

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2618 SCOMM 114: HOUSE SPEC.COMM ON FISHERIES, 1999-2000

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 1st 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 1st for the period ending August 31st.

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 1st and the report would be due February 1st. 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 1st. 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 30th. 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. 3rd 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 3rd party idea that Stephanie suggested. Geron captured the basic idea on a flip chart.

3rd Party Reporting/Verification

- Fishermen/ USA would pay for 3rd 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 – 3rd 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 – 3rd 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 – 3rd Party

What are intended uses/ Who uses

- a) Fishermen who have the contracts

Option 4 – 3rd 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 WPRAdvantages

- 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 COARAdvantages

- 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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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)*

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.

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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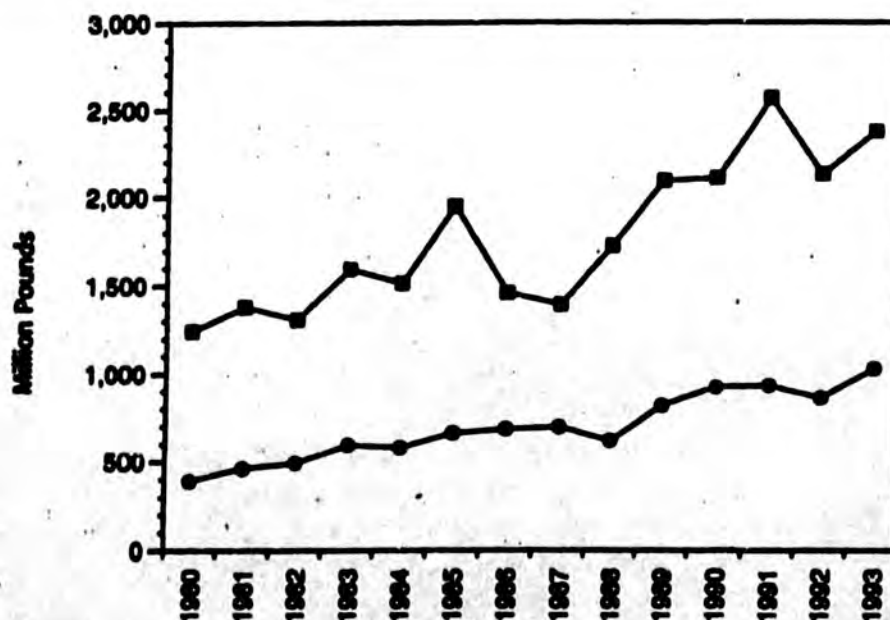
Understanding Salmon Markets

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 *BW*
Atkinson's News Report 1994.

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

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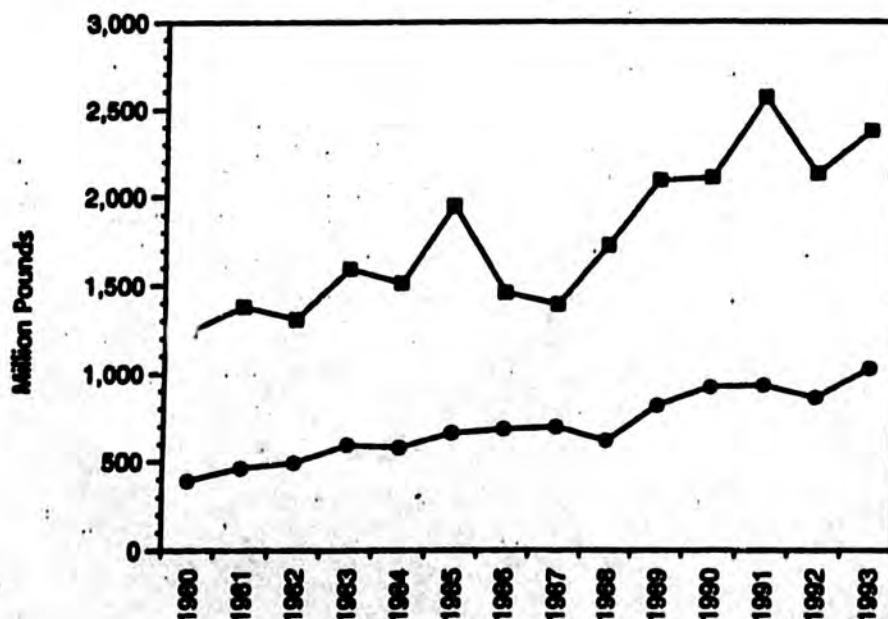
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Salmon Market Information Service reports are published by the University of Alaska Anchorage under a contract with the Alaska Seafood Marketing Institute (ASMI). Salmon fishermen pay for these reports through a 1% tax on their landings. Contact: Salmon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

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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%) (roe \$4.75/lb)	(\$0.14)	\$0.70		
Primary processing				
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		
Importation				
	\$/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) (9%/yr C&F)	\$0.07	\$2.61		
Importer margin (5%)	\$0.13	\$2.74		
Wholesale				
	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
Secondary processing				
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
Retail				
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?

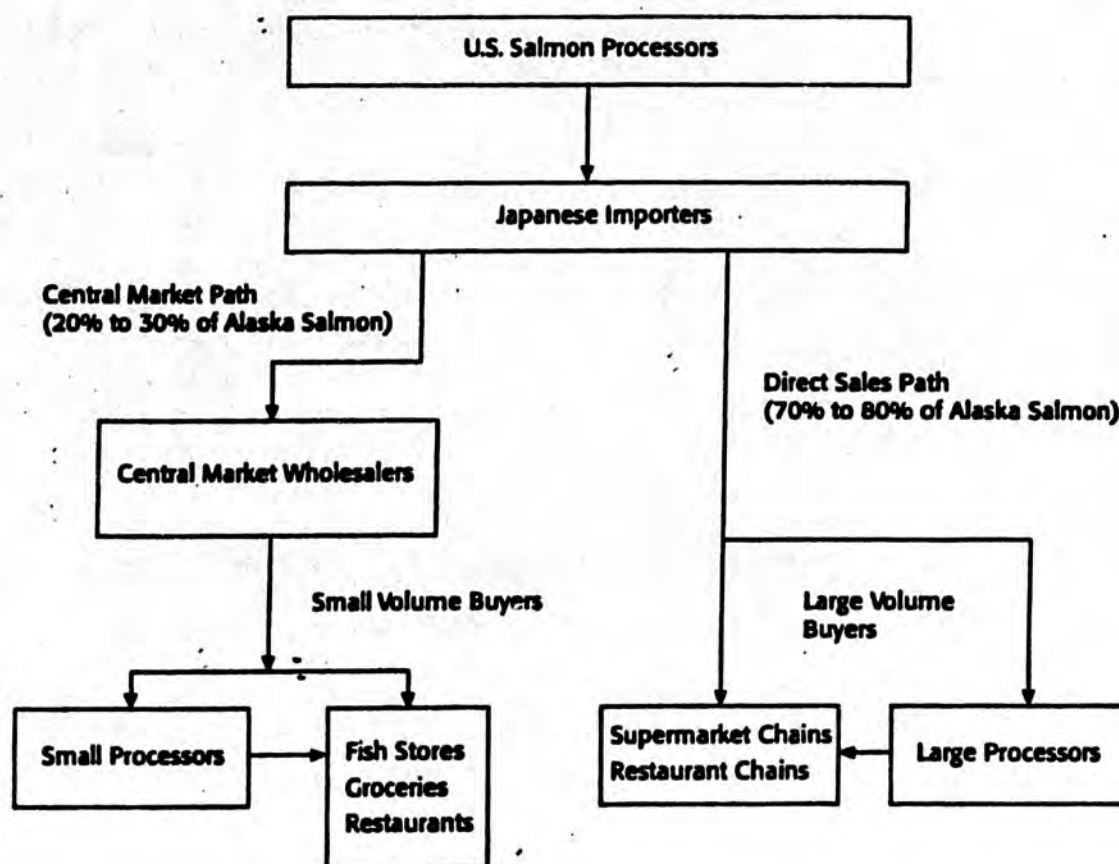
The consumer decides how much money we get for our fish. Each day millions of people decide whether to buy a piece or a can of salmon. If consumers aren't buying, wholesalers have to lower the price, and if they get less for their fish, they have to pay less to their suppliers. The suppliers pay less 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&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.

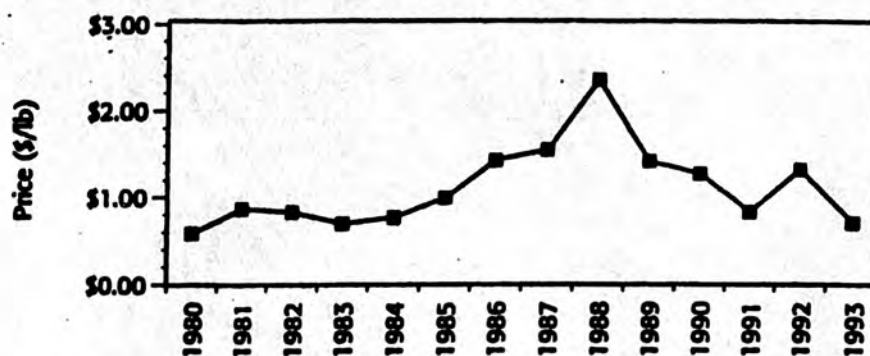
Numbers concerning production and price, especially over a period of months or years, are commonly presented in tables. Tables efficiently present data and can be used to find relationships between sets of data. Table 2 gives numerical information about catch volume, ex-vessel price, and wholesale price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

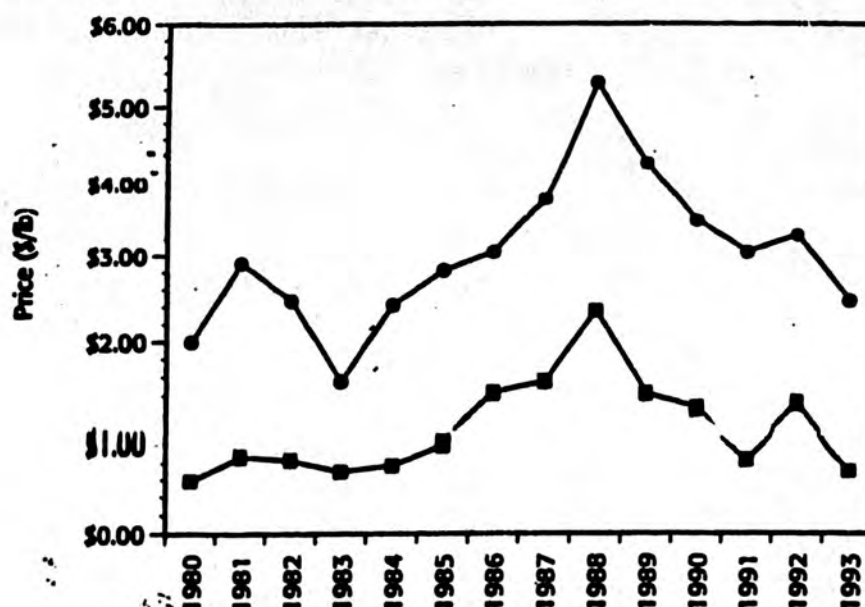
The three following graphs, plotted from numbers in Table 2, show increasing levels of complexity in relationships. The first simply shows how average ex-vessel price for sockeyes in Alaska has changed since 1980. The next graph goes a step further and shows how both ex-vessel price in Alaska and average 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

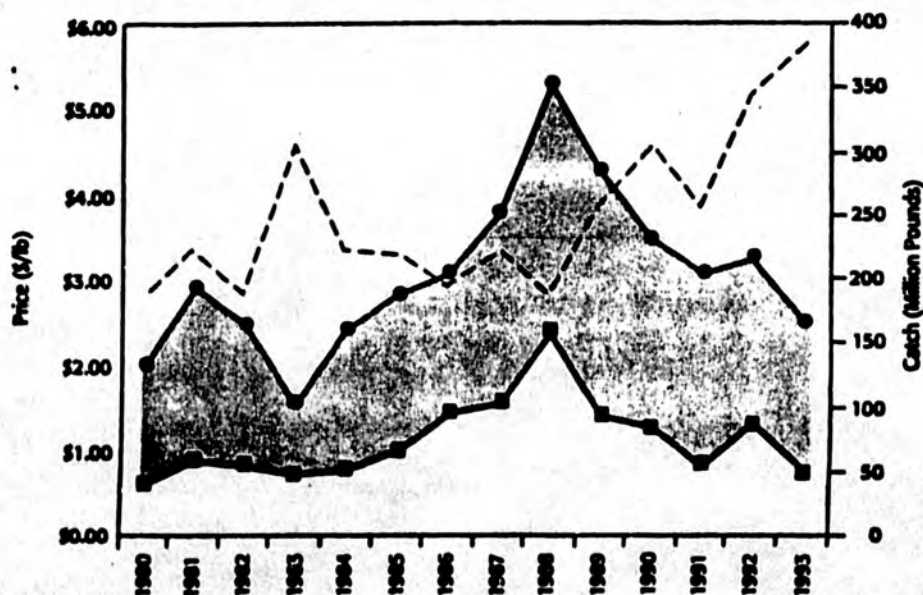


Alaska Ex-Vessel Sockeye Price (■) and Japan Wholesale Price (●)



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

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 Schaefer / 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:

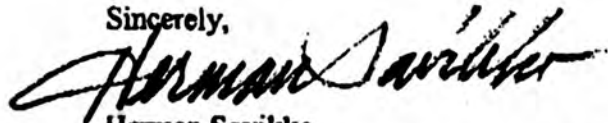
You asked that I run some numbers from our Commercial Operators Annual Report database to determine salmon processing statistics.

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

SCOMM

114:17



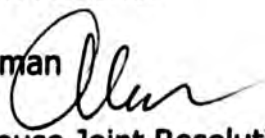
REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

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

MEMORANDUM

DATE: April 27, 1999

TO: Representative Bill Hudson, Chair
House Special Committee on Fisheries

FROM: Representative Alan Austerman 

SUBJ: Request for Scheduling - House Joint Resolution 39

I respectfully request the House Special Committee on Fisheries schedule a hearing for HJR 39 at your earliest convenience.

The adoption of this resolution urges the United States government to purchase surplus pink salmon for aid packages to the Balkans in southeastern Europe.

The referral packet is attached for your information.

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

Thank you for your consideration.



REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

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

HOUSE JOINT RESOLUTION NO. 39
SPONSOR STATEMENT

The conflict in the Balkans between the Serbian and Albanian people has left hundreds of thousands of Albanians homeless as they flee their homeland of Kosova.

The United States, together with the other member nations of the North Atlantic Treaty Organization (NATO), are taking part in a massive relief effort to shelter, feed and clothe these Kosovar Albanian refugees. Among those involved in this tremendous endeavor are the International Red Cross, CARE, Catholic Relief Services, and UNICEF.

Alaska has experienced record runs of pink salmon in recent years that have produced a surplus of both canned and pouched pink salmon products. In recognition that the Albanians, being a people of the Adriatic Sea, have included seafood in their diets for thousands of years, it is only fitting for the United States government to provide them with this nutritious food to help sustain them through this difficult time.

This resolution urges the U.S. government to purchase surplus pink salmon for aid packages to the Balkans.

SCOMM

114:18



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Sponsor Statement Senate Bill 146 "The Crew Fishing License Fee"

Senate Bill 146 increases the cost of a crew-member's fishing license from \$30 per resident and \$90 per non-resident to \$60 for a resident and \$125 for a non-resident license. At the current time, 60% of the crew-member license fees goes into the Fisherman's Fund.

Senate Bill 146 reduces the percentage of license fees that goes into the fund from 60% to 39%. At the 39% level, the Fisherman's Fund will have the same amount of funding it receives now. The current balance of the fund is over \$9 million.

Senate Bill 146 directs 61% of the crew license fees to the Fish & Game Fund to be made available for appropriation to Commercial Fisheries Management in the FY 00 operating budget.

The intent is to direct the crew license fees to benefit the commercial fisheries industry.

CS FOR SENATE BILL NO. 146(FIN) am
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 4/27/99

Offered: 4/22/99

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the amount and disposition of the commercial fishing license
2 fee and to the fishermen's fund; and providing for an effective date."

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

4 * **Section 1. LEGISLATIVE INTENT.** It is the intent of the legislature that nothing in this
5 Act either destroys a valid existing dedication of the proceeds of a state tax or license or
6 creates a new dedication of the proceeds of a state tax or license.

7 * **Sec. 2.** AS 16.05.470(a) is amended to read:

8 (a) A person appointed by the commissioner to sell licenses under
9 AS 16.05.440 - 16.05.480, except salaried employees of the state, shall retain the sum
10 of 10 [15] percent of the fee for the issuance of a license. An agent shall transmit
11 monthly to the commissioner all license fees collected by the agent, less the authorized
12 commission, together with a full accounting of the fees. The commissioner shall make
13 monthly remittances of the fees collected to the proper state official. The
14 commissioner is not liable for defalcation or failure to account for the fees collected

1 by an agent, but the commissioner shall require a bond in the sum the commissioner
2 considers adequate, conditioned upon the faithful accounting of money collected.

3 * Sec. 3. AS 16.05.480(a) is amended to read:

4 (a) A person engaged in commercial fishing shall obtain a commercial fishing
5 license. The fee for the license is \$60 [\$30] for residents [,] and \$125 [\$90] for
6 nonresidents. Except for those that [WHICH] are also entry or interim-use permits,
7 all commercial fishing licenses are nontransferable. The commercial fishing license
8 shall be retained in the possession of the licensee, readily accessible for inspection at
9 all times. No more than one fee may be charged annually against a person. For the
10 purposes of this section, "commercial fishing license" includes entry permits and
11 interim-use permits issued under AS 16.43 and crewmember fishing licenses.

12 * Sec. 4. AS 16.05.480 is amended by adding a new subsection to read:

13 (e) Except as provided under AS 16.05.470 and AS 23.35.060, fees collected
14 from the sale of crewmember fishing licenses under this section may be appropriated
15 into the fish and game fund.

16 * Sec. 5. AS 23.35.060(a) is amended to read:

17 (a) There is created a fund, designated as the "fishermen's fund." The
18 Department of Revenue is the custodian of the fund and the Department of Labor shall
19 administer it. The fund shall be composed of 39 [60] percent of the money derived
20 by the state from all commercial fishermen's licenses and money appropriated to carry
21 out the purpose of this chapter.

22 * Sec. 6. This Act takes effect January 1, 2000.

FISCAL NOTE

No. 2

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BIL Bill Version: CCSB 146(FIN)
(S) Publish Date: 4-27-99

Revision Date/Time (Note if correction):

Title: Com. Fish License/Fishermen's Fund

Department Affected: Labor

BRU: Workers' Compensation

Component: Fishermen's Fund

Sponsor: Senate Finance

Requester: Senate Rules

COMPONENT SERIAL NO. 343

EXPENDITURES/REVENUES:

(Thousands of Dollars)

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

OPERATING	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

CHANGE IN REVENUE	(20.9)	(53.3)	(53.3)	(53.3)	(53.3)	(53.3)
FUND SOURCE #	1032	1032	1032	1032	1032	1032

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY99) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

This bill provides for a change to the revenue formula and affects the amount of money that is required under law to be deposited into the Fishermen's Fund. The impact to the Fishermen's Fund is that designated revenue from the sale of commercial fishing licenses will be reduced. While the increase to the resident license fee combined with a reduction to the percentage designated for the Fishermen's Fund results in an increase of approximately \$3.60 per license, the same is not true for nonresidents. Nonresident licenses will increase from \$90.00 to \$125.00, however, with the percentage of the funds designated as Fishermen's Fund being reduced from 60% to 36%, this translates into a reduction per nonresident license of \$9.00. Revenue figures are projections only, due to the unpredictability of the fishing industry and the level of participants in any given year.

Prepared by: Paul Grossi, Director

Phone: 465-2790

Division: Workers' Compensation

Date/Time: 4/22/99 2:44 PM

Approved by Commissioner: Ed Flanagan, Commissioner

Agency: Department of Labor

Date: 4/22/99

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FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

No. 1
Bill Version: CSSB 146(FIN)
(S) Publish Date: 4-22-99

Revision Date/Time (Note if correction) _____ Dept. Affected Fish and Game
Title Amount and Disposition of Commercial Fishing BRU Administration
License Fee _____ Component Administration
Sponsor Senate Finance Committee
Requester Senate Finance Committee Component Serial No. 479

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous - Vendor Commission	3.4	9.3	9.3	9.3	9.3	9.3
TOTAL OPERATING	3.4	9.3	9.3	9.3	9.3	9.3

CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()	361.4	905.8	905.8	905.8	905.8	905.8

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts		(105.1)	(105.1)	(105.1)	(105.1)	(105.1)
1037 GF/Mental Health						
Other 1024 Fish & Game Fund	3.4	114.4	114.4	114.4	114.4	114.4
TOTAL	3.4	9.3	9.3	9.3	9.3	9.3

Estimate of any current year (FY99) cost: 210.4

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Assumption: The number of licenses sold annually will remain constant and approximately the same number as sold during FY98 (25,273).

Fishermen's Fund: During FY00, a \$73.9 increase is anticipated, and during FY01 and therefore, a \$40.6 increase is projected.

Currently, the General Fund receives \$500.1 which is 40% of the crewmember license fees. Starting in FY00, the fees will be allocated to the F&G Fund. During FY00, the \$105.1 allocated in Administration's budget for administratering the licensing program will be collected as GF/Program Receipts, and will switch to Fish and Game funds in FY2001.

Prepared by Kevin Brooks
Division Director
Approved by Commissioner Frank Rue
Agency Department of Fish and Game

Phone 465-5999
Date/Time 4/21/99 2:06 PM
Date 4/19/99

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STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

April 19, 1999

Senator John Torgerson, Chair
Senate Finance Committee
State Capitol, Room 516
Juneau, Alaska 99801

Re: SB 146 - Alaska Fishermen's Fund;
legal issues

Dear Senator Torgerson:

In keeping with my agreement not to surprise you with legal issues that might arise concerning SB 146, I am providing you with this letter which will set out some matters for consideration by the committee. SB 146 proposes to increase the fees for commercial fishing licenses and to make a proportional reduction in the percentage of those fees that are dedicated to the fishermen's fund (AS 23.35.060). The balance of the fees not dedicated to the fishermen's fund would be deposited in the fish and game fund for further appropriation by the legislature.

I advised you in our telephone conversation that the Department of Law will take the same position regarding this bill as it did regarding the change in dedication for tobacco tax receipts. For the change in the rate of dedication of the tobacco tax, we reaffirmed our earlier advice that any change in the rate of dedication threatens the continuance of the dedicated fund. However, at that time we acknowledged the history in the Minutes of the Constitutional Convention which appears to support the argument that a change in rate does not trigger an end to a pre-existing dedication. I have also attached a memorandum written to former Representative Gardner concerning legislative action which raised many of the dedicated fund issues present in SB 146. In that memorandum we cautioned Representative Gardner that a change in the rate of dedication, even though proportional with an increase in the amount of the fee, would pose a serious threat to the continuance of the dedication to the fishermen's fund.

There is an additional legal issue raised in SB 146. It is believed that your bill is intended to only direct a part of the fees paid for crewmember licenses to the Fish and Game Fund. However, section 4 of the bill provides that "[e]xcept as provided in AS 16.04.470 and AS 23.35.060, fees collected from the sale of commercial fishing licenses" would be deposited in the fish and game fund. This may apply to more receipts than you intended, as it could include fees paid for limited entry and interim use permits as well as crew member licenses. That would eliminate the general fund program receipts upon which the CFEC's budget is based and reduce contributions to the general fund by approximately \$2.5 million. This would send the revenue now generated by the CFEC to the fish and game fund rather than to the general fund as provided

TONY KNOWLES, GOVERNOR

PLEASE REPLY TO:

1091 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 269-5100
FAX: (907) 276-3697

KEY BANK BUILDING
100 CUSHMAN ST., SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 451-2811
FAX: (907) 451-2846

P.O. BOX 110300-DIMOND COURT HOUSE
JUNEAU, ALASKA 99811-0300
PHONE: (907) 485-3800
FAX: (907) 485-8785 2520

Sen. John Torgerson
Re: SB 146

April 19, 1999
Page 2

in existing law. If this is not your intent, we recommend that you consider changing section 4 to make it clear that only the balance collected from crewmember licenses will be deposited in the fish and game fund.

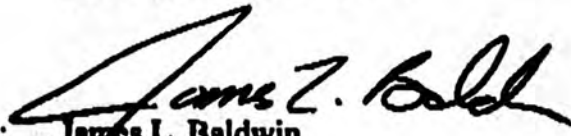
An additional amendment is suggested to the provisions in the bill appearing at page 2, lines 10 - 12. This provision appears to require the automatic deposit of a part of the commercial license fees into the fish and game fund. The fish and game fund receives revenues dedicated under federal law. The bill should be amended to add a provision that makes it clear that license fees are deposited in the fish and game fund only if the legislature appropriates the money there. This approach would be similar to the treatment given oil conservation surcharge receipts. See AS 46.08.020.

Finally, we believe you can achieve your intent in a way that avoids the dedicated fund issue involving the fishermen's fund. This issue remains a matter of concern even if the committee accepts the previously suggested amendments. You may consider another approach in lieu of changing the rate of dedication. Under this approach, the bill would leave existing law intact and would impose an additional crewmember fishing license fee generating revenue for the state general fund. The new fee provision would state that the legislature may appropriate the new revenues derived to the fish and game fund. This approach would be similar to the method used to increase the tobacco tax in AS 43.50.190. This method accomplishes your intent while avoiding the dedicated fund issue discussed above.

Let me know if we can assist you further in the committee's consideration of
SB 146.

Sincerely,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By: 
James L. Baldwin
Assistant Attorney General

JLB:jn
Enclosure

cc: Pat Pourchet, Legislative Director
Office of the Governor

Chrystal Smith, Legal Administrator
Deborah Blair, Assistant Attorney General
Department of Law

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU 99511

JAY S. HAMMOND, GOVERNOR

June 2, 1978

Honorable Terry Gardiner
Chairman, House Judiciary Committee
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

Re: Legislation on Fishermen's Fund
Our File: J-66-580-78

Dear Chairman Gardiner:

This responds to your inquiry of May 3, 1978, with respect to the legislation enacted last year based on advice from this office which we now believe to have been in error. */

In brief, one of our attorneys who was relatively unfamiliar with the nuances of the prohibition against dedicated funds, Alaska Const., art. IX, §7, worked with your committee last year to develop legislation which would eliminate the double fee paid by commercial fishermen who are also holders of limited entry permits. The results are contained in sections 8 and 14, chapter 105, SLA 1977. In effect, they exempted permit holders from license fees and

*/ You also requested advice on the proper disposition of interest earned from the Fishermen's Fund. We have not yet reached a conclusion on that point but we are now convinced that no legislation is required on it, i.e., either the interest is already a part of the dedication or it is not. When our researches lead us to a conclusion, we will advise.

Hon. Terry Gardiner
June 2, 1978
Page #2

provided for payment into the Fishermen's Fund from monies collected for permit fees of an amount equal to the amount which would have been paid into the fund from collections for commercial licenses. It was then believed that this arrangement would not offend the constitutional prohibition. We now conclude otherwise.

The Alaska Constitution, art. IX, §7, provides in relevant part as follows:

The proceeds of any state tax or license shall not be dedicated to any special purpose [with exceptions not here relevant]. . . . This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of the ratification of this section [1956] by the people of Alaska.

There can be no question that the framers of the constitution fully intended, with only the exceptions expressly stated, to bar for all time the additional dedication of any new or different state revenues for special purposes. 3, 4, and 5 MINUTES, ALASKA CONSTITUTIONAL CONVENTION 2297-2301, 2361-2390, 2401-2416, 3415-3420. The reasons for their doing this were many, but basically the reasons came down to the proposition that neither the chief executive (as the State's chief budget officer) nor the legislature (as the State's only appropriating body) should have its hands tied financially by a myriad of dedicated funds for a myriad of

Hon. Terry Gardiner
June 2, 1978
Page #3

diverse programs and that each program must compete annually with all others for its fair share of available money. Id.

The prohibition, however, is against new dedications, i.e., those dedications of revenues which did not exist on April 24, 1956, the date of the constitution's ratification. The dedication of license fees for the Fishermen's Fund was first made in 1951 and later amended in 1955. §4, ch. 100, SLA 1951; am §1, ch. 99, SLA 1955; now codified as AS 23.35.060. Hence, when the constitution was ratified there existed a dedication of

60 percent of the money derived by the state from all commercial fishermen's licenses, including clam diggers' licenses. . . .

"[T]he continuation of any dedication . . . existing" is not prohibited. In an early opinion by this office, we opined that the legislature could neither increase the percentage of the dedication nor the amount of the levy so as to increase the amount to be dedicated. 1959 Op. Atty. Gen. No. 7. To do so would alter the dedication, not continue it. To do so would also increase the dedication, i.e., dedicate still more of the source of revenue and thereby constitute still another dedication in violation of the constitution. Nor, of course, could a new source of revenue be tapped if the dedicated source were lost or abandoned.

Hon. Terry Gardiner
June 2, 1978
Page #4

Amendments which could have allowed such alterations were expressly rejected by the framers. 4 MINUTES 2378-2390, 2401-2411. In sum, it was concluded that, with respect to dedicated funds, the only power left to the legislature is the power to repeal the existing dedications. Id. */

In 1977, AS 23.35.060, which provides for the Fishermen's Fund dedication, was amended to read, in relevant part, as follows:

60 percent of the money derived by the state from each crewmember fishing license issued under AS 16.05.480, an equal amount of the money derived by the state from each commercial fisherman who is issued a permit under AS 16.43 [the Limited Entry Act]. . . .

The effect of the amendment is to add a dedication of a new and different revenue source, i.e., the annual fee for a commercial fisheries entry permit. It does not continue an existing dedication. **/

*/ It goes without saying that this lack of power to alter does not apply to the other exceptions, the permanent fund and dedications required under federal law.

**/ Arguably, the Buy-Back Fund established under AS 16.43.-310-320 is also a new and prohibited dedication. However, the wording of the constitution's prohibition was designed to exclude certain kinds of dedications, e.g., sinking funds, retirement funds, employment security funds. 4 MINUTES 2363 (dialogue between delegates Davis and White). The Buy-Back Fund might fall into this excepted class. We are inclined to think not, but the answer is uncertain.

Hon. Terry Gardiner
June 2, 1978
Page #5

It can be argued that the annual fee for a commercial fisheries entry permit supplants the annual fee for a commercial fisheries license for gear operators. That is, those persons no longer pay the latter, AS 16.05.480 as amended by §8, ch. 105, SLA 1977, effective January 1, 1978, but rather only the former. AS 16.43.160; 20 AAC §05.220. Not only is this argument essentially the same as those resoundingly rejected by the framers of our constitution, 4 MINUTES 2378-2390, 2401-2412, but it is simply not correct. The 1977 amendment to AS 23.35.060 unquestionably makes a dedication from a new and different source of revenue. It does not matter that the amount is the same.

When the license fee for gear operators was eliminated, the dedication for the Fishermen's Fund was reduced to 60 percent of the money received thereafter under AS 16.05.480 from crewmen's license sales. The purported dedication from fees collected from permit sales and renewals is a nullity -- without any force or effect.

The exception from the prohibition against dedicated funds is for the "continuance" of "existing" dedications. Reducing a dedication makes it different from that which existed, i.e., an existing dedication is not continued when it is reduced any more than it is when it is increased. Under the plain language of the constitution, any change is

CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION**



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

Hon. Terry Gardiner
June 2, 1978
Page #5

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Hon. Terry Gardiner
June 2, 1978
Page #6

prohibited. The prior opinion referred to above, 1959 Op. Atty. Gen. No. 7, basing its conclusion on the framers' rejection of a proposed amendment which would have allowed for reductions in existing dedications, concluded that any alteration was a nullity. That conclusion is logically sound. There is some contradictory material in the Convention minutes, however. 4 MINUTES 2405 (dialogue between delegates V. Rivers and White, the latter acting as spokesman for the committee). How the courts would rule is uncertain, but they will give some weight to remarks of committee spokesmen. Walters v. Cease, 388 P.2d 263, 265-266 (Alaska 1964).

Here there was no reduction in the amount to be dedicated, i.e., 60 percent of a certain source, but rather an alteration -- partial elimination -- in the source. The license fees for commercial fishermen were changed to exempt persons who hold permits. Thus, the present dedication is not a "continuance" of an "existing" dedication. This office issued still another opinion soon after Statehood in which we opined that the reduction of the source invalidates the remaining dedication. 1959 Op. Atty. Gen. No. 14. A reduction of the source was deemed to be, in effect, a repeal of the entire dedication.

This result is admittedly drastic, but there can be no question that it is logically correct. The framers

Hon. Terry Gardiner
June 2, 1978
Page #7

rejected every effort to amend the exception language so as to allow a dedication to be altered. 4 MINUTES 2401-2405 (Rivers amendment), 2409-2412 (Kilcher amendment). Delegate White, however, acting as a spokesman for the committee, assured the delegates that, despite the logical implications of the constitution's language, an existing allocation of funds from a given source could be raised or lowered, i.e., say, from 3 percent to 6 percent, that the "continuance" did not apply to rates. He also specified that it did apply so as to prevent the legislature from discontinuing an allocation and then starting it up again sometime in the future. And he said, "The committee intends that this apply to the allocation of particular taxes to a particular purpose and no more than that." Id., at 2405. How much of his remarks, if any, will be judicially accepted is unknown. But we are inclined to the view that the dedication is not repealed in its entirety by the partial elimination of its source but rather that it is reduced to provide for a dedication solely from crewmember commercial licenses -- all that is left of the source. */

*/ The convention expressly rejected an amendment that said, "but discontinuance shall not preclude reinstitution," and therefore, reinstitution of a commercial license fee for operators would not ordinarily allow reinstitution of that dedication. 4 MINUTES 2409-2412 (Kilcher amendment).

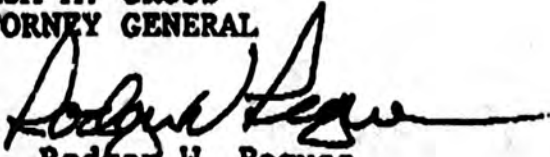
Hon. Terry Gardiner
June 2, 1978
Page #8

The problem now is whether the legislature's mistaken action last year, which resulted from our incorrect advice, can be cured. We believe that legislation retroactive to the first of this year -- the effective date of the applicable amendments from last year -- will supersede last year's legislation and cure the mistaken action. We have prepared legislation to accomplish this. It can, as you have suggested, be added to CSSB 428 am. A copy is enclosed. Last year's discontinuance of a portion of the source of the dedication was so obviously based on a mistake as to its legal effect, and its purpose could so easily have been accomplished in the manner we have proposed here that the courts should give this curative legislation its effect.

We hope this answers the committee's questions.

Sincerely yours,

AVRUM M. GROSS
ATTORNEY GENERAL

By: 
Rodger W. Pegues
Assistant Attorney General

RWP/pjg

Enc: Proposed Legislation

SCOMM

114:19

Alaska State Legislature

Chairman,
Judiciary Committee
Administrative Regulations
Revenue Committee

Vice Chairman,
Resources Committee



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Senator Robin L. Taylor

SPONSOR STATEMENT

SCR 2

Relating to Alaska's wildlife and fish resources.

Over the past few years, we have seen a decline in our wildlife and fish populations in several areas. This decline has continued to the point where serious shortages currently exist and are continuing unabated. For example, moose populations in the Kuskokwim Delta and caribou in the Forty Mile area have declined to the point where there are not enough moose or caribou to meet the subsistence demand. Residents of the areas testified to this last year before the House Resources Committee when a similar resolution was before the Legislature. To date, our Department of Fish and Game has not implemented a management plan to adequately rectify this situation. On the fish side, Bristol Bay has been shut down early for the past two years because of poor sockeye runs in that area. Just last year, Cook Inlet was closed down early because of poor sockeye runs there and on the Kenai River in 1997, there were almost no coho salmon and both commercial and sport fishing were closed early. The MatSu streams have had ongoing shortages in coho, sockeye, chum, and chinook stocks for several years now. It would appear that the department has not managed for proper escapement levels to meet sustained yield needs.

The elected leaders of Alaska have the responsibility of protecting our resources by ensuring that the constitutional mandate for sustained yield management of Alaska's wildlife and fish resources is followed for the benefit of all Alaskans.

It is in the best interest of all Alaskans that the replenishable resources of our state be biologically managed for abundance. An abundance of wildlife and fish will benefit all user groups and will greatly reduce competition among Alaskans for wildlife and fish resources. Continued passive monitoring of declining wildlife and fish populations is no longer acceptable. Active aggressive management is mandatory, including predator control, if we are to achieve and maintain healthy wildlife and fish populations in the future.

Management of Alaska's wildlife and fish resources was delegated to the Alaska Board of Fisheries, the Alaska Board of Game, and the Alaska Department of Fish and Game by the Legislature. Therefore, the Legislature needs to make it crystal clear that it expects this type of active aggressive management. SCR 2 sends this message. It requests the Governor, the Board of Fisheries, the Board of Game, and the Alaska Department of Fish and Game to do everything within the scope of their powers, duties, and responsibilities to manage Alaska's wildlife and fish resources on a biological basis for abundance, and to develop and implement regulations, policies, and programs to restore an abundance of wildlife and fish in Alaska using all methods and means available to accomplish this goal as quickly as possible.

District A:

Hyder • Ketchikan • Kupreanof • Meyers Chuck • Petersburg • Saxman • Sitka • Wrangell

FISCAL NOTE

No. 1
 Bill Version: SCR 2
 (S) Publish Date: 2/10/99

**STATE OF ALASKA
 1999 LEGISLATIVE SESSION**

Revision Date 1/22/99 Dept. Affected _____
 Title Management of Fish and Wildlife BRU _____
 Component _____
 Sponsor Taylor _____
 Requester _____ Component Serial No. _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services						0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES []						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This resolution is anticipated to have no fiscal impact on state agencies.

Prepared by Senate Resources Committee
 Division _____
 Approved by Senator Rick Halford, Chairman *Richard Halford*
 Agency _____

Phone 465-4907
 Date 1/29/99
 Date _____

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life.⁵

Elsewhere, the Framers of the Alaska Constitution provided a hint that they were not satisfied with the way the U.S. Forest Service had interpreted "sustained yield" on National Forest lands.

A → We have in mind no narrow definition of "sustained yield" as is used, for example, in forestry, but the broad premise that insofar as possible a principle of sustained yield shall be used with respect to administration of those resources which are susceptible of sustained yield, and where it is desirable. For example, predators would not be maintained on a sustained yield basis.

Sadly, this statement teaches nothing positive regarding what "sustained yield" does mean; it merely appears that the Framers did not want "sustained yield" to be applied as interpreted by the U.S. Forest Service.⁷

Did the Framers realize how much leeway they were bequeathing to the Legislature and the courts for defining the sustained yield principle? I believe they did.

The Committee (on Natural Resources) realizes full well that it would be impossible to determine the exact sustained yield in the fisheries...⁸

Although they did not expressly state the same conclusion for wildlife, it seems clear that it may be very difficult for biologists to specify the precise number of organisms that can be

⁵ Alaska Constitutional Convention Proceedings, Vol. 7, p. 98.

⁶ Alaska Constitutional Convention Proceedings, p. 2451.

⁷ SEE ALSO: Harrison, Alaska's Constitution: A Citizen's Guide, p. 68 (ISER-Univ. Alaska, 1986).

⁸ Alaska Constitutional Convention Proceedings, p. 2457.

Number 1918

ANGIE MORGAN testified via teleconference in Aniak. We are having our moose hunting season right now. She kind of agreed with the resolution in terms of managing people versus managing moose populations. Her 80-year-old father-in-law said the moose started coming back to this area in the 1940s and 1950s. In Units 19C and 19D the moose population is really low so that local people are getting worried about Units 19A and 19B. Last year, there was over 1,300 moose, but there were only 89 successful local people in getting a moose. All the rest were from out of town or the state.

Number 2020

CO-CHAIRMAN OGAN asked Ms. Morgan whether there is a problem with wolf predation.

Number 2028

MS. MORGAN replied there are a lot of wolves in the area. People have been seeing more this year than previous years. The wolves are showing themselves more in the rivers than ever before.

CO-CHAIRMAN OGAN asked Ms. Morgan whether there were locals that went same-day-airborne hunting before it was outlawed last year.

MS. MORGAN replied she does not know.

Number 2095

REPRESENTATIVE NICHOLIA asked Ms. Morgan what were the Unit numbers she mentioned again.

MS. MORGAN replied Units 19A, 19B, 19C and 19D.

Number 2138

CO-CHAIRMAN OGAN asked Ms. Morgan whether she or her father-in-law were aware of an increase in wolf trapping in the 1950s and 1960s that would have helped increase the moose population.

MS. MORGAN replied she does not know.

Number 2366

X { WILLIAM MILLER testified via teleconference in Tok. He is from the Native village of Dot Lake. In reference to the management of game as opposed to hunting, both have to work together. In reference to predator control, every time we have tried in Unit 20D to solve predator control we run across opposition from the conservationist that love wolves. They say that all the wolves eat are the sick and lazy, but we have documented moose kills by wolves of bulls, calves and cows. A few years ago over a 45 day period kills were documented every three to four days.

TAPE 98-9, SIDE A
Number 0000

MR. MILLER continued. When you do talk to organizations in the state the AITC represents the interests of a lot tribes in the state. It would be a very good contact.

Number 0043

CO-CHAIRMAN OGAN asked Mr. Miller who documented the wolf kills.

MR. MILLER replied the residents of the Native village of Dot Lake. At the time, there were approximately 14 to 18 wolves called the Billy Creek pack. The pack migrated back-and-forth between Billy Creek and Sand Lake in Unit 20D. The wolves increased to where they drove the moose down so low that they finally left the area and started preying on a caribou herd. We now have the same pack at the head waters of the Robertson River. Something has to be done with the wolves.

Number 0125

CO-CHAIRMAN OGAN stated wildlife is managed by initiative in this state which is how the same-day-airborne law came into effect.

Number 0163

DON SHERWOOD, Legislative Officer, Alaska Boating Association (ABA), testified via teleconference in Anchorage. The ABA, a group of over 1,000 hunters and fishers, stands behind and supports the resolution. As elected representatives, you have sworn to uphold our constitution, it behooves you to take this resolution and pass it on to the Senate for final passage. Our constitution states that wildlife and fish resources should be managed on a sustained yield basis. Shortages do currently exist and continue to abate in some areas. Wildlife resources must be sustained on a biological basis for abundance. The Board of Game, the Board of Fisheries and the Department of Fish and Game must restore the abundance of the resources with every means available to accomplish this goal. We believe that this resolution can and will give these agencies the power they need. He thanked Senator Taylor for his foresight and for the much needed legislation.

Number 0296

CO-CHAIRMAN OGAN announced it was time to take action on the resolution.

Number 0308

REPRESENTATIVE DYSON made a motion to move CSSCR 2(RES), version 0-LS0369\E, from the committee with individual recommendations and the attached zero fiscal note. There being no objection, CSSCR 2(RES) moved from the House Resources Standing Committee.