of and demand for Alaska seafood. The P.R. program includes providing salmon prices and worldwide salmon market information to the salmon permit holders and others through the Salmon Market Information Service and supporting the development of value-added salmon products with a \$15,000 annual sponsorship of the Symphony of Salmon contest. Program tactics include press releases, newsletters, taking advantage of opportunities in sponsorships or underwriting, having booths at in-state trade shows and Fish Expo in Seattle, developing relationships with various food and health-related organizations, arranging speaking engagement opportunities, overseeing the development of ASMI's homepage, etc. This program also handles (with the Seafood Technical Program) crisis management, i.e., reports of toxins, oil spills, illnesses caused by seafood, etc. Through the homepage, ASMI educates the public about Alaska seafood, provides the Directory of Alaska Seafood Suppliers, disseminates information on quality and the health advantages of Alaska seafood, and – soon – puts out notices of ASMI's marketing programs. (See www.alaskaseafood.org.)

Seafood Technical (Quality):

This very important program develops market oriented quality specifications for Alaska seafoods to be used in developing a high quality image for Alaska seafood in domestic and world markets, and adopts and distributes recommendations regarding the handling of seafood from the moment of capture to distribution. This program serves all of ASMI's programs with technical assistance.

Tactics to accomplish this program's mission include educational materials, videos, workshops, seminars, in-person outreach. ASMI also provides technical assistance on Alaska seafood to the seafood industry, food industry, state and federal government, and the public. This program seeks opportunities to enhance the value of Alaska seafood through educating the public about its health and nutritional benefits. Anything that can assist the industry that has a scientific or technical nature is covered by the Seafood Technical Program. A critical area of importance is also crisis management.

ASMI's **overseas export program** markets Alaska seafood in countries approved and funded by the federal government's Market Access Program (Japan, Taiwan, China/Hong Kong, Australia, and the European Union) with a cash match taken from ASMI assessment revenues. ASMI works in the foodservice (hotels, restaurants and institutions) and retail sectors, educates consumers, conducts trade missions overseas and familiarization tours to Alaska. This program develops new markets for Alaska seafood and maintains and expands traditional markets. Tactics include hotel promotions, in-store demonstrations and promotions, special events, trade shows, educating the trade, recipe development, and other marketing methods.

The **domestic foodservice program** generates increased foodservice demand and product usage via "Alaska seafood" brand-oriented marketing programs. The programs work with all aspects of the foodservice industry – the operators, distributors, chefs, waitstaff, recipe development, trade shows. ASMI's programs have been used by virtually every major hotel and restaurant chain in the United States. For instance, this spring, Marriott Hotels will be featuring Alaskan halibut in 160 hotel restaurants across the country through an ASMI promotion. ASMI's foodservice program develops tailor-made promotions for each client.

The **domestic retail program** generates ongoing support for Alaska seafood products and persuades grocery store customers to purchase Alaska seafood products by having current consumers buy more and attracting new consumers. ASMI's programs concentrate on the major grocery store chains in the midwest and southeast, with some work in the west. Rather than spread limited funds throughout the country, ASMI's strategy is to concentrate heavily on regions, expanding as revenues increase. An exception is the Schwann's Alaska seafood promotion. Schwann's delivers meals via truck to hundreds of thousands of customers all over the Lower 48. They have a catalog with a national distribution. ASMI was able to get Schwann's to use six value-added Alaska seafood products and have them use the ASMI logo on the packaging. ASMI's retail tactics include in-store demonstrations and tastings, seasonal promotions throughout all the stores, fishermen in the stores, incentives (trips to Alaska as prizes), trade shows and special events.

New initiatives:

- Takeout project (also known as home meal replacement or HMR) to position Alaska seafood in this fast-growing segment of the food industry
- Proactive communication with environmental groups to educate about Alaska's seafood as a sustainable fishery
- Major public relations campaign to educate consumers that Alaska salmon is not endangered. A common misperception throughout the world is that all wild salmon is virtually extinct.
- Positioning Alaska seafood as an ingredient (i.e., in soups/stews)
- Using the imagery of Ray Troll to emphasize the wild/natural characteristics of Alaska salmon
- Working with the American Heart Association to include Alaska salmon in its logo program
- Educating Alaskans about the U.S. market for Alaskan salmon through the video, *The Salmon Market: Challenges and Opportunities*

**Alaska Seafood Marketing Institute
Quantified Performance Measures
Fiscal Year 1999**

Marketing Programs (retail, foodservice, export): Each marketing dollar spent furthers the mission of increasing the awareness, trial and usage of Alaska seafood.

Foodservice:

To be provided at board meetings. The type of measurements cited will depend upon the partner (store, restaurant, hotel, etc.).

- Cost of promotion
- New Alaska seafood item on menu
- Added Alaska seafood items on menu after initial promotion
- Increase in check average for partner
- Did sales continue after promotion?
- Guest counts up during promotion
- Percentage of increase of sales over prior year
- Testimonials – was it a success for our partner?
- Number of pounds sold will be provided if it can be obtained from the supplier.

Retail:

To be provided at board meetings. The type of measurements will depend upon promotion.

- Cost of promotion
- Species and pounds of product moved
- Number of participating grocery chains
- Number of stores represented
- Number of in-store demonstration days/number of samples
- Percentage of sales lift with back-up material on file
- Number of sweepstakes entries
- For canned, volume and percentage increase in sales of canned salmon per Nielsen Marketing Research during promotion
- Percentage of coupon redemption
- Number of new clients (additional stores in chain, new chains, restaurants, industrial partners) for Alaska products reported at board meetings.
- Annual report to board at Fall meeting on incremental gains with existing clients.

Public Relations:

To be provided at board meetings.

- Track number of contacts with media.
- Review number, placement and content of articles about ASMI in Alaska.
- Monitor industry press, trade press, and when possible, general media for number, placement and content of articles about ASMI and Alaska seafood in the United States and overseas.
- Tabulate number of newspapers that pick up ASMI recipe releases and compute circulation/impressions to measure the number of individuals exposed to key Alaska seafood messages.
- Tabulate visits to ASMI homepage before and after revisions to monitor growth and measure ASMI's electronic reach.

Seafood Technical:

To be provided at board meetings.

- Track number and type of training sessions conducted.
- Track number of outreach efforts, e.g., presentations at meetings, mailouts to industry, etc.
- Track number of briefing papers produced by Seafood Technical Program on health and safety and quality-related issues.
- Track type and number of materials ordered.

SMIS

MARKET BULLETIN

November 1998 Issue No. One, Volume 1

An introduction to the McDowell Group

Dear Alaska Fishermen and Women,

The McDowell Group, Inc., is pleased to be the new contractor for the Salmon Market Information Service (SMIS) for Alaska's fishermen. Our team also includes Christianson Communications of Juneau, who will expand the presence and presentation of the program for Alaska fishermen and the state's media. We hope you find our first effort, including the 1998 Season Wrap-up - interesting, educational and useful. Having studied the seafood industry many times over for the past 26 years, we are excited by the opportunity to focus on the world salmon market and Alaska's place in it. This first newsletter represents a transition time, as we continue to identify the sources and types of data that can best serve Alaska fishermen.

We are a full-service research and consulting company based in Juneau and have spent our careers studying the Alaska economy and all of its industries and regions. One of our projects was the Alaska Seafood

Industry Study, the first study to quantify the importance of your industry to the state's economy. The core members of our SMIS team - economist Jim Calvin and market analysts Chris McDowell and Eric McDowell - are lifetime Alaskans. Two of us are former commercial fishermen, power trolling and longlining in the Eastern Gulf for more than 20 years until 1997. In addition to our professional knowledge as researchers, we know first-hand about the impacts of prices, runs, weather, market conditions, fish quality, treaties, politics, currency markets and foreign interception on the ability to make a living from the sea.

In our proposal we suggested a fresh look at the Salmon Market Information Service by asking fishermen the kind, format and frequency of information most useful to you. We will be surveying a sample of fishermen and fisheries organizations and meeting with the ASMI Salmon Marketing Committee at Fish Expo in Seattle in November. We also ask you to call, e-mail or write us with your ideas for making the service as useful to you as possible. As Alaska fishermen experience consequences of the ongoing Asian recession, additional market development is a critical issue for the industry. Already, we plan to provide more information on the European and North American markets. With your input we will recommend to ASMI the kind of publications and information we believe will serve you best.

We look forward to meeting many of you over the next two years. We appreciate the opportunity and privilege ASMI has given us of providing you with Alaska's Salmon Market Information Service.


Jim Calvin, MS
SMIS Economist
Managing Partner


Chris McDowell, BA
SMIS Market Analyst
Research Manager


Eric McDowell, MBA
SMIS Market Analyst
Senior Partner

What's Inside

1998 Season Wrap-up

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Bits and Pieces


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Salmon Market Information Service

1998 Season Wrap-up

Preliminary catch data from the Alaska Department of Fish and Game show a strong year for pinks and chums but weaker returns for the high-value species, especially sockeye. Estimates show a total catch of 149 million salmon in 1998. This is below the 10-year average (164 million fish) but better than last year's 121 million and still 10 million higher than the 20-year average. By weight, pinks and chums account for over three-quarters of this year's harvest poundage - the highest proportion ever.

Ex-vessel value estimates from ADF&G (also preliminary) show a

dollar amount of \$280 million, slightly better than last year but well below the 4-year average of \$390 million for the 1994-1997 seasons. Keep in mind that 1994 and 1995 were record production years, with nearly a billion pounds of salmon landed in 1995.

Sockeye

Sockeye was still king in 1998, but just barely. Although prices closed strong, it was something of a consolation prize for fishermen dealing with the smallest statewide sockeye harvest since 1978. Preliminary ADF&G estimates put the statewide catch at 22.4 million fish, well short of the preseason projection of 36.5 million and less than half the 10-year average of 49 million reds.

The bright spot in the state was Kodiak, where fishermen caught 3.6 million sockeye, beating their projection by 50%.

Bristol Bay fishermen, still smarting from last year, landed just 10 million sockeye. Compare this to the 4-year average of 30 million fish... which includes the dismal 1997 season.

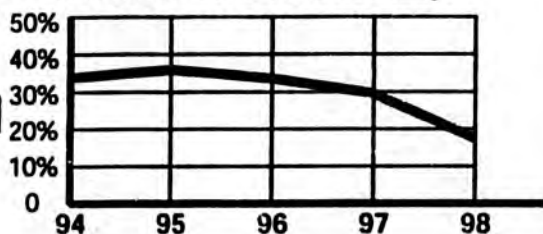
Prices took a big jump when the Bristol Bay fish didn't show. Prices in the bay opened at 50 cents but by season's end were as high as \$1.25. Copper river sockeyes were fetching \$1.50 in July and Southeast gillnet fish closed at \$1.50. Japan wholesale prices (in yen) hit a 6-year high late in July, but softened through October.

Traditionally, sockeyes have been the financial backbone of the Alaska

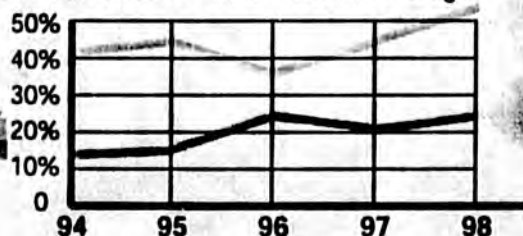
1994 - 1998 Alaska Salmon Harvest
In Millions of Pounds

Species	1994	% catch by weight	1995	% catch by weight	1996	% catch by weight	1997	% catch by weight	1998	% catch by weight
King	12	1%	13	1%	10	1%	12	2%	7	1%
Coho	75	9%	48	5%	47	5%	23	4%	31	4%
Pink	365	42%	432	44%	325	36%	272	44%	367	53%
Total Poundage in Millions	867		990		909		625		699	
Total Value in Millions \$	\$489		\$466		\$366		\$274		\$280	

SOCKEYE - % of Total Poundage



PINK & CHUM - % of Total Poundage



1998
Combined,
12%
higher
than any
previous
year

salmon harvest. In recent years (1994 through 1997) sockeyes have accounted for 30% to 36% of Alaska salmon poundage and an average 67% of ex-vessel value. However, that value figure will be closer to 55% this year, as estimates put sockeye poundage at just 18% of the total Alaska salmon harvest.

Chum

The statewide chum harvest of 18.4 million came in almost exactly on projection, mostly due to strong catches in Southeast. The Central region came in slightly under projection, while Westward chum catches were less than half the pre-season projection. Southeast fishermen found plenty of chums though, landing over 15 million fish against a projection of 11.3 million for the region.

According to ADF&G, Southeast seine fish brought 19 cents early in the season and closed at 18 cents in September. Gillnet fish went for 22 cents early in the season and closed at 25 cents. Four out of five chums landed in Alaska were caught in Southeast.

The AYK region was extremely hard-hit by lack of fish this summer, landing just 13% of their chum projection. Yukon gillnetters got a single 3-hour directed opening for chums this year.

Pink

The pink harvest was over 100 million fish again. This is the fifth-largest catch in Alaska history, despite season-long trip limits and buying stoppages on a strong PWS run. Kodiak seiners mopped up, tripling their pre-season projection with over 22 million pinks, despite trip limits late in the season.

Base price for Kodiak and PWS pinks was 12 cents. Southeast seine pinks closed at 14 cents but base price was 12 cents for much of the season.

Last year's modest catch bumped up canned pink prices over the winter (\$27.50/case in February) but with a strong catch this season, prices have declined moderately. Although this year's catch is 30% higher, August frozen holdings are down slightly from



1997, indicating a sizable pack. The Alaska Department of Revenue wholesale price report has 24-talls at \$25-26/case as of August.

There have been two rounds of USDA canned-pink purchases this year. Average prices for the September 28 offer were \$26/case (24-tall basis) and \$25/case for the October 5 offer. Another sale will be finalized early in November. The USDA budget for canned pink purchases is \$8 million this year, up a million dollars from last year. We will have more detail on canned prices and trends in the next bulletin.

Coho

Statewide coho landings were 4.2 million for the 1998 season, down from the 10-year average of 5.9 million but head and shoulders above the 1997 catch of just 2.9 million. The 1998 projection was for 6.3 million cohos statewide.

Southeast fishermen landed 2.8 million cohos, a million more than last year but still short of the projection by 20%. Troll prices started at 75 cents and closed at 90 cents while prices for gillnet fish ranged from 38 to 61 cents over the course of the season.

Landings were off in the Central and AYK regions (less than half of projection) but cohos are not a large portion of the catch in either region. Westward catches were 82% of the projection this year; 800,000 fish.

As of October 1, Japan wholesale prices for frozen troll cohos and frozen farm cohos were almost identical; \$2.50 a pound for troll fish and \$2.53 for farmed fish. From late August through September farmed cohos were ahead, selling for about \$2.80/lb while troll fish were bringing \$2.50/lb.

King

Preliminary ADF&G figures place the 1998 statewide king harvest at just 380,000 fish, one of the lowest ever. Southeast finished the season well short of the king quota with troll effort dampened by low prices and tough weather.

Southeast troll prices early in July were in the \$1.00 range and topped out in early September at \$1.10 -1.20. Prices went up in late September as landings slowed to a trickle and processors began selling on the fresh

Japan Wholesale Sockeye Prices

Tsukiji Market Price, 4-6 lb. Frozen Bristol Bay Sockeye

	Quantity	Yen/Dollar	Dollar/lb.
Apr. 1992	1380	133	\$4.71
Oct. 1992	980	120	\$3.70
Oct. 1993	640	106	\$2.74
Oct. 1994	639	99	\$2.93
Oct. 1995	601	100	\$2.73
Oct. 1996	473	111	\$1.93
Oct. 1997	776	121	\$2.91
Oct. 1998	1220	136	\$4.07

market. One Southeast processor reported paying \$2.25 for winter kings in mid-October.

Copper River gillnetters landed 69,000 kings this year, averaging \$2.14 a pound according to ADF&G. Yukon gillnetters continue to enjoy the benefits of a Japanese niche market (\$2.51 a pound this year) but landed only 42,000 kings against a 4-year average of 110,000.

Japanese Market

Japan is the world's single largest salmon market, consuming over half a million metric tons per year; one-third of the world supply in 1997. For perspective, consider that the total 1997 Alaska harvest was about 283,000 metric tons.*

Sockeye is the value leader in U.S. exports to Japan, accounting for 73 percent last year. With such a large proportion, changes in sockeye harvest and prices have a major impact on Alaska producers. The Alaska sockeye harvest dropped by 20 million fish between 1996 and 1997 and exports of frozen sockeye to Japan decreased by \$120

million. Total U.S. salmon exports to Japan declined from \$524 million in 1996 to \$302 million last year.

Japan has about one-third its "normal" supply of sockeye this year. Alaska sockeye landings are less than half of the 10-year average.

Russian sockeye production is down by one-third from last year and Canadian and Puget Sound landings are less than half of last year. While the shortage has driven wholesale prices to a six-year high, economic conditions in Japan mean that the correlation between scarcity and price is not as strong as in the past.

For Alaska fishermen the weaker yen means less yield in U.S. dollars,

of the long-term recession on Japanese consumers, who have become increasingly price-conscious. Chilean-farmed coho and trout are acceptable, lower-cost alternatives in producing kirimi; the thinly sliced, salted fillets which are a Japanese staple. While consumers prefer sockeye (the wholesale price difference of \$1.50/lb. makes this quite clear) it is expensive this year and they are buying more farmed fish. Japanese import data through August show frozen sockeye imports down 10,000 tons over last year while farmed coho and farmed trout imports are up by 12,000 tons.

* A metric ton is equal to 2,204 pounds.

European Market

Europe consumes nearly three-fourths as much salmon as Japan.

European countries purchased 363,000 metric tons of salmon in 1997, 23 percent of the world supply for the year. Seventy percent of that was imported, with U.S. product accounting for 15 percent (about 36,000 metric tons) of import volume. Most of this (90 percent) is Alaska salmon.

Canned salmon is the value leader in U.S. exports to Europe. Over the last five years, canned product accounted for 69

percent of U.S. export value to Europe. Frozen chums, frozen pinks and a small amount of roe make up the remainder. The United Kingdom buys over half (58 percent) of all U.S. canned sockeye exports and more than a third (37 percent) of all U.S. canned pink exports.



despite the strong wholesale price. For example, the October 1 wholesale price for 4-6 lb. Bristol Bay sockeye on the Tsukiji market was 1220 yen/kilo, or \$4.07/lb. If the exchange rate were at 1994 levels, that same price would translate to \$5.59/lb.

Even more significant is the impact

1997 World Salmon Production

Round Weight - Thousands Of Metric Tons

Species	Farmed	Wild	Total	Alaska Catch	Alaska % of Total
King	10	18	28	5	18%
Sockeye	0	131	131	85	65%
Coho	87	15	102	10	10%
Pink	0	300	300	123	41%
Chum	0	315	315	59	19%
Trout	125	0	125	0	
Atlantic	600	0	600	0	
World Total	830	771	1601	282	18%

As of July, U.S. exports to Europe are down 20 percent from last year. Regional competition with Norway is a factor, but the decline is mostly due to production shortfalls in Alaska. Canned pink exports to Europe are down substantially, but are expected to rebound with the strong harvest this season.

Clearly, the European market is important to Alaska producers. In addition to the UK, two European countries are seen as having strong potential for U.S. salmon exports.

- Italy has been earmarked as an untapped market by the U.S. government. Most salmon imports are from Norway, but U.S. imports rose last year. With growing seafood consumption and a population of 58 million, Italy is a promising market.

- Danish imports of U.S. salmon were off 30 percent last year, attributed to erratic buying patterns by a large supermarket chain which disrupted the market in that country. The problem has been resolved and exports are expected to recover this year. Denmark is a significant importer of frozen chums, pinks and cohos from the U.S.



North American Market

The North American Market (Canada and the U.S.) will be the subject of an article in the next bulletin. American consumption is on the rise and considering the strength of the dollar against other currencies, the domestic market deserves a closer look.

U.S. export data show 40,000 metric tons of American salmon going to Canada in 1997. We will be looking at Canadian market trends, including salmon farming and re-export of canned product to the European market.

Salmon Market Bulletin

A publication of the Salmon Market Information Service.

The Salmon Market Information Service is funded by the Alaska Seafood Marketing Institute from part of the 1% salmon marketing tax paid by Alaska salmon fishermen.

Bits and Pieces

- Outside-coast trollers in Southeast reported net-marked cohos this summer. Pacific Fishing magazine places the percentage as high as 10% in some loads, but ADF&G has not confirmed that with SMIS.
- Roe poundage on the Yukon was about 400 pounds in 1998, down from 86,000 pounds last year.
- The New Zealand market reopened to imports of uncooked fish products after a 15-year ban. Look for repeal of a similar ban in Australia some time in 1999. New Zealand and Australia imported over 12 million pounds of U.S. canned salmon in 1997.

Salmon Market Information Service

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