

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1887 SCOMM 75: MARICULTURE (FISH FARMING), 1987-1990

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ALASKA SALMON

ADVANTAGES OF ALASKA SALMON

- ▲ A premium seafood you can sell at a popular price
- ▲ Natural diet gives it better flavor than imports
- ▲ Easy to prepare
- ▲ Low labor cost keeps margins high
- ▲ Readily available year-round
- ▲ Very nutritious
- ▲ Contains health benefits that are nationwide news

PREPARATION METHODS

- ▲ Bake
- ▲ Broil
- ▲ Poach
- ▲ Sauté
- ▲ Grill
- ▲ Microwave
- ▲ Barbeque

SERVING SUGGESTIONS

- ▲ Broiled Alaska Salmon steak with light citrus sauce
- ▲ Poached Alaska Salmon fillet with kiwifruit coulis
- ▲ Baked Alaska Salmon with savory Florentine stuffing

NUTRITION

- ▲ High-quality protein
- ▲ Furnishes important vitamins and minerals
- ▲ Oils in salmon may help to lower dangerous cholesterol in blood

AVAILABILITY

Frozen Salmon Packs
Steaks and fillets in
shatterpacks, vacuum bags
and Individually Quick Frozen

Carton Size
5, 10 lbs.

Portion Size
6 to 10-oz. steaks
6 to 12-oz. fillets



ALASKA

Alaska Seafood Marketing Institute
P.O. Box DX, Juneau, AK 99811-0800



Wednesday, April 25, 1990 No. 1047

INSIDE: Why 1990 shapes up as a tough year for salmon fishermen and processors

Loan demand is strong virtually across-the-board in the Pacific Northwest, credit quality improves, and banks and savings and loan associations hold the line on expenses. You can see the impact of these favorable trends in the first-quarter earnings reports of the region's financial institutions, summarized quickly in the table below.

Banks do best when their customers do well. The evidence suggests customers are doing very nicely. At the largest commercial banks, earnings are higher by anywhere from 10% to as much as 26% (First Interstate of Washington). Seafirst, which booked a \$5-million charge for a fraudulent-check scam, is the lone exception, with earnings off 9%.

A strong economy -- particularly the real-estate market, still hot in big urban markets and lively elsewhere in the region -- has souped up demand for loans. At U.S. Bancorp, the region's largest financial institution, loans rose 22% from a year ago, with mortgage lending up 22%, commercial up 21%, construction up 19% and consumer up 10%.

First Interstate banks in Oregon and Washington report particularly strong increases in consumer lending, ahead 21% from a year ago in Oregon, almost 28% in Washington.

Several thrifts boosted mortgage-loan originations by 40% or more from the same quarter of 1989.

EARNINGS IN BANKING, March quarter vs. year ago

	---Per share---			-----Net income-----		
(net income in 000)	1990	1989	%Chg	1990	1989	%Chg
U.S. Bancorp	\$0.85	\$0.71	+20%	\$42,154	\$35,184	+20%
Seafirst	na	na	na	24,891	27,491	-9%
Security Pac NW	na	na	na	23,500	20,700	+14%
First Interstate OR	4.24	3.53	+20%	22,513	18,753	+20%
First Interstate WA	14.03	11.14	+26%	15,813	12,564	+26%
Wash Federal S&L Sea	0.70	0.62	+13%	15,305	13,569	+13%
Puget Sound Bancorp	0.70	0.63	+11%	11,465	10,330	+11%
West One Bancorp Boise	0.71	0.65	+9%	8,789	7,813	+12%
Wash Mutual Seattle	0.48	0.32	+50%	8,493	4,758	+78%
National Bancorp /K	0.79	0.59	+34%	6,273	4,695	+34%
Pioneer Federal SB Lynn	0.44	na	na	2,517	1,114	+126%
Univ Sav Bank Sea	na	na	na	1,815	1,075	+69%
GNW Financial	0.41	0.37	+11%	830	721	+15%
Western Bank Coos Bay	0.33	0.36	-8%	703	768	-8%
First Mutual Bellevue	0.33	0.29	+14%	467	401	+16%
VanFed Bancorp Vanc	0.35	0.25	+40%	398	284	+40%
Wash Fed OR	0.18	0.15	+20%	283	233	+21%
Summit Savings Bellevue	0.08	-1.12	nm	164	(699)	nm
Mt West Sav Bank	0.09	0.25	-64%	156	421	-63%
Met Fed S&L Sea	na	na	na	(2,613)	(6,305)	nm
other financial						
Safeco	0.89	1.04	-14%	56,292	65,594	-14%
Industrial Funding	0.21	0.15	+40%	1,451	846	+72%

parentheses indicate losses. na: not available. nm: comparison not meaningful.

What's ahead for the region's banks? "The region's economy continues to show strength," says Roger L. Breezley, chmn., U.S. Bancorp. "Continued strong employment growth and low real-estate vacancy rates lead us to be optimistic about prospects."

Indeed, only a few financial institutions fly caution flags. One worry: The spread between yield on loans and the cost of funds is narrowing. And some lenders back away from certain categories of loans in the fear particular markets may have topped out. Puget Sound Bancorp, notably, reports that it has turned much more selective in making commercial real-estate loans.

TROUBLE AHEAD: The tough outlook for salmon fishermen and processors

Higher inventories and a lower yen spell big trouble for the billion-dollar North Pacific salmon industry based in Seattle as the new season approaches. Fishermen probably will receive even less for their catch this year than last, when dockside prices fell as much as 50% from 1988's record levels. Higher production worldwide of farmed salmon continues to erode both prices and markets for wild Pacific salmon.

A strong yen and poor early runs pushed salmon prices to all-time highs in 1988. Then last year a combination of market resistance to high prices, a record harvest and a flood of farmed salmon sent prices tumbling. Alaska fishermen received \$739-million for a catch of 99-million salmon in 1988; last year they got just \$500-million for 156-million fish.

"Last year was everyone's shakedown cruise at lower salmon prices," notes a veteran industry observer. "But there's no question that this is going to be an even more critical and chancy year for both processors and fishermen." The impact will rub off on suppliers and those who provide financing, insurance, transportation and other goods and services.

The bad news starts with Japan. It buys 90% of U.S. exports of frozen salmon, more than 80% of the entire Alaska catch. Japan favors the sockeye, the first major run in Alaska. Prices to fishermen for the sockeye catch, which depend primarily on Japanese demand, often have a ripple effect on prices for subsequent runs of coho, kings and chums.

But the normally strong and steady Japanese sockeye market is now very shaky, despite a 33% drop in wholesale prices since last summer. Bloated Japanese cold-storage inventories and the drop in the value of the yen have slowed shipments and put margins under fierce pressure. "Japanese buyers are making only hand-to-mouth purchases," reports a large Seattle processor. "No one is willing to speculate or take a position."

One major Seattle processor -- Trident Seafoods -- is believed to have up to 20-million lbs. of frozen sockeye in Japan that buyers won't touch at the company's price. Some competitors worry that Trident may dump the fish and further depress the Japanese market; others expect it to be shipped back to the U.S. and canned. In any event, notes an industry analyst, some processors normally active in the sockeye market have decided not to play this year.

Meanwhile, soaring worldwide farmed-salmon production has created a huge oversupply of fresh fish and beaten down prices in other markets for both fresh and frozen wild Pacific salmon. Consider: World production of wild and farmed salmon hit 948,000 metric tons in 1989, up from 783,000 in 1988. But farmed-salmon output rose in those 12 months from 140,000 to 223,000 tons -- or from 18% to 24% of total world supply vs. only 6% in 1987.

Norway produces roughly two-thirds of the world's farmed salmon. Its industry has vowed to freeze up to 40,000 tons (vs. 15,000 last year) of its 1990 output, projected at 150,000 tons, if necessary to reduce the glut of fresh salmon and stabilize prices. No one knows where the frozen fish might be marketed. But many Pacific processors believe they can compete on price and quality with frozen Atlantics, which have a shorter shelf life and fade in color.

Others fear Japan may become the target for Norway's frozen salmon if sockeye prices remain high. "Farmed production isn't a big factor in the Japanese market yet," notes one processor. "But if Norway gets into freezing in a big way, we'll be in real trouble."

For now, frozen salmon moves slowly from cold storage. Inventories of kings and coho, species that compete with fresh Norwegian Atlantics, are down only slightly from last year's record levels. One processor reports that an already soft market has weakened further recently; frozen coho his company expected to bring \$2.40-2.50/lb. fetch only \$1.70-1.80.

One benefit of lower prices: renewed interest in Pacific salmon from Europe, a market largely lost last year to Norway. But instead of the historic large sales of kings and coho to French smokers, current sales involve small quantities to new European customers such as distributors or seafood chains.

A small consolation: The outlook has improved for canned salmon, a smaller but important outlet for Alaska. Lower prices following the return last year to normal pack for pinks and reds after abnormally low 1988 supplies help move product into both domestic and overseas markets. Processors not only see better margins on canned salmon than frozen; they also face no competition from salmon farmers in the canned market.

But the market for canned salmon is not without its problems either.

Last year's large catch means a large carryover of canned pinks; many are darker fish caught in Prince William Sound later than normal because of the oil spill. Although packers paid top dollar for this salmon, they have to eat an 8-12% discount to top-grade pack. And salmon illegally caught by Asian fleets undersells U.S. product by up to 25% in Europe.

The harvest outlook? Alaska's Department of Fish and Game forecasts 108.2-million salmon. That's a sharp drop from last year's record 156.2-million, but any catch exceeding 100-million fish usually is considered a good season. The sockeye harvest is projected to fall to 29.3-million fish, down from 44.6-million last year to what would be an 11-year low. The pink catch is expected to decline to 62.6-million fish from a record 99.4-million last year.

Virtually everyone agrees that prices to fishermen will fall again this year. "But the drop in the salmon market has been so great that a decline in ex-vessel prices alone may not enable us to break even," laments one processor. Adds another, "The name of the game is having fish: If you don't buy anything, you lose; and if you do buy, you win or lose depending on where the price goes."

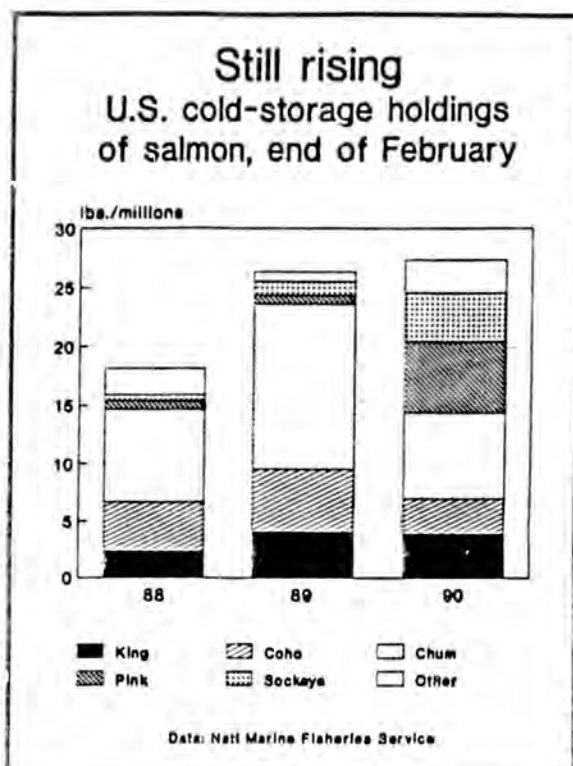
The best-case scenario, several processors say: Runs come early and are substantial. The worst case: Early runs are late and below expectations, and buyers on the grounds become aggressive and overpay for fish. "I can see the logic," says an industry analyst. "They get fish soon, get it cheap, and move it out. But it might be even better if runs are moderate so wild salmon can establish its own identity and be purchased for exactly that reason."

A number of major processors plan to launch special marketing efforts this year; some also intend to emphasize value-added programs in such areas as portion control, steaking and smoking. "There's definitely untapped demand for salmon in the U.S. heartland," agrees one source. "But those markets are not easily captured. And you can't throw 10,000 extra tons of salmon steaks onto other markets and expect people just to lap them up."

"It's easy to make the mistake of seeing the entire seafood industry through salmon-colored spectacles, but salmon will continue to be a real struggle," sums up a seafood-industry analyst. "Fishermen will be upset with the prices they get, but this is the year to use low prices to buy back into traditional markets."

EXPANSION IN ANCHORAGE: United Parcel Service, the most profitable transportation company in the United States, will build a new \$3.5-million terminal at Anchorage International Airport. Completion is expected by fall.

UPS employs 159 in Alaska and another 125 through a contract with Lynden Air Freight. It now flies four DC-8s into Anchorage daily. It is competing for a new Anchorage-Tokyo route and would hire another 25 in Anchorage if it wins.



EARNINGS SUMMARY: Weakness in both demand and price for pulp and most grades of paper pushed earnings down sharply in the forest industry in the first quarter.

As the table shows, a few companies were able to buck the trend. Willamette Industries indicates it made good money on lumber and plywood despite the timber shortage in the Pacific Northwest.

Potlatch cited favorable volumes and prices in the consumer (tissue) segment of its business for its relatively strong showing.

The outlook in forest products is for more of the same. Lumber and plywood prices should remain relatively strong, but this is offset for many producers by higher log costs.

And no one expects a turnaround soon in the weak pulp/paper sector. Some Wall Street analysts, in fact, foresee weakness in forest-industry earnings stretching into next year.

Among other Pacific Northwest companies to report earnings so far, Microsoft is clearly the standout. What is amazing is its ability to maintain its profit margin (more than 20 cents on the dollar, after tax) as its sales increase rapidly.

Two Oregon-based computer companies, Sequent Computer (parallel-processing computers) and Mentor Graphics (software for computer-aided design), turned in strong first-quarter results. Among others with particularly strong quarters: Penwest, Oregon Steel, Costco Wholesale and Quality Food Centers.

PROFITS SCOREBOARD: Earnings in latest quarter

	---Per share---			-----Net income-----		
	1990	1989	%Chg	1990	1989	%Chg
Forest industry						
International Paper	\$1.65	\$1.96	-16%	\$180,000	\$223,000	-19%
Weyerhaeuser	0.61	0.70	-13%	130,058	148,087	-12%
Georgia-Pacific	1.18	1.65	-28%	101,000	154,000	-34%
Scott Paper	0.82	1.12	-27%	60,100	86,500	-31%
Willamette Ind	1.67	1.57	+6%	42,437	39,793	+7%
Potlatch	1.23	1.20	+3%	37,007	35,912	+3%
Louisiana-Pacific	0.95	1.05	-10%	35,800	39,900	-10%
Boise Cascade	0.73	1.68	-57%	33,570	78,250	-57%
MacMillan Bloedel	0.26	0.68	-62%	30,000	73,400	-59%
Longview Fibre	1.18	1.75	-33%	12,929	19,336	-33%
Pope & Talbot	0.85	0.73	+16%	11,022	9,437	+17%
TJ Internatl	0.23	0.28	-18%	1,630	1,989	-18%
Bohemia	0.16	0.03	+433%	863	150	+475%
WTD Industries	0.01	0.11	-91%	33	720	-95%
Computer related						
Microsoft	0.62	0.36	+72%	75,169	41,119	+83%
Mentor Graphics	0.26	0.28	-7%	11,557	11,658	-1%
Sequent Computer Systems	0.22	0.11	+100%	4,620	1,970	+135%
John Fluke Mfg	0.53	0.42	+26%	3,726	3,699	+1%
Timberline Software	0.12	0.06	+100%	281	140	+101%
Electro Scientific Ind	-0.73	0.28	nm	(4,457)	1,691	nm
Manufacturing						
Oregon Steel	0.89	0.59	+51%	7,082	4,542	+56%
Oregon Metallurgical	0.25	0.30	-17%	2,649	2,717	-3%
Penwest	0.26	0.06	+333%	1,963	525	+274%
Westmark Internatl	0.48	0.32	+50%	5,118	3,253	+58%
Utilities						
U S West	0.73	0.68	+7%	271,900	249,600	+9%
Puget Sound Power	0.80	0.85	+1%	50,770	50,514	+1%
Wash Water Power	1.15	1.14	+1%	28,521	28,500	--
NW Natural Gas	1.47	1.73	-15%	17,567	19,206	-9%
Washington Energy	0.72	1.00	-28%	11,782	14,301	-18%
U S West NewVector	-0.08	-0.10	nm	(3,985)	(5,305)	nm
Other						
Burlington Resources	0.47	0.34	+38%	68,538	52,466	+31%
Nike	1.67	1.30	+28%	63,105	48,828	+29%
Nordstrom	0.39	0.58	-33%	31,422	47,514	-34%
Costco Wholesale	0.43	0.30	+43%	14,983	8,358	+75%
Morrison Knudsen	0.62	0.56	+11%	7,210	6,343	+14%
Quality Food Centers	0.32	0.21	+52%	3,126	1,979	+58%
Expeditors International	0.41	0.34	+21%	2,416	1,950	+24%
Jay Jacobs	0.16	0.21	-24%	964	1,230	-22%
Sprouse-Reitz	0.16	-0.39	nm	225	(552)	nm
Alaska Air Group	-0.21	0.40	nm	(2,060)	6,406	nm
Ackerley Communications	-0.18	0.01	nm	(2,800)	(100)	nm

minus signs and parentheses indicate losses. nm: not meaningful. Earnings are in thousands.

BIGGER BACKLOG, MORE JOBS: Gunderson Inc., the Portland railcar manufacturer, will add 200 employees to the current 800 following two new orders worth \$25-million from a leasing company owned by 18 U.S. railroads. The orders extend Gunderson's backlog through the end of 1990 and will boost employment to the highest level since the 1970s. Gunderson, owned by The Greenbrier Cos., Lake Oswego, Ore., faces a tough task finding top-flight welders, crane operators and riggers in today's tight labor market.

ADDITION, best of the 1980s: Add Puget Sound Bancorp, Tacoma, to our list of companies whose shares outperformed the market averages in the 1980s (investor supplement, April 11). With dividends reinvested, \$1,000 in Puget Sound Bancorp stock would have grown to \$6,425 over a decade, an annualized total return of 20.4%.

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IN SEARCH OF THE SIMPLE LIFE

by Roger Fitzgerald



What's A Wild Salmon?

I've just been looking over my notes from Sea Fare International in Los Angeles, the second largest seafood trade show in the country. I took in the show before heading down to Costa Rica on vacation (last column, in case you're irregular). Anyway, I figured you might want a salmon report from the largest salmon market in the country—California. I have all the pertinent information before me, on coasters and bar napkins. I always have a good time in California. As they say, a great place to visit.

First, some background on seafood shows. There are three of them in the U.S. that amount to anything: the biggest is the Boston Seafood Show (March), followed by Sea Fare International in Los Angeles (February) and Sea Fare Southeast in Orlando (November). Seafood shows are where you go to sell or buy fish, as simple as that. They're the major marketing arenas for seafood in the country, if not the world. The U.S. (in case you've forgotten) is the second largest seafood market in the world.

At Sea Fare International in Los Angeles (actually, at the Long Beach Convention Center) millions of dollars change hands in the first few hours of the show. People don't buy by the pound here, but by the container. A container of jumbo shrimp alone is worth \$200,000. This year there were 550 exhibitors representing 44 states and eight countries; 11,000 people in all, milling around in a giant feeding frenzy.

I like to cruise the aisles, checking out the booths and selectively feeding. Almost every booth has something to eat. This is a food show, after all, and some of the top seafood chefs in the country are here cooking their hearts out, demonstrating new products. Softshell crawfish was the big hit this year.

Not only is there wonderful food, but beautiful girls serving it. My favorites were the girls from ZB Industries who were dressed like cigarette girls from the 1950s ("cigar, cigarettes...") only they were carrying trays of shrimp. Very attractive. Some of the getups were pretty outrageous, but then marketing is the name of the game these days—which is the subject I'm warming up to.

Now, you'd think that a seafood show in the nation's largest salmon market—California—would have a lot of salmon exhibits, wouldn't you?

And there are. I counted 27 booths that offered salmon among the products they were selling; and I counted 12 exhibitors that were marketing only salmon. Of these 12, how many do you suppose were

marketing wild salmon?

None.

This is not to say that there weren't some fine wild salmon companies at the show. Sitka Sound was there; Icicle Seafoods; Trident Seafoods; Kodiak Seafood; but they were islands in an ocean of farmed salmon. The fact is Alaska salmon was barely a presence at the show, and this had me mad. There was one booth that was serving smoked "colored" chum, but they should have stayed home.

So where the hell was ASMI?

ASMI is your Alaska Seafood Marketing Institute, heavy with Exxon dollars. Their job is to market your fish. Don't look up, ASMI, but there's a range war going on. Walk down these aisles and all you hear is *baaa, baaa, baaa*. I wanted to hear the howl of the wolf—the sound of the wild Alaska salmon. I'll get back to ASMI later. As I say, I'm just warming up to the subject.

And if you don't think there is a range war going on, here's something that will chill your water. The Norwegians (as of January) are promising to freeze up to 40,000 tons of "excess" farmed salmon to take the pressure off other farmed salmon producers who are screaming at them for over-producing (in fact, both the EC and the U.S. are investigating them for "dumping" salmon, an unprecedented case).

But who wants 40,000 tons of frozen salmon? Not the Japanese. They already have 90,000 tons in cold storage, and they don't want any more. In fact, they're furious with the Norwegians, too. What about Alaska? What would 40,000 tons—90 million pounds—of frozen farmed salmon do to the Alaska salmon market? I think I'd be worried.

I'll tell you right now, these salmon farmers can bury you fishermen in salmon—and will. All that's holding them back is the market. But fishermen have an edge. What they harvest is wild. Something wild is something better: wild strawberries, wild mushrooms, wild women... But someone has to sell it. Marketing is what it's all about. That's why the Louisiana Seafood Promotion and Marketing Board was here; Maryland Seafood Marketing; The Rhode Island Seafood Council; the Province of British Columbia—and so on.

So I decided to give ASMI a call. The last time I talked with them they were promoting pink burgers.

[Jerry Skene, ASMI's new marketing man, answered the phone.]

"How much money do you have over there?"

Twenty minutes later I still didn't have an answer. "Is it more than a dollar and less than a billion?" Finally, we agreed that the promotion budget was somewhere between \$2 and \$3 million.

"How much of that money is going toward the promotion of frozen salmon?" I asked.

"That's not easy to answer. Seventy-five percent goes toward a multi-species promotion campaign, which includes salmon—"

"But how much specifically for salmon?"

"I don't mean to hedge, but that's not so easy to figure... You have to divide the 75 percent, plus the—"

"Never mind. Just tell me why you weren't in California promoting wild salmon?"

"No money" was the gist of his answer. That's a reason I can understand, but I was surprised to hear it. Skene went on to say that ASMI did appear at the Boston Show—"for all the good it did us," he said. I questioned him a little further on what he meant by that, and got some interesting answers. In fact, Skene renewed my faith in ASMI as we began to share a vision of how Alaska could promote wild salmon. The problem at the Boston Show, he said, was that "we were all by ourselves; it was hard to have an impact. We needed to be there in unity. Maine, for example, had an entire pavilion."

Why not an Alaska Pavilion? This was Skene's dream. Take it on the road. Hit the big shows. Put a 50 pound king on ice; blow up some shots of our heroes out on the grounds, risking their lives to provide us with the world's finest food: wild Alaska salmon! Get an identity for wild salmon before it's too late.

How could this dream come true? I think Skene had the answer right in his pocket. Money. Offer some incentives to more salmon processors to appear at the show. Help them with their booths. A little show biz. Each company would be stronger as part of an Alaskan pavilion (it's called synergy). Bring all of the Alaskans at the show already—the Alaska Fisheries Development Foundation (there promoting surimi), the Alaska Dept. of Fish & Game, Alaska Sea Grant and others—together under one flag. Let these buyers know that Alaska exists.

I decided to call up Sea Fare in Seattle to get some more information on the show. I had an inside

track because Sea Fare is sponsored by the magazine that butters my bread: *Seafood Leader*. (This newspaper doesn't pay me enough to buy a round of drinks at Louie's.) Anyway, there were some questions I still wanted answered. For example, I wanted to know how many processors from Alaska exhibited at the show. So I called them up. The answer was two.

"That can't be right," I said to the woman doing the computer check. Her name was Laurel Johnson. But in fact she was right. Only two Alaska-based companies exhibited at the show: Sitka Sound Seafood and Interior Alaska Fish Processors in North Pole. Of course there were nine processors from Washington, most of which process Alaska seafood.

"How many Alaska fishermen attended the show, can you tell me that?"

"Sure," she said.

Computers are wonderful. If I ever go fishing again, I'm going to use mine as a longline anchor.

"Two," she said.

"That's impossible!" I said. Didn't I see Bruce Gore and at least two or three other guys? She checked again but the answer was still two. There were more fishermen registered from Arizona. "Can you give their names?"

And so she did. One wasn't home the other was. His name is John Svejcar, a setnetter from Beluga, Alaska. I introduced myself and asked him what prompted him to leave Beluga to attend the show.

"My biggest concern is that fishermen aren't doing a good enough job marketing their own fish. They're leaving everything to the processors. So I went down there to see what it was all about."

Typical fisherman, down there trying to sell around the processors. Now he's formed a company called Beluga Fisheries, and is now processor himself.

"What was your impression of the salmon exhibits? Did you think Alaska was well-represented?" I asked.

"A terrific lack of representation I thought. You'd hardly know there was such a thing as salmon from Alaska after looking at all those pen-raised salmon."

"One more question. Have you ever heard of ASMI?"

"ASMI?"

"The Alaska Seafood Marketing Institute?"

"Never heard of them."

"So how are things in Beluga?" □

SALMON--Lower 48 Troll Season Set to Begin in Generally Weak Market

As the 1990 troll season kicks off on May 1 off Washington, Oregon, and California, the new realities of the salmon market play games with traditional economics. Based on preseason quotas established by the Pacific Fishery Management Council, the 1990 chinook harvest (treaty and non-treaty) should be down by 17% from 1989 and the coho catch off by a whopping 42%. Be that as it may, no one--fisherman, processor, or end-user--can expect to sell the fish for more than they did last year.

This reality has sunk in at every market level. Coastal trollers, for example, sent out many orders last week, hoping processors would sign on to pay them \$2.75/lb. for large chinook, \$2.35 for medium, and \$2 for smalls. This is a far cry from last year when they tried and failed to get \$2.95, \$2.55, \$2.20.

While several coastal processors said that the \$2.75-\$2.35-\$2 level was workable (though for the fresh market only), the marketplace suggests that these ex-vessel prices could fall slightly. Why? Farmed fish, especially in California, is a good buy. Canadian farmed chinooks are wholesaling, FOB Seattle, at \$3.60 for 6-9s, \$3.10 for 4-6s, and \$2.10 for 2-4s. In California, quotes are \$.10/lb. less on a delivered basis. It seems, according to one marketer, that farmers are going direct to California wholesalers, thereby pushing the market down.

For those marketing wild salmon to the fresh market in California, this cuts the situation awfully close. Assume a \$2.75 ex-vessel price for troll caught chinook, and that fish hits the market no less than \$3.75/lb. The advantage of the wild fish, of course, is size; they are bigger fish. Most Canadian farmed fish are 4-6s.

Complicating the situation is the supply of Atlantic salmon. Both Chile and Norway have significant amounts coming into the country, though supplies are at the level where prices are around \$4. Chilean Atlantics, for instance, are at \$3.85 for 6-8s, \$4.10 for 8-10s, and \$4.20/lb. for 10-12s. Norwegian Atlantics are about \$.10/lb. more.

Those prices leave some room for wild chinook in the fresh market.

The frozen market will also be a close cut for the wild producers. It is early before the Alaska salmon fishery starts in July, but the broad outlines of the frozen market are visible now. Cold storage holdings are falling, but the overall total is above the year-ago figures. This means a tough sell this season.

U.S. smokers, for instance, are still crying the blues, even after buying fish at least year's lower prices. Smoked Norwegian Atlantics, tough economic times on the East Coast, fewer luxury purchases, all have contributed to a sluggish market.

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Japan will be the key, for they are major buyers of Alaska troll fish. The yen, however, is hurting the market. Today, it takes 157 yen to buy one U.S. dollar. Last year it took only 138 yen.

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LOWER 48 CATCH QUOTAS ('000 of fish)

Species	1989	1990	% Change
Chinook	132	109.6	-17%
Coho	626	362.0	-42%

COLD STORAGE HOLDINGS ('000 of lbs.)

Species	3/31/89	2/28/90	3/31/90
Chinook	3,440	3,875	3,347
Coho	3,412	3,149	2,490
Chum	10,217	7,389	5,375
Pink	309	6,064	5,197
Sockeye	233	4,124	3,712
Unclassified	573	2,750	3,277
TOTAL	18,184	27,351	23,398



ALASKA

Telefax Message

TO:

Mary / Son Elison

Date: _____

Time: _____

FAX #: _____

From:

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of Pages Including Cover Page: 2

Message:

F48 - Market
info on effect of
farmed salmon -

B

SALMON--Lower 48 Troll Season Set to Begin in Generally Weak Market

As the 1990 troll season kicks off on May 1 off Washington, Oregon, and California, the new realities of the salmon market play games with traditional economics. Based on preseason quotas established by the Pacific Fishery Management Council, the 1990 chinook harvest (treaty and non-treaty) should be down by 17% from 1989 and the coho catch off by a whopping 42%. Be that as it may, no one--fisherman, processor, or end-user--can expect to sell the fish for more than they did last year.

This reality has sunk in at every market level. Coastal trollers, for example, sent out market orders last week, hoping processors would sign on to pay them \$2.75/lb. for large chinook, \$2.35 for medium, and \$2 for smalls. This is a far cry from last year when they tried and failed to get \$2.95, \$2.55, \$2.20.

While several coastal processors said that the \$2.75-\$2.35-\$2 level was workable (though for the fresh market only), the marketplace suggests that these ex-vessel prices could fall slightly. Why? Farmed fish, especially in California, is a good buy. Canadian farmed chinooks are wholesaling, FOB Seattle, at \$3.60 for 6-9s, \$3.10 for 4-6s, and \$2.10 for 2-4s. In California, quotes are \$.10/lb. less on a delivered basis. It seems, according to one marketer, that farmers are going direct to California wholesalers, thereby pushing the market down.

For those marketing wild salmon to the fresh market in California, this cuts the situation awfully close. Assume a \$2.75 ex-vessel price for troll caught chinook, and that fish hits the market no less than \$3.75/lb. The advantage of the wild fish, of course, is size; they are bigger fish. Most Canadian farmed fish are 4-6s.

Complicating the situation is the supply of Atlantic salmon. Both Chile and Norway have significant amounts coming into the country, though supplies are at the level where prices are around \$4. Chilean Atlantics, for instance, are at \$3.85 for 6-8s, \$4.10 for 8-10s, and \$4.20/lb. for 10-12s. Norwegian Atlantics are about \$.10/lb. more.

Those prices leave some room for wild chinook in the fresh market.

The frozen market will also be a close cut for the wild producers. It is early before the Alaska salmon fishery starts in July, but the broad outlines of the frozen market are visible now. Cold storage holdings are falling, but the overall total is above the year-ago figures. This means a tough sell this season.

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Unclassified	573	2,750	3,277
TOTAL	18,184	27,351	23,398

\$POTLIGHT



Times photo by ROB LAYMAN

Bud Bowling and his daughter Cindy Shake opened Stork Delivery baby announcement service last month after she gave birth to her third child.

Stork delivers the message for baby showers, births

By JAY STANGE
Times Business Writer

United Parcel Service may advertise "the tightest ship in the shipping business," but everybody knows when it comes to express deliveries, you can't touch the stork.

He is Mr. Reliable.

Bud Bowling and his daughter, Cindy Shake, opened Stork Delivery, a new baby announcement service, one month ago with the intention of doing some business with him.

They call upon new parents, placing eight-foot wooden replicas of Mr. Reliable in front of homes or offices. The storks announce the arrival of the community's newest neighbor. The brightly

painted birds hold bundles in their beaks announcing a new baby or pinpointing the location of a baby shower.

They started the company after Shake heard the owner of its predecessor, Stork News, had closed up shop a year ago. She said people miss seeing the giant birds Stork News had rented for over three years.

She got the idea to start her own service when her family tried to get a stork for her in November when her son, William, was born.

With two new children, including 3-year-old Kristen, an opportunity to work out of her home was important, she said.

It's also a chance for her to spend some time with her fa-

ther, she said.

A former bush pilot, Bowling said he is enjoying the time he spends working with his daughter and her children. He and Shake's husband, Bob, a local banker, have been committed to helping her get the business off the ground.

"I won't paint my truck pink, though," Bowling said of the pickup they use to make the deliveries.

They have spent most of the last month constructing what they call their fleet. It amounts to a dozen hand-painted birds.

Bowling does the construction and initial painting of the birds. He uses a special wood and palm that helps the storks

See Storks, back page

Salmon farming is prohibited in Alaska, but has grown rapidly in other countries during the past decade.

State salmon sales facing farm threat

Outside aquaculture grabbing attention by promising consistent availability, price

By JACQUES PICARD
Times Writer

Farmed salmon may be eating into the world market for wild Alaska salmon, said Kim Elton, communications director for the Alaska Seafood Marketing Institute.

Elton said he suspects the demand for Alaska salmon is dropping due to increased sales of pen-reared salmon, but is unsure whether the price is falling as a result.

The Alaska Seafood Marketing Institute plans to complete an in-depth analysis of the market for Alaska and farmed salmon by this fall, Elton said Friday.

Salmon farming, which consists of raising salmon to maturity in offshore pens, is prohibited in Alaska, but has grown rapidly in other countries during the past decade, he said.

"They're growing by leaps and bounds. It's not only Norway, now," Elton said. "It's the Shetland Islands, it's Chile, it's Canada, Maine is doing it, they've got salmon farming in Washington state."

Farmed salmon is directly competing with Alaska salmon, and will continue to do so, regardless of the outcome of the legislative debate on continuing the prohibition of salmon farming, Elton said.

It is time to face the problem, he said.

"I don't think the fishing industry can afford to stand back and say 'I hope nothing is going to happen,'" he said.

Elton said many restaurants and food stores prefer farmed salmon because it is available fresh all year and at a stable price.

As an example of the eroding market for Alaska salmon, Elton pointed to a comment by a manager of a chain of 160 stores in Texas published in last month's Alaska Fishermen's Journal:

"I'm very sold on aquaculture product. For consistency in price, consistency in quality, consistency in availability, nothing touches the fresh product out of the Northeast. . . . I don't even consider Alaska product anymore."

Salmon farmers are marketing their product aggressively, Elton said.

"Norway is spending more money promoting their farmed salmon than Alaska is promoting all their species," he said.

Elton said the institute will analyze the domestic and foreign markets to determine the strengths and weaknesses of wild and farmed salmon. It will also research how much farmed salmon is being produced and how much is being spent to expand production.

Alaska is the only large producer of wild salmon. Wild Alaska salmon has strengths, Elton said, and the perceived advantage of farmed salmon over frozen wild salmon may be exaggerated.

See Salmon, back page

Real estate malaise spreads throughout country

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over an assembly line
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velopment and manu-

facturing, most companies
benchmarked by Xerox are
Japanese. But when trying to
improve efficiency in areas
such as administration, sales,
service, and billing, Xerox
turns to American role models.

"Really what you're trying
to do is say, 'Who does pieces
of what I do very well?'" said
Palermo.

Xerox managers went to
L.L. Bean's warehouse and dis-
tribution center in Freeport,
Maine, to observe operations
and talk to supervisors. The
managers then analyzed how
L.L. Bean's practices differed
from Xerox's, and why.

As a result of the visit,
Xerox redesigned the layout of
its distribution center and
changed its system to make
greater use of computers.

The benchmarking process
has been boiled down to 10
steps taught to all Xerox man-
agers, from identifying the
area to be benchmarked to up-
dating benchmarks once tar-
gets have been reached.
Benchmarking has become in-
grained in the way Xerox offi-
cials think, Sierk said.

"It's just something that
every manager is expected to
do and every manager does,"
he said. "You do it all the
time."

Salmon

Continued from page C-1

Frozen Alaska salmon may
sometimes be fresher than un-
frozen farmed salmon, he said.

Japan buys a large portion of
Alaska's salmon catch and
farmed salmon may be making
inroads in other markets because
Alaska salmon is not always
available, he said.

The institute hopes to use the
study to improve the marketing
of Alaska salmon, he said. It

spends about \$10 million per year
on generic advertising of Alaska
seafood, both in the United
States and overseas.

Salmon is not the only Alaska
fish threatened with competition
by its farmed cousins. Some
countries are beginning to ex-
periment with farming halibut,
Elton said. Farmed catfish is
also growing in popularity, and
could cut into the demand for
Alaska seafood, he said.

"Things are happening in the
marketplace, and we don't know
why they're happening or how
they're happening," Elton said.

Storks

Continued from page C-1

stay presentable in tough Alaska
weather. With Shake painting the
detail, it takes them three days
to build a pair of birds.

The enterprise is not intended
to be grueling, they said.

"We are not working 16-hour
days, or anything," Bowling said.
"We are doing something that is
fun. Something outdoors."

Shake said the service is not
strictly for new biological par-
ents. Those adopting a new child
should be considered for the gifts
also. The bundles held by the
stork come in the traditional pink
for girls and blue for boys.

The storks cost \$35 dollars a

week to rent. When customers
use the storks to announce baby
showers, they cost \$25 per day.
Stork Delivery offers families
with twins two storks for the
price of one.

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Market

1982 5% farmed fish
 59% wild Alaskan

1987 32% farmed
 43% wild Alaskan

Good
facts &
figures to
have

ASMI FACT SHEET (DRAFT)

THE SEAFOOD INDUSTRY AND ALASKA

- About 5.5 billion pounds of fish are harvested annually off Alaska's 34,000 miles of shoreline. This includes the new offshore groundfish fishery. (NMFS)
- There were more than 350 seafood processors in Alaska in 1989. (DEC)
- Alaska leads all states in volume of seafood harvested with 2.6 billion pounds in 1988 (not counting the large offshore pollock and other groundfish fishery)--far surpassing Louisiana, a distant second with 1.4 billion pounds harvested. (NMFS)
- The ex-vessel value of Alaska's seafood harvest (the price paid to fishermen by the processors), exclusive of the offshore groundfish fishery, was \$1.3 billion in 1988--more than four times the value of runner-up Louisiana with \$317 million. (NMFS)
- Of the top ten seafood ports in 1988, six were Alaskan (#1 Kodiak, #3 Dutch Harbor/Unalaska, #4 Kenai, #6 Petersburg, #8 Cordova, and #10 Ketchikan). (NMFS)
- Alaska produces 46% of all U.S. seafood, 24% of all North and Central America seafood, and 2% of the world production of seafood. (1989 McDowell study)
- If Alaska were an independent nation, the state would rank in the top five in the world if seafood production were measured according to value of the harvest. Alaska would rank 11th in the world in seafood production--ahead of fishing nations of like Norway, Iceland, Canada and Denmark. (1989 McDowell study)
- Alaska's traditional commercial finfish fisheries (salmon, halibut, herring) accounted for 12% of the U.S. seafood production and 25% of the value of U.S. production in 1987. (1989 McDowell study)

Alaska Seafood
MARKETING INSTITUTE

-- Alaska's offshore groundfish fishery accounted for 34% of the nation's volume but just 7% of the value of U.S. production in 1987. (1989 McDowell study)

-- Alaska's commercial fishermen caught 85% of the U.S. production of Pacific salmon in 1988. (U.S. Dept. of Commerce)

SEAFOOD AND ALASKA JOBS

-- Alaska's seafood industry directly accounted for 16.4% of the state's economic base and payroll in 1987. (1989 McDowell study)

-- The seafood payroll in Alaska was more than \$1 billion in 1988--more than oil and gas, tourism, timber products and mining combined. (1989 McDowell methodology, NMFS information)

-- Alaska's seafood industry in 1987 provided the equivalent of 19,232 year around jobs in the state (not counting the offshore groundfish fishery). That is more than oil and gas and tourism combined. (1989 McDowell study)

-- Another 13,800-18,950 induced and indirect jobs are created because of the Alaska seafood industry, not counting the offshore groundfish fishery. Induced jobs include employees in grocery stores, clothing stores, gas stations, banks, doctors' offices. Indirect jobs include employees of shipyards, marine hardware stores, marine fuel sales, and marine equipment and repair services. (1989 McDowell study)

-- Another 1,100 Alaskans are employed in state and federal agencies, regional aquaculture associations or nonprofits directly connected to the seafood industry. These additional non-private sector jobs have a payroll of \$40 million and operating budgets of \$82 million. (1989 McDowell study)

-- More than 30% of Alaska's 1987 employment base of 117,000 jobs were dependent upon the seafood industry when direct employment, indirect and induced employment and government and nonprofit employment are added together. (1989 McDowell study methodology and figures)

-- The average monthly wage for seafood industry employees is \$2,582 per month compared to the Alaska basic industry average of \$2,578. (1989 McDowell study)

-- The average monthly wage in the tourism industry is \$1,354 per month. (1989 McDowell study)

-- The average monthly wage in the oil and gas extraction industry is \$5,273 per month. (1989 McDowell study)

-- In 1987, Alaska residents held 80% of all entry permits, comprised 66% of the harvesting crews and held 47% of the processing jobs. (1989 McDowell study)

-- In the salmon fleet, there are about 12,000 limited entry salmon permits and 25,000 skippers and crew. The halibut fishery has 3,200 vessels and 10,200 skippers and crew. There are 500 seiners and 1,400 gillnetters with skippers and crew totaling about 7,000 involved in the herring fishery. About 1,200 vessels harvest shellfish with 3,800 skippers and crew. In 1987, there were 42 factory trawlers with 4,000 workers and about 100 trawlers and 1,000 workers harvesting groundfish off Alaska. (1989 McDowell study)

-- Alaska's basic industries--defined as employment created by demand from outside the state--include, in descending order: national defense, 27% of basic employment; seafood, 16.4%; tourism, 8.4%; federal government exclusive of national defense, 8.2%; oil and gas, 7.1%; forest products, 2.6%; and mining, 0.5%. (1989 McDowell study)

-- Local government employment accounts for 16.3% of the employment in Alaska and state government accounts for 13.4%. (1989 McDowell study)

SEAFOOD AND THE ALASKA ECONOMY

-- Total investment by the seafood industry in Alaska is about \$4 billion (half in vessels, one-quarter in permits and one-quarter in processing plants and equipment). (1989 McDowell study)

-- Processors spend about \$90 million per year in Alaska to support their activity. (1989 McDowell study)

-- Harvesters spend about \$190 million per year in Alaska to support their activity. (1989 McDowell study)

-- The seafood industry's economic benefits spill across all parts of the state--rural and urban.

-- The seafood industry is the largest private employer in Southeast, Kodiak, Bristol Bay, the Aleutians, and Northwest Alaska. (1989 McDowell study)

-- Well over half of all private sector employment in Kodiak, the Aleutians and Bristol Bay is provided by the seafood industry. (1989 McDowell study)

-- Even though no significant commercial fisheries exist in interior and northern Alaska, 242 residents of those regions hold entry permits for other areas of Alaska and earned nearly \$4 million in 1987. (1989 McDowell study)

- In Fairbanks, there are 101 entry permit holders who earned \$2.1 million in 1987. (1989 McDowell study)
- In Anchorage, there are 873 permit holders who, in 1987, earned nearly \$31 million commercial fishing. (1989 McDowell study)
- Anchorage fishermen in 1986 ranked third as a group (behind Kodiak and Dillingham fishermen) in gross earnings. Anchorage fishermen as a group earned more than Petersburg fishermen and were well ahead of the fishermen in Cordova, Homer, Ketchikan and other coastal communities. (1989 McDowell study)
- Prince William Sound limited entry permits were selling for an average \$244,500 early in 1990 while a seat on the American Stock Exchange cost \$160,000. (CFEC and AMEX)

ALASKA SEAFOOD AND STATE TAXES

- The severance tax, property tax and special income tax on petroleum and the raw fish tax are the primary revenue taxes in Alaska. (ISER)
- In FY 89, the seafood industry paid nearly \$27 million in raw fish taxes. (Dept. of Revenue)
- Fish taxes on the seafood industry in Alaska are consistent with the taxes on the seafood industry in other states--about 5% of value added. (ISER)
- Mining paid less than 1% of its value added in Alaska taxes in 1987 compared with an average of 14% in other states. Agriculture and forestry tax receipts in Alaska are negligible, much less than 1% of its value added compared with a national average of about 4%. (ISER)
- The \$27 million in raw fish taxes is many times the amount of state revenue generated by mining, timber harvesting and agriculture. If the timber harvesting, agriculture and mining industries were taxed at levels comparable to the national average, an additional \$10 million would be collected in taxes by Alaska. (ISER)
- In addition to the \$27 million the seafood industry paid in fish taxes, the industry was also assessed by the state \$9.5 million for salmon enhancement (aquaculture) in FY 89 and \$3.3 million for Alaska Seafood Marketing Institute generic promotion campaigns. (Dept. of Revenue)
- The seafood industry also paid a substantial portion of the \$7.2 million that was collected in FY 89 through the marine fuel tax. (Dept. of Revenue)
- In addition to the direct tax revenues through the raw fish

tax and the marine fuel tax, the seafood industry provides millions more in local taxes (sales taxes and property taxes). This is a very important source of revenue for many cities and communities. (1989 McDowell study)

ALASKA SEAFOOD EXPORTS

-- One third of all U.S. seafood exports are exported directly from Alaska. This does not include seafood shipped from Alaska to Washington state before shipment overseas because Customs does not track origination. (1989 McDowell study)

-- Over \$550 million worth of seafood was shipped directly from Alaska to foreign nations in 1987. (1989 McDowell study and U.S. Dept. of Commerce)

-- The value of direct seafood exports from Alaska in 1987 (\$550 million) was double the value of direct seafood exports from Alaska in 1984. The value of direct seafood exports in 1989 (\$1 billion) was nearly double the value of direct seafood exports in 1987. (1989 McDowell study, U.S. Dept. of Commerce, and Center for International Business)

-- Japan accounts for over 95% of all exports from Alaska (\$999 million in 1989). (Center for International Business)

-- The major overseas fresh-frozen salmon markets in 1987 were Japan (\$457 million), France (\$57 million), Canada (\$38 million) and the United Kingdom (\$15 million). (1989 McDowell study and U.S. Dept. of Commerce)

-- The primary market for Alaska's herring products is Japan. In 1987, 60.2 million pounds of herring valued at \$41.2 million and 2.7 million pounds of herring roe valued at \$8.5 million were shipped to Japan. Korea, China and Canada took smaller amounts of Alaska herring. (1989 McDowell study and International Trade Administration)

-- Japan also was the principal export market for Alaska crab in 1987 taking 7.2 million pounds of king crab and 36.6 million pounds of snow crab in 1987. (1989 McDowell study and U.S. Dept. of Commerce)

THE ALASKA SEAFOOD INDUSTRY NOW

-- Groundfish harvesting off the coast of Alaska is the fastest growing U.S. fishery and ranks as the nation's largest in terms of volume (in 1978, the domestic pollock harvest was 9.2 million pounds, in 1988, the domestic pollock harvest was 1.3 billion pounds). (1989 McDowell study and NMFS)

-- Growth in the groundfish fishery primarily is the result of the Magnuson Act which "Americanized" the fishery by enabling Americans to first displace foreign catchers and then to replace foreign processors. (1989 McDowell study)

-- The McDowell Group believes the potential economic impact of the groundfish fishery on Alaska is limited at this time because of a lack of in-state organizational and support infrastructure. Inducements and incentives, the McDowell Group noted, could help establish an Alaska-based trawl fleet and on-shore processing for trawl catches. (1989 McDowell study)

-- Each factory trawler fishing pollock spends an estimated \$1 million per year in Alaska--45 percent of that is for fuel. (1989 McDowell study and Alaska Factory Trawlers Association)

-- There were 80 at-sea processors (including 26 longliner/processors, 4 pot/processors and 50 factory trawlers) and eight mother ships in 1989. In 1990, it is anticipated there will be 62 factory trawlers, 30 longliner/processors, 6 pot/processors and 15 mother ships involved in the offshore groundfish fishery. (NMFS)

-- The volume of groundfish processed in Alaska increased dramatically from 1986 to 1987 (44.7 million net pounds worth \$49 million in 1986 to 150.6 million net pounds valued at \$146.5 million in 1987). Pollock production, mostly in the form of surimi, jumped from 15.4 million net pounds in 1986 to 117.4 million net pounds in 1987. (1989 McDowell study)

-- The herring fishery dates back to the 1890s in Alaska. It became a highly profitable industry in the 1970s when a strong market for herring roe was developed in Japan. The volume of herring in Alaska increased from 20 million pounds in 1976 to 113.8 million pounds (valued at \$60 million) in 1988. (1989 McDowell study and NMFS)

-- The total Pacific halibut harvest climbed to 75 million pounds in 1962 but declined in the mid-70s to a point where the harvests never exceeded 30 million pounds. More than 81 million pounds were harvested in 1988. (1989 McDowell study and U.S. Dept. of Commerce)

-- In the 1970s, ADF&G drastically reduced salmon harvests to restore salmon production to historical highs. Beginning in 1980, salmon harvests began exceeding 100 million fish (up from a low of 22 million fish in 1974). (1989 McDowell study)

-- Canned salmon has declined from 70% of the salmon pack ten years ago to less than 40% in recent years. (1989 McDowell study)

THE ALASKA SEAFOOD INDUSTRY AND THE FUTURE

-- U.S. consumers spent an estimated \$28.8 billion for fish

The guide from Alaska, last sheet I gave to the reporter

products in 1988 (\$19.7 billion of that was spent in restaurants, on caterers and on take-outs indicating potential growth in the retail markets). (NMFS)

-- For the first 70 years of this century, seafood consumption in the U.S. hovered around 10 pounds per person per year. Since 1972, seafood consumption in the U.S. has grown to 15 pounds per person per year. (1989 McDowell study)

-- The world consumption of seafood is 26.7 pounds per person per year and is expected to rise to 34 pounds per person per year by the turn of the century.

HOWEVER

-- Alaska has been the world's salmon supplier but some now estimate production of pen-reared salmon will outstrip production of Alaska wild salmon by the year 2000. (1989 McDowell study)

-- A marketplace confrontation is building between fresh and frozen wild Alaska salmon and pen-reared salmon from Scandinavia, Chile, British Columbia, Washington state and other jurisdictions. (1989 McDowell study)

-- Pen-reared salmon have consistent quality, are reasonably priced, are available year-around and the product is closer to the marketplace. (McDowell study)

-- The manager of seafood marketing for a chainstore with 160 outlets in Texas was recently quoted as saying "I'm very sold on aquaculture product. For consistency in price, consistency in quality, consistency in availability, nothing touches the fresh product out of the Northeast. . .I don't even consider Alaska product anymore." (Alaska Fishermen's Journal, March, 1990)

-- "It's so easy for us to order farm-raised product. Why get all these headaches? Farmed product is always there--you're not waiting whether you want 500 or 5,000 pounds." (seafood buyer for a 148-store Washington, D.C., chain that carries fresh salmon, mostly from Scotland, as quoted in the Alaska Fishermen's Journal, March, 1990)

-- salmon accounts for over half of the value of Alaska's fisheries (\$745 million ex-vessel value in 1988) and an even higher percentage of Alaska's fisheries employment. Market erosion due to competition from farmed salmon will hurt the Alaska fishing industry. (1989 McDowell study)

-- Japanese fish imports will remain at current levels. (Yoshihide Uchimura, president of Japanese Fisheries Association as quoted in Quick Frozen Foods International, January, 1990)

-- Traditional cooking patterns in Japan--such as grilling fish--are becoming less popular as more Japanese women pursue careers.

Demand in Japan is growing for processed foods (processed products now account for 60% of the Japanese fish and seafood markets). (Quick Frozen Foods International, January, 1990)

-- Norway and Denmark had trouble selling pen-reared salmon in Japan because the flesh wasn't pink enough so they developed a strain with pinker flesh. (Quick Frozen Foods International, January, 1990)

ALASKA SEAFOOD MARKETING

-- The Alaska Seafood Marketing Institute is a joint state-industry marketing agency formed in 1981 to promote Alaska seafood in the marketplace and encourage quality through proper handling of Alaska seafood. The promotion is generic and not brand-oriented. (ASMI)

-- The budget for ASMI in FY 89 was \$10.6 million (\$2.1 million in state funds, \$3.3 million in industry funds and \$5.2 million in federal export funds). (ASMI)

-- That portion of ASMI's FY 89 budget devoted to "overhead" and not marketing is less than 8%.

-- Seafood industry contributions to ASMI are the result of an assessment. Processors who buy more than \$50,000 worth of seafood product each year are taxed at a rate of .03% on the ex vessel value of the seafood they buy. The assessment is collected by the state based on fish ticket data.

-- In FY 82, the state paid 90% of ASMI's budget.

-- In FY 89, the state paid 21% of ASMI's budget.

-- For every \$1.00 the state is paying in FY 90 to market Alaska seafood, the Alaska seafood industry contributed \$1.55. (Dept. of Commerce operating budget)

-- For every \$1.00 the state is paying to market Alaska as a tourist destination in FY 90, the Alaska tourism industry pays 15 cents. (Dept. of Commerce operating budget)

-- In addition to the money the seafood industry commits to marketing 'generic' Alaska seafood through ASMI, the seafood industry, according to a recent survey, spent \$6 million in 1987 promoting their branded seafood products. (1989 McDowell study)

-- In addition to the \$3.3 million the seafood industry donated to ASMI in FY 89, industry also contributed an additional \$1.7 million in in-kind services, including time donated to serving on ASMI advisory committees.

-- In 1988, ASMI mailed 1,236,000 pieces of information.

-- In May, 1989, ASMI mailed in 207,980 pieces of promotional material as a result of inquiries to the agency (these include recipes, cookbooks, quality materials, posters, retail promotion materials, etc.).

-- Examples of ASMI product promotions include: "The All-American (Halibut) Steak--Hottest Steak on the Range"; "All-American Cod"; "Alaska Pollock: Lite, Economical, No Bones About It"; "Think Pink"; "Soup Up Your Sales With Alaska Canned Salmon" (joint promotion with Campbell's Soup Co.); "Go for the Big Red Bonus"; "Cooking Fish Is Easy"; "Legs You Win, Tails You Lose" (crab legs are tastier and less expensive than lobster tails); "Put the Squeeze on the King" (joint promotion with Sunkist Lemons); "Fresher Frozen"; and "Marine Cowboy".

BUSINESS

SUNDAY

SECTION C March 11, 1990

Weathering stormy seas



Alaska commercial fishermen work hard during the season, but face stiff competition from the farms.

Anchorage Daily News file photo/Bob Halinen

Alaska seafood facing stiff competition Outside

By LAURIE UNDERWOOD
Special to the Daily News

Catching and processing seafood is Alaska's No. 2 industry, after oil production. And the industry had been on a hot streak during the late 1980s, with strong salmon runs and the Americanization of the multi-billion-dollar bottomfishery. But the marketplace is changing.

To a distributor, Alaska seafood is just a small fraction of the product coming in and out of the warehouse from Asia, Latin America and throughout North America.

For retailers, Alaska product is one item stocking the seafood counter -- which is just one section of the meat department.

And for consumers, Alaska seafoods offer a few more options in a supermarket full of the makings for convenient and affordably priced meals.

So how does Alaska product measure up? To find out, seafood distributors and retail buyers around the country were contacted. Buyers in California, Oregon, Texas, Minnesota and Washington, D.C., offered insight into what Alaska suppliers are doing right and wrong, and how to compete better in today's fickle marketplace.

Buyers rated Alaska product as top quality. But they complained about the lack of fresh fish year-round from Alaska, and the growing undesirability of frozen fish when fresh product is available from elsewhere in the world. They said Alaska suppliers need to modernize -- to provide more fresh product, "retail-ready" processing, and reliable supply and price information.

HALIBUT

High demand; supply problems

Yes, during the summertime, chums and silvers are lower in cost than the East Coast product, but in terms of a 52-week-per-year business, I don't even consider Alaskan product anymore.

— Peter Gryska
Seafood marketing manager

The good news is that halibut seems to have a secure market niche around the country, with demand for fresh halibut high on both coasts and even in the Midwest.

"I have to say (Alaska suppliers) have a pretty good thing going in that nothing competes with halibut. I know several people that just go crazy with the fresh halibut season. There's nothing like it," says Jeff Dulcich, vice president of sales and marketing for Pacific Sea Food Co. in Oregon. PSF operates five distribution plants in California and Oregon. In the Northwest, Dulcich says, the only competition halibut faces comes from consumers who are not familiar with it. "Shark, swordfish and salmon compete with it head on. And end competes with people who are very price conscious."

The scene is much the same in Los Angeles. At Von's supermarkets of Southern California, seafood buyer Rory Frank says halibut is his top Alaska item. However, frozen halibut now competes on the freezer case with orange roughy from New Zealand and sea bass from Chile. Meanwhile, in the fresh case, many customers are hooded by lower-priced fish like red snapper, perch and farmed catfish.

Even with heightened competition, retailers agree demand for fresh halibut remains strong. "I don't think it competes really with any fish, except in some degree with swordfish and shark, being a white-fish fillet," says Peter Gryska, seafood marketing manager for H.E. Butt Grocery Co., which operates 160 supermarkets throughout central and south Texas. "I don't think (halibut) compares with other fish. It has its own place."

While buyers are happy with the demand for fresh halibut, most are unhappy with the supply. The chaos of three fish openings a year, each for up to only 24 hours, wreaks havoc on retailers' ad campaigns. "I really object to the way the halibut is fished because it is so difficult to market and plan a fresh promotion," Gryska says. "It's a carnival atmosphere for the week it comes in and because of weather and everything, you never know if you're going to get it when you run your ad. And then it's gone. So you just got everybody hooked on the product and it disappears."

"We could all sell more halibut if there was more fresh to sell, if the season were longer," says Ken Mills, director of perishables for United Grocers Inc. in Oregon. "And no one has anything to do with that except the government." Many retailers of the Seattle-based

Please see Page C-5, SEAPOOD

Seafood Production from Alaska Area Waters in 1987

First Wholesale Value

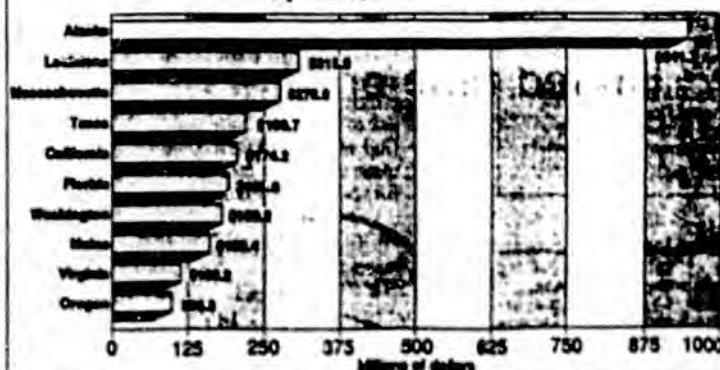


Source: The McDowell Group

Anchorage Daily News / Ron Engstrom

Value of U.S. Commercial Seafood Landings

By States, 1987



Source: The McDowell Group

Anchorage Daily News / Ron Engstrom

Senfod - This is a reprint of the article. I was highlightheaded trade goods. Along roads to be very concerned about.

SEAFOOD: Short, staggered seasons bother buyers from Lower 48

Continued from Page C-1

FISH (Finding intelligent solutions to halibut), which is working to increase fresh halibut availability by extending the season to nine months.

Besides the short season, retailers also complained it is difficult to get clear information on openings. "The only problem I have with Alaskan seafood, on the fresh side, is how confusing the seasons are," Gryska says. "For example, here it is the beginning of the year and I am trying to roughly plan out what my advertising schedule will be. I don't know when there's gonna be an Alaska halibut opening. I have an idea it's going to be May. But whether it's the first week or the last week makes a big difference. If it's going to be something that's planned, let's plan it."

Getting information on supply and price also can be a headache for retailers. "One year, I literally had halibut in the air and I could not get a confirmed price," Gryska says. "Every May and every June, people call me up and say, 'Are you going to run any halibut? Are you going to run any halibut?' And I say, 'Sure. How much have you got available?' I don't know. 'What's the price?' I don't know. 'When are you going to have it?' Sometime. Do you want to book any? I mean, give me a break."

WILD SALMON Competing with fish farms

Many of the difficulties of short supply and lack of information posed by fresh halibut also plague the fresh wild-salmon industry.

Some retailers are bitter about being excluded from bidding on fresh salmon destined for sale overseas, predominantly to Japan. "When there's no fresh salmon available out of Alaska because it's all being sold for export, that's aggravating for a retailer and to me as a buyer and the consumer on the West Coast," says Mills of United Grocer in Oregon. "Here we are, one of the 50 states, and Alaska fisheries sell all of (the salmon) overseas. Shame on them. It doesn't instill a whole lot of loyalty. If they get a better price somewhere else, then God bless them. But at least give us a chance to bid."

The primary difference between supply problems



Pink salmon head toward the seafood market.

with salmon and halibut is that, with salmon, many buyers have found a convenient alternative: fresh farmed salmon from other states and nations. Many have turned to it as the leading source of their salmon year round.

"What it's done is it's collapsed the frozen market here," says Dulcich, speaking of the Portland, Ore., market. "They can get fresh fish all year long, and the perceived value of fresh fish is significant in Oregon. In fresh salmon, it's kept the price down in both wild and farmed."

Gryska also is sold on salmon raised on fish farms, as opposed to the wild salmon harvested in Alaska. "For a consistency in price, consistency in quality, consistency in availability, nothing touches the fresh product out of the Northeast. Yes, during the summertime, chums and silvers are lower in cost than the East Coast product, but in terms of a 52-week-per-year business, I don't even consider Alaskan product anymore."

"It's just so easy for us to order farm-raised product. Why get all these headaches?

Farmed product is always there, you're not waiting, whether you want 500 or 5,000 pounds," says John Hoppenjans, seafood buyer for Giant Food Inc. of Washington, D.C. The 148-store supermarket chain carries a small amount of frozen salmon in retail boxes; it carries fresh farmed salmon, mostly from Scotland, year round.

One of the marketing leverages that wild salmon suppliers have relied on is the perception that wild product has a better taste and texture than farmed. Do consumers around the country perceive a quality difference between the two? Retailers say yes, but add that preferences vary from region to region.

In the Northwest, wild salmon is perceived as richer and more flavorful, Dulcich says. "I think right now, wild has the connotation of being better. In Oregon at least." He adds that, for Oregonians, salmon is seen as an Oregon-area product, which has added appeal for consumers.

"The perception is quite different in the Midwest, however," a seafood merchandiser, Ron Roper of Lands supermarkets in Minneapolis, says. "A lot of our customers were brought up on fish sticks. They equal a flavor with 'fishy.' They prefer the milder flavor of farmed salmon."

A former Alaska fisherman himself, Roper believes that with a little consumer education, the market for wild salmon will preserve its niche. "There has been a transformation in the industry. But there will always be a market for wild-caught salmon," Roper says. "A 7- to 11-pound king salmon is perfect for steaking. A lot of farmed fish is 1 to 2 or 2 to 4

pounds. When it comes to steaks, there'll always be a market for wild salmon."

Another hurdle wild salmon suppliers face today, especially in the East Coast, is consumer fear of water pollution. Consumers in the mid-Atlantic region tend to assume that farmed salmon is cleaner and healthier with "less change of environmental effects," says Hoppenjans of Giant.

POLLOCK

Fillets still slump; surimi up

Some retailers are still feeling the delayed effects of the 1985 government ruling that made it illegal to market pollock under the name "snow cod."

"It hurt sales. It really has," says Ron Corno, senior meat merchandiser with Fleming Foods of Milwaukee, Ore. Fleming now markets pollock either as pollock or "Alaska whitefish." "We had people programmed," Corno says, referring to snow cod. "Now people think it's a different item. It'll take some time to get its credibility back."

"Whitefish is a pretty generic name," says Fleming meat-deli merchandising manager Roger Kirkhart. "It just doesn't make you hungry at the sound of it."

Under any name, pollock faces stiff competition with other lower-end, price-value items, retailers say. "The way we sell pollock, it is competing directly with things like the farm-raised catfish nuggets, frozen Canadian cod, and frozen South American fillets such as trout and whiting," Gryska says.

Surimi, a fish paste made from pollock and turned into imitation crab and other products, seems to enjoy a more secure market around the country. "It very much

has a niche. We use it in ads regularly," Corno says. "I've not seen any decline in movement. As long as dumplings and Alaska king crab prices stay at the present level, it'll hold its own."

"There's a strong following for surimi. It's convenient, it's an affordable alternative," adds Roper of Lunds. The Minnesota-based chain of eight stores carries four brands of surimi sticks and flakes. Roper feels that surimi markets will continue to develop. "The first generation was crab. Then came lobster, shrimp and scallops. The third generation will be oven-ready products. That time is the next logical step: surimi pot pies, quiches, things like that."

BUYER DEMANDS Fresh fish, packaged to sell

Throughout the country, buyers had three basic messages to Alaska suppliers: We need more fresh fish; we need it on time; and we need more precut, "retail-ready" product.

"It's a lot of work, but in the end, the customer wants fresh product," says Bruce Steinberg, senior seafood buyer for Giant. "A lot of us out here would love to sell fresh Alaska product. There's a lot more that could be done if they would promote fresh fish."

"It's always a supplier wanting to sell me 40,000 pounds of frozen pollock," Hoppenjans says. "I want to say, 'I'm sorry, those days are over.' If you want to deal with supermarkets, that is. Give me fresh pollock fillets and sell it for three times the cost. We want fresh fish in small boxes. Gear it toward my supermarkets, and I'll buy it."

Please see Page C-6, SEAFOOD

SEAFOOD: Outside supermarkets clamor for fresh fish from Alaska

Continued from Page C-5

The view was much the same in Los Angeles. "We're gearing up for fresh fish," says Rory Frank of Von's. "The quality (of Alaska product) is excellent. In frozen fillets, it would be my first choice. But now we are getting more into fresh fish." The chain now sells some 1.6 million pounds of Alaska halibut yearly, as well as salmon and king crab. However, Frank says his overall purchases of Alaska seafood have diminished slightly in the past five years as the store has shifted toward fresh seafood, and flying in other competitively priced species.

The logistics of air-shipping fresh Alaska product poses another problem for buyers around the country, and many recounted halibut- and salmon-shipping nightmares.

"The biggest deterrent to doing product from Alaska is getting it here on a timely basis with the quality that we expect. It hasn't gotten any better in the 11 years that I've been doing it," says Steinberg of Giant. "You'll find product left in Denver, in Chicago, missed connections. Ask anyone who air-freights stuff out of Alaska what a nightmare it is to get it to the East Coast. Just when you think you have got something arranged, the airline downsizes to a plane that doesn't carry containers."

"It's a gamble, especially with halibut," adds Roper of Lunds.

Lastly, buyers say Alaska product is difficult to get cut-to-order or packed in shipment sizes that are convenient for retailers. "There's nothing wrong with the fish. It's gorgeous fish. It's just the processing and handling," says Steinberg.

"When the fish is in season, we need steaks and fillets. We can use a substantial amount if we sell an ad, but there aren't many people that are willing to make the extra commitment to selling us the steaks and fillets. The whole mentality is fish in a 40-pound carton with gel ice and a plane that might make it."

"The main thing is being willing to put product in a retail-ready form. Probably the one package-style method that does not meet any specification of what a retail store wants to use is a 50-pound wetlock box. That is such an anathema to a retailer. Even worse is a 100-pound wetlock box," Gryksa says. "They're difficult to handle, hard to move around. If people really want to get into business with retailers, they've got to put the product in a package that the retailers can use." Gryksa says most frozen product HEB carries comes steamed or filleted and ready to sell.

"If someone on the docks of Alaska wanted more money for their product, they could trim the halibut there. Don't just send it down here with the nape on and the tail on. Cut the wings off, cut the tail off, cut the collar bone off, get it into block-ready form. Then the product is worth more," says Gryksa, adding, Alaska processors "are much more adept at processing Alaska product than someone in Texas or Kansas."

CONSUMER MARKET Stress health, convenience

While buyers say Alaska seafood enjoys a good reputation and healthy demand, competition is fierce and getting fiercer. Ultimately, the

"It's a much more competitive industry. Seafood is hot. Even with all the bad press we're getting, it's becoming more and more competitive."

— Seafood merchandiser Carson Roper

fish needs to appeal to consumers. Here's what retailers say about marketing Alaska product to consumers:

The seafood industry's biggest competition comes from the rest of the meat department — a fact that few seafood suppliers realize. As Dulcich assesses the industry's future, competition from other meats has him a bit worried. "I would think that seafood is in for a little bit of turbulence. One of the concerns that I have is that the beef and chicken councils, all of these other protein items that we compete with, have a good cooperative advertising budget and seafood lacks that," Dulcich says. Co-op ads are paid in part by the processor or wholesaler and part by the retailer.

On the up side, the endorsement of seafood from the medical and health fields should continue to boost seafood sales, Dulcich says. "The American Medical Association has done wonders for the seafood industry. If that continues, I would expect (demand) to continue to grow."

A lot of Alaska seafood's ability to sell boils down to how it is promoted in the stores. Reports on the quantity and quality of literature provided by the Alaska Seafood Marketing Institute — a

government- and private-funded agency that pushes the state's seafood — varied around the country. All buyers ranked ASMI publications among the best in the nation; however, the four buyers interviewed in Portland complained of receiving virtually no information. "They do a marvelous job with what they produce. It's just a matter of getting it to me," Dulcich says. Meanwhile in Washington, D.C., buyers at Giant say they receive "tons" of ASMI literature, but it isn't promoting the kind of product they want.

"How excited can you get about the same frozen salmon steak and the same piece of frozen halibut that they've been selling for 20 years?" asks Steinberg, adding his customers demand fresh fish and are not enticed by the terms "flash frozen" or "fresh frozen" seafood Alaska processors use. "If someone from Alaska marketing could get us some fresh product, we'd be excited about it. We could run a beautiful ad: 'Fresh Alaska sole, air-freighted from the icy waters of Alaska.' Doesn't that sound appetizing?"

"Point of purchase" ads displayed on stores' seafood

counters provide another avenue for promoting Alaska seafood, and most retailers say they could use more of them. "The No. 1 marketing tool is recipes. The next thing after that would be brochures, where they talk about nutrition, handling, various ways of cooking," says Kirkhart of Fleming Foods. Charts can help offset competition with other meat items, he says. "Nutritional charts show how much better for you seafood is than the other proteins."

Point-of-purchase materials also can coax consumers who are unfamiliar with Alaska product into trying it. "A lot of people are still unfamiliar with fish. People are always leery of something new. The easier to prepare the more liable they are to buy," says Roper of Lunds. Overall, Roper says Alaska product simply com-

petes with many more choices than it used to — a trend that will continue. "It's a much more competitive industry. Seafood is hot. Even with all the bad press we're getting, it's becoming more and more competitive."

What can Alaska suppliers do to better promote their product?

"Cooperate within the industry. It's difficult when you're up in Alaska to think about where your product is going. But we need a dialogue established between retailers and suppliers and fishermen," Roper says. "It reminds me of a poster in a cannery I worked in in Alaska. It said: Remember, fish is food."

□ A version of this article appeared in Alaska Fishermen's Journal.

one of ours

FROM: REPRESENTATIVE DAVE DONLEY
TO: ALL LEGISLATORS
DATE: APRIL 25, 1990
RE: ALASKA'S SEAFOOD INDUSTRY
AND THE ALASKA SEAFOOD
MARKETING INSTITUTE FY 91
OPERATING BUDGET REQUEST

Salmon

Continued from page C-1

Frozen Alaska salmon may sometimes be fresher than unfrozen farmed salmon, he said.

Japan buys a large portion of Alaska's salmon catch, and farmed salmon may be making inroads in other markets because Alaska salmon is not always available, he said.

The institute hopes to use the study to improve the marketing of Alaska salmon, he said. It

spends about \$10 million per year on generic advertising of Alaska seafood, both in the United States and overseas.

Salmon is not the only Alaska fish threatened with competition by its farmed cousins. Some countries are beginning to experiment with farming halibut, Elton said. Farmed catfish is also growing in popularity, and could cut into the demand for Alaska seafood, he said.

"Things are happening in the marketplace, and we don't know why they're happening or how they're happening," Elton said.

S THE ANCHORAGE TIMES **C**
Monday, April 23, 1990

Salmon farming is prohibited in Alaska, but has grown rapidly in other countries during the past decade.

State salmon sales facing farm threat

Outside aquaculture grabbing attention by promising consistent availability, price

By JACQUES PICARD
Times Writer

Farmed salmon may be eating into the world market for wild Alaska salmon, said Kim Elton, communications director for the Alaska Seafood Marketing Institute.

Elton said he suspects the demand for Alaska salmon is dropping due to increased sales of pen-reared salmon, but is unsure whether the price is falling as a result.

The Alaska Seafood Marketing Institute plans to complete an in-depth analysis of the market for Alaska and farmed salmon by this fall, Elton said Friday.

Salmon farming, which consists of raising salmon to maturity in offshore pens, is prohibited in Alaska, but has grown rapidly in other countries during the past decade, he said.

"They're growing by leaps and bounds. It's not only Norway, now," Elton said. "It's the Shetland Islands, it's Chile, it's Canada, Maine is doing it, they've got salmon farming in Washington state."

Farmed salmon is directly competing with Alaska salmon, and will continue to do so, regardless of the outcome of the legislative debate on continuing the prohibition of salmon farming, Elton said.

It is time to face the problem, he said. "I don't think the fishing industry can afford to stand back and say 'I hope nothing is going to happen,'" he said.

Elton said many restaurants and food stores prefer farmed salmon because it is available fresh all year and at a stable price.

As an example of the eroding market for Alaska salmon, Elton pointed to a comment by a manager of a chain of 160 stores in Texas published in last month's *Alaska Fishermen's Journal*:

"I'm very sold on aquaculture product. For consistency in price, consistency in quality, consistency in availability, nothing touches the fresh product out of the Northeast. . . . I don't even consider Alaska product anymore."

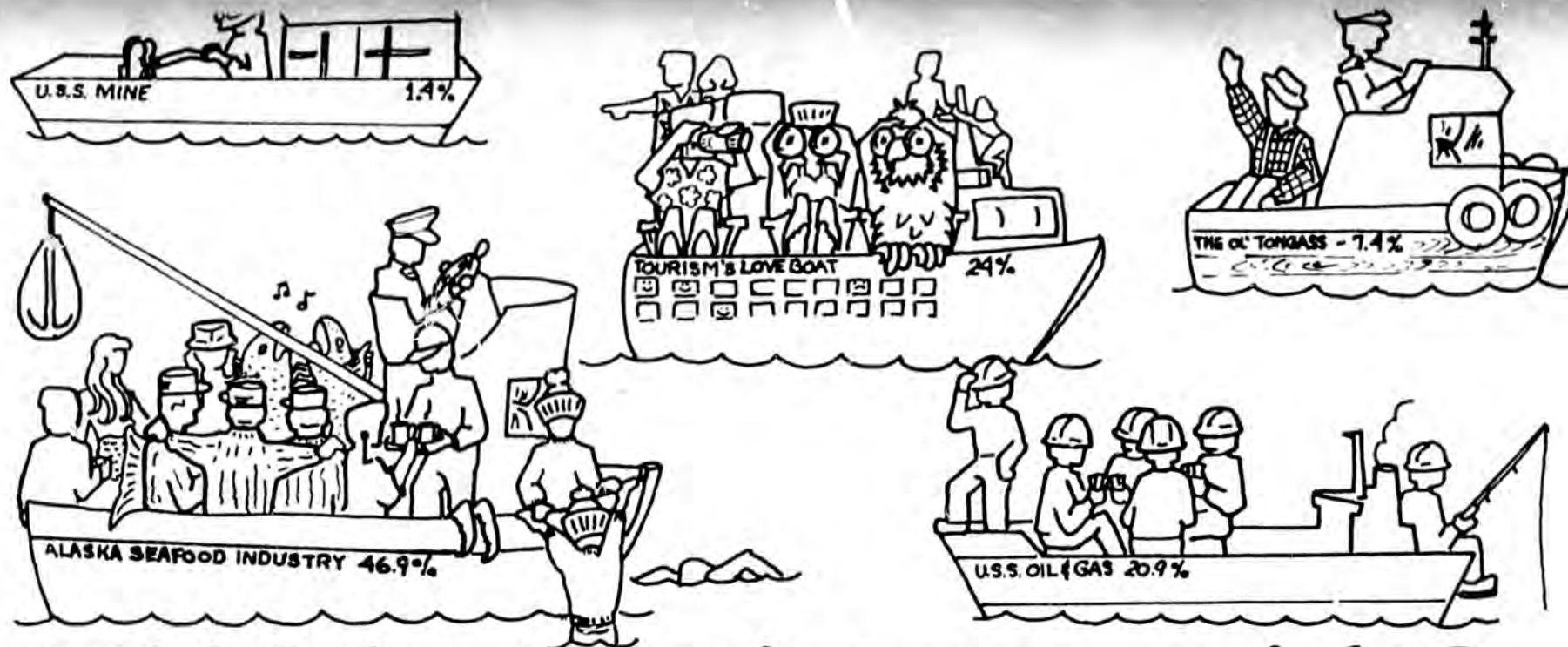
Salmon farmers are marketing their product aggressively, Elton said.

"Newway is spending more money promoting their farmed salmon than Alaska is promoting all their species," he said.

Elton said the institute will analyze the domestic and foreign markets to determine the strengths and weaknesses of wild and farmed salmon. It will also research how much farmed salmon is being produced and how much is being spent to expand production.

Alaska is the only large producer of wild salmon. Wild Alaska salmon has strengths, Elton said, and the perceived advantage of farmed salmon over frozen wild salmon may be exaggerated.

See Salmon, back page



Which boat carries more weight?

The seafood industry is Alaska's largest private employer*

The Alaska seafood industry is the largest private employer in the state. More than 70,000 people go to work for Alaska's seafood industry every year. In 1988 the seafood industry harvested 5.5 billion pounds of seafood — valued at \$1.8 billion dollars. Over \$4 billion has been invested by the Alaska seafood industry in vessels, equipment, permits, processing plants, and tenders. The Alaska seafood industry also generated nearly \$27 million in raw fish taxes for the state in FY 89. An additional \$12.8 million was collected by the state when salmon enhancement (aquaculture) and Alaska Seafood Marketing Institute's generic promotional contributions were added.

In celebration of the economic importance and contribution the Alaska seafood industry makes to the state, Governor Cowper has declared April 22-28 Alaska Seafood Week. Join the governor and the Alaska Seafood Marketing Institute in recognizing the impact of the seafood industry.

*1987 figures



Learn more about the impact of the Alaska seafood industry.

Go fishing for facts with us on a round trip for two to San Francisco. Visit your local grocery store or restaurant, or write the Alaska Seafood Marketing Institute for contest rules and entry forms.

Grand prize: Round trip ticket for two to San Francisco on Alaska Airlines, 2 nights hotel accommodations, \$200 spending money, and an Alaska seafood dinner at the famous Fishermen's Wharf in San Francisco.

(For more information, write: Alutiiq Alaska Contest, ASMI, P.O. Box D, Juneau/AK 99801. Restrictions apply.)

Alaska Seafood Week — April 22-28

ALASKA SEAFOOD MARKETING INSTITUTE

Farmed salmon threatens markets

THE ASSOCIATED PRESS

ANCHORAGE — Farm-grown salmon may be eating into the world market for wild Alaska salmon, a state official says.

Kim Elton, communications director for the Alaska Seafood Marketing Institute, said he thinks the demand for Alaska salmon is dropping because of the increasing popularity of pen-reared salmon. He was uncertain, however, whether prices were falling as well.

The institute plans to analyze the wild-vs.-farmed market by this fall, Elton said. It also will research how much farmed salmon is being produced and how much is being spent to expand production.

Salmon farming, which consists of raising salmon to maturity in offshore pens, is barred in Alaska but has grown rapidly in other nations and in some states during the past decade, he said.

"They're growing by leaps and bounds. It's not only Norway now," Elton said. "It's the Shetland Islands, it's Chile, it's Canada. Maine is doing it. They've got salmon farming in Washington state."

It's time to face the problem, he said.

"I don't think the fishing industry can afford to stand back and say, 'I hope nothing is going to happen,'" he said.

Opponents of salmon farming contend, however, that pen-reared fish could spread disease among natural stocks, and could compete with lower prices against Alaska's commercial seafood industry.

Land-use conflicts with other waterfront users and water-quality

'Diapers' for fish farms?

THE ASSOCIATED PRESS

SEATTLE — State officials are reconsidering their decision to require that "diapers" be installed on new salmon-rearing pens in Washington's inland waters.

The state Department of Ecology, preparing to issue water-pollution permits for three new net-pen salmon-raising operations, decided to require that plastic sheets be installed under the pens to catch feces, food and other wastes.

The wastes would be gathered and shipped to a sewage treatment plant in a system that officials say has never been used before in U.S. tidal waters.

Salmon farmers, however, have raised a stink about the proposed requirement.

"We have grave reservations whether any existing design is workable," added John Forster, president of Sea Farm Washington Inc.

The U.S. Environmental Protection Agency last year ruled that net pens need water pollution permits under the Clean Water Act, and state law requires the use of "all known available and reasonable" methods of treatment.

State officials heard that such net-pen diapers were used in Europe and suggested the same for here. But DOE officials said Monday that no decision had been made.

"There are a lot of questions about whether this technology is available," said Chris Haynes, head of DOE's water-pollution permit program.

The agency had considered a system for vacuuming wastes from under net pens, but worries that it might harm the environment. A large net pen would emit as much sewage as a town of 10,000 to 20,000 people.

problems from fish wastes also are cited by opponents of fish farming.

"It's clear to me that the serious risks to Alaska and our fishery resources far outweigh any potential benefits," said Sen. Dick Eliason, R-Sitka.

Eliason, a commercial fisherman, is the Legislature's strongest oppo-

nent of salmon farming. He said he is in no mood for compromise, and said he is confident that a majority of the Senate supports his position.

A two-year ban on fish farming in Alaska will end July 1 unless lawmakers take action to extend the moratorium. A permanent ban on fish farming has passed the House

and awaits Senate action.

Elton said many restaurants and food stores prefer farmed salmon because it is available fresh all year and at a stable price.

As an example of the eroding market for Alaska salmon, Elton cited a comment in last month's Alaska Fishermen's Journal attributed to the manager of a 160-store chain in Texas:

"I'm very sold on aquaculture product. For consistency in price, consistency in quality, consistency in availability, nothing touches the fresh product out of the Northeast. ... I don't even consider Alaska product anymore."

Salmon farmers are marketing their product aggressively, Elton said.

"Norway is spending more money promoting their farmed salmon than Alaska is promoting all their species," he said.

Japan buys a large portion of Alaska's salmon catch and pen-reared fish may be making inroads in that and other markets because Alaska salmon is not always available, Elton said.

Salmon is not the only Alaska fish threatened by competition from its farmed cousins. Some countries are beginning to experiment with farming halibut, Elton said.

Farmed catfish also is growing in popularity and could cut into the demand for Alaska seafood, he said.

The Alaska seafood industry is the largest employer in the state, with more than 70,000 people.

In 1988, the industry harvested 5.5 million pounds of seafood valued at \$1.8 billion, officials said.

April 11, 1990

Senator Richard I. Eliason
Post Office Box V
Juneau, Alaska 99811

Dear Senator Eliason:

Thank you for your letter regarding the threat to Alaska's salmon markets from the rapidly increasing world supply of salmon.

The industry is well aware of the problem. ASMI has been developing programs that promote our "wild, pure salmon" for some time now.

Is ASMI doing enough to combat this threat?

No.

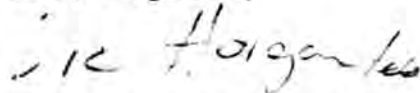
The scope of the situation is much greater than anyone in the industry anticipated. Our international markets are threatened, in some cases devastated. The U.S. market is the target for large, foreign government subsidized campaigns from several salmon producing nations.

Your questions cannot be answered in a simple letter. ASMI staff will prepare a full report to you regarding the situation, and possible alternatives for ASMI action. The current world salmon market is somewhat of a crisis situation, as noted by last year's falling values. Within that crisis, there are hopefully some opportunities for Alaska salmon.

This isn't an isolated incident, such as the canned salmon problem in 1982. It's a long term marketing challenge which must be fully recognized, and carefully approached by the industry and the state.

Thank you for your concern. ASMI will respond more fully to your letter with a White Paper that will be developed in the next few months.

Best regards,



Vic Horgan, Sr., Chairman

Alaska Seafood
MARKETING INSTITUTE

Memorandum

To: ASMI Staff
Jerry Skene
Eryn Zell
Bradley/McCann/Anderson
Evans/Kraft

From: Eric Eckholm *EE*

Re: Long term program planning

4/11/90

Attached is a draft table of contents for a white paper on the world salmon markets. As you all know, Alaska is facing a growing marketing problem regarding salmon and the increased competition from international salmon production.

In order to respond to this situation, ASMI is going to prepare a document which carefully analyzes the situation and proposes the best solution ASMI can develop to position Alaska in the world salmon market.

It's going to take the best efforts of all of the talented people that work with ASMI to meet this challenge, not for ASMI, but for the industry as a whole. We all know that small changes in the salmon market mean millions of dollars to everyone involved - from fishermen to governments.

Please review this draft table of contents, and respond regarding your thoughts. Each of you will be assigned elements of the plan. Kim Elton will be the overall coordinator of the project after I leave.

Thanks, call me if you have any questions.

Fish for Life!

ASMI 2000

The World Salmon Market

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April 11, 1990

Senator Richard I. Eliason
Post Office Box V
Juneau, Alaska 99811

ASMI's
response to
Dick's letter
sent copies to UFA, ATA,
& Seiners

Dear Senator Eliason:

Thank you for your letter regarding the threat to Alaska's salmon markets from the rapidly increasing world supply of salmon.

The industry is well aware of the problem. ASMI has been developing programs that promote our "wild, pure salmon" for some time now.

Is ASMI doing enough to combat this threat?

No.

The scope of the situation is much greater than anyone in the industry anticipated. Our international markets are threatened, in some cases devastated. The U.S. market is the target for large, foreign government subsidized campaigns from several salmon producing nations.

Your questions cannot be answered in a simple letter. ASMI staff will prepare a full report to you regarding the situation, and possible alternatives for ASMI action. The current world salmon market is somewhat of a crisis situation, as noted by last year's falling values. Within that crisis, there are hopefully some opportunities for Alaska salmon.

This isn't an isolated incident, such as the canned salmon problem in 1982. It's a long term marketing challenge which must be fully recognized, and carefully approached by the industry and the state.

Thank you for your concern. ASMI will respond more fully to your letter with a White Paper that will be developed in the next few months.

Best regards,

Vic Horgan

Vic Horgan, Sr., Chairman

Alaska Seafood
MARKETING INSTITUTE

Finalists for ASMI Exec. Dir.

Lennie Gorsuch - front runner

Kim Elton

J.C. Shine

Rosie Petersen

Doug Donnegan

Peter McDowell

1989 ASMI DIRECTORY

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ASMT

~~Kevin O'Sullivan~~,
Acting Director

Eric Eckholm, ←
~~Consultant~~

Vic Horgan, Sr.
Chairman of the Bd.

ALASKA STATE LEGISLATURE · SENATE

SENATOR RICHARD I. ELIASON

LABOR & COMMERCE COMMITTEE, CHAIRMAN

RESOURCES COMMITTEE

RULES COMMITTEE

SPECIAL COMMITTEE ON HIGH SEAS
SALMON INTERCEPTION

SELECT COMMITTEE ON
LEGISLATIVE ETHICS



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FAX (907) 465-4928

March 28, 1990

Vic Horgan, Sr., Chairman of the Board
Alaska Seafood Marketing Institute
P.O. Box DX
Juneau, AK 99811

Dear Mr. Horgan:

With the glut of farmed fish affecting worldwide markets, Alaska's seafood industry is facing a new crisis. Cheap farmed fish, being dumped on the markets, often at a loss to the producers, is creating serious competition for market share. As you know, I do not believe that we can solve this problem by jumping into the fish farming frenzy ourselves. In fact I firmly believe that while other states and countries fight it out and struggle with the economic shake-out in the farming industry, the fact that we DON'T have fish farming in Alaska may turn out to be a huge marketing advantage for us.

As consumers become more and more conscious of health and food safety issues, and of the many drugs and chemicals used in the fish farming industry, they will be looking for wild natural fish to buy. We are in the enviable position of being able to assure the consumer that if they buy ALASKAN fish, they ARE buying wild natural fish. "Product of Alaska" should MEAN to the consumer, "this is a real fish, not a farmed product." To help protect this consumer confidence I have introduced SB 531 which would require that any farmed fish sold in Alaska, or farmed fish sold by an Alaska company must be clearly labeled to reveal that it is in fact farmed fish from outside of Alaska. I am hopeful that this bill will be passed and enacted, but this is only a small beginning toward Alaska gaining a market advantage due to its lack of fish farming. This is where ASMI has an important role to play.

My question to you is this, "Is ASMI taking full advantage in its promotion of Alaskan fish, of the marketing edge provided by our ability to advertise our WILD NATURAL product." I know

that ASMI is always seeking ways to set our seafood apart from other seafood in the minds of the consumer, to convince the consumer that Alaska's fish is better. Do your promotions currently emphasize the health advantage of buying a "pure" additive-free product? Can you find ways to greater utilize this potential market advantage, and to otherwise combat the effects of competition from farmed fish?

Hopefully the marketing problems created by the farmed fish flooding world markets will not reach the proportions of such past crises as the botulism scare. But we do have a serious challenge here and ASMI needs to be geared up to address it. Please let me know what you are doing about this now, what plans you have for expanding your work, and whether we in the Legislature can be of help in these efforts.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Dick Eliason". The signature is written in dark ink and is positioned above the printed name.

Senator Dick Eliason

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 22, 1990

The Honorable Dick Eliason
Alaska State Senator
P.O. Box V
Juneau, AK 99811

Dear Dick,

Governor Steve Cowper has appointed Cheryl Sutton of Ninilchik to the Alaska Seafood Marketing Institute Board of Directors and wanted me to inform you personally of his decision.

This was a difficult decision to make because of the caliber of the candidates who applied for the position.

The Governor appreciates your support of Grant Miller and thanks you for your interest.

Sincerely,

A handwritten signature in cursive script that reads "Penny".

Penny Forsmo
Special Staff Assistant
Boards and Commissions

ASMI INDEX

April 1990

Number of Seafood Jobs in Alaska 19,000

These are year-around equivalent jobs (70,000 people are employed during the peak season) and the seafood industry payroll is more than oil and gas, tourism, mining, and timber combined.¹

Number of Indirect Seafood Jobs in Alaska 16,000

Indirect and induced jobs based on a very conservative multiplier effect.²

Alaska's Seafood Production Rank Among States#1

The value of Alaska's seafood harvest ranks 5th among nations.³

Average Seafood Worker's Monthly Wage\$2,582

Slightly above Alaska's Industrial Average.²

Average Tourism Worker's Monthly Wage\$1,354

Alaska Raw Fish Tax Receipts\$27 Million

Alaska's fish industry is taxed at the average rate of other states.⁴

Mine, Timber, Agriculture Industry Assessments Minimal

If taxed at other state's average rates, these industries combined would pay \$10 million.⁴

% of Farmed Salmon in 1982 Fresh/Frozen Markets 5%

Wild Alaska salmon accounted for 59%.⁵

% of Farmed Salmon in 1987 Fresh/Frozen Markets 32%

Wild Alaska salmon's share declined to 43%.⁵

% of ASMI Budget Paid by the State in FY 89 21%

In 1981 the state paid 90% of ASMI's budget.⁶

FY 89 Seafood Industry Contribution to ASMI\$3.3 Million

ASMI's seafood marketing budget was \$10.6 million—for every \$1 the state gave, the industry gave \$1.57 and the federal government gave \$2.47.⁶

FY 89 Industry In-Kind Contribution to ASMI\$1.7 Million

This is in addition to the \$3.3 million in cash and includes service on ASMI's committees.⁶

¹ Alaska Department of Labor; ²1989 McDowell Fisheries Study; ³ National Marine Fisheries Service;

⁴ UA Institute of Social and Economic Research; ⁵ Finfish Farming Task Force Report to the Alaska Legislature, 1990;

⁶Alaska Seafood Marketing Institute

SOUTHEAST ALASKA SEINERS ASSOCIATION

P.O. BOX 9579

KETCHIKAN, ALASKA 99901

(907) 225-5156

April 12, 1990

Senator Dick Eliason
P.O. Box V
Juneau, Alaska 99811

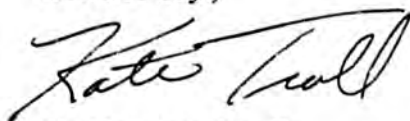
Dear Senator Eliason,

Thank you for copying us with the Commissioner Collinsworth's response to your PNP letter dated Feb. 8. The Commissioner indicated a "willingness to initiate a review of the current program" without making a commitment to do so. I would hope that indeed a review is initiated as how else could a meaningful PNP policy be developed. As a result of your letter, I feel confident that the user groups will be asked to participate in any future PNP hatchery forums and not just expected to attend uninvited. Thank you for bringing the concern about possibly creating a competing user groups to the attention of the Commissioner.

Thank you also for emphasizing to ASMI the importance of aggressively marketing WILD salmon. The questions you posed to ASMI get at the heart of how we can turn around the marketing impact of farmed fish. I would appreciate a copy of the response ASMI sends your office.

SEAS is most appreciative of your diligent legislative work on behalf of the commercial fishing industry.

Sincerely,



Kathryn Troll
Executive Director

Alaska From The Outside

Ken Talley is editor and publisher of Seafood Trend, a Seattle-based newsletter published 24 times a year and covering the seafood market from harvester to end-user. Involved with the seafood industry for more than 10 years, Talley formerly was editor of Pacific Fishing Magazine for 8 years.

With Ken Talley



Steps for seafood prominence in the '90s

DURING THE PAST DECADE, ALASKA WAS THE POINT man for the U.S. seafood industry, leading the nation as it wrested control of U.S. waters within the 200-mile zone from the domination of foreign fleets. With salmon as its foundation and bottomfish as its rampart, the Alaska industry has created a seafood fortress that has stood both the consumer and the industry in good stead.

It's no exaggeration to say that the 1980s posed a supply-side dream, and Alaska orchestrated that dream. Alaska fisheries production now approaches 3 billion pounds of seafood a year, worth a whopping \$1.3 billion. In compiling those production figures, Alaska fishermen—whether home-grown or just visiting—proved their preeminence among their international peers.

It wasn't all that many years ago that people openly questioned the skill, knowledge and technical expertise of Alaskan fishermen. Could they take advantage of the fish stocks given by the Magnuson Act? Today, nobody even ponders the question, much less asks it out loud. U.S. fishermen, in general, and Alaska fishermen, in particular, are the leaders. Period.

But the job is far from over. As the industry enters the decade of the 1990s, challenges and opportunities face Alaska that will take a different kind of expertise. Now the challenge will be to compete successfully in an evermore competitive worldwide food industry. No longer must we think of ourselves as being in the fishing industry, or even in the seafood industry. Rather, we are now in the food industry, competing for consumers against the likes of beef and poultry. Competition from imported fish and seafood will provide another challenge.

How do we entice the consumer to eat more fish? That is the question. During the supply-side decade of the 1980s, consumers discovered the healthful benefits and good taste of fish and shellfish. Alaska fishermen and processors were leaders in providing the consumer a whole new fish menu from which to choose.

But the consumer is fickle, wary. While seafood consumption in the United States has grown from 12.8 pounds per capita in 1980 to 15 pounds per capita in 1988, further growth is far from assured. Even though the U.S. Department of Agriculture and the National Fisheries Institute predict per-capita consumption will climb to between 17 and 20 pounds by the year 2000, Alaska's seafood industry knows it is no sure thing.

Fortunately, Alaska already has the tools to lead the nation as it embarks on the voyage into the market-driven

1990s. The only question is whether those tools will be sharp enough to work in the tougher environment of the next 10 years.

One of the most important tools for the seafood industry is the Alaska Seafood Marketing Institute. Funded by an assessment on fish sales, ASMI has done a remarkable job of promoting Alaska seafood. It has earned especially good marks for its effective and intelligent damage-control measures.

When the canned salmon industry was hit with a botulism scare in the early 1980s, ASMI acted quickly and decisively to limit the long-range damage. More recently, ASMI used cool-headed restraint to reassure the seafood trade and the consumer that the quality of Alaska's fish had not been tainted by the Exxon Valdez oil spill in Prince William Sound.

Perhaps more important for the long-term health of the seafood industry is ASMI's new offensive posture, embodied in its recently approved three-year marketing plan. This strategic plan starts from a new premise for the seafood industry—the needs of the market. The new question is what does the market need, not what does Alaska need to sell. The focus of the three-year plan is to create, in effect, a brand franchise for Alaska seafood.

This doesn't mean ASMI is abandoning its more traditional single-species promotion campaigns. After all, this is the real world and some products need a boost out the door. Still, the new focus on reading the market first has the potential of producing long-term dividends for Alaska that will far outstrip the benefits of moving a particular pack in a particular year.

Getting the strategic plan approved was no easy task. The fishing and seafood industries are notoriously market-shy. ASMI's ability to work through this says much about the potential for Alaska and for the rest of the seafood industry.

And while the 1990s will be the decade of the market, production cannot be forgotten. The tool that took the industry into a leadership position during the 1980s and that will be just as necessary in the future is the Alaska Fisheries Development Foundation. However, AFDF is facing very real questions about its survival.

AFDF, like other regional fishery development foundations, is funded by federal Saltonstall-Kennedy funds each year. The task of the foundations is to provide the applied research that can make underutilized fish species viable products in the seafood marketplace. In essence, the foundations provide the fresh, innovative, new products that keep any industry alive.

Continued on page 88

Seafood in the '90s

Continued from page 90

It was AFDF, through its Surimi Project, that almost singlehandedly turned underutilized pollock into the booming surimi industry. With a relatively minor expenditure of \$4 million to \$5 million, AFDF helped launch an industry that will manufacture some 200,000 metric tons of product this year. More recently, AFDF has been concentrating on flatfish, an underutilized resource of nearly one million metric tons.

The Alaska seafood industry is going to be challenged in 1990 and beyond to have new products not only to offer to the market but to have available for the huge fleet of 50 factory trawlers and the numerous new and expanding processing plants that make up today's industry. AFDF may well be the most cost-effective way to do the practical research needed to ensure that Alaska's fishing and processing capacity is fully utilized.

There is no guarantee, however, that AFDF will be around to provide for that

need. The S-K funding mechanism is failing, and all the regional fisheries development foundations, including AFDF, are threatened with financial starvation. The task facing AFDF is to find a new source of funding, perhaps a direct appropriation from the government.

In the end, it would be more than a shame, it would be a practical catastrophe, if AFDF died for lack of funding. For all the marketing expertise in the world will do no good without a product to market. ♦

MARKET SQUARE

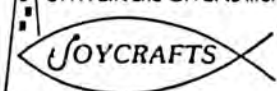
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 - Deli ■ Spices
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Thomas G. Lenze
Senior Vice President

Oppenheimer & Co., Inc.

4000 Columbia Center
Seattle, Washington 98104
(206) 447-6022 (800) 531-3110

Write in 51 on reader response card.



ALASKA

Telefax Message

To:

Mary Mc Donnell -

Date

Sen. Elias's Office

Time

FAX #:

From:

Eric Ekholm

Alaska Seafood Marketing Institute
P.O. Box DX
1111 W. 8th, Suite 100
Juneau, Alaska 99811-0800

Phone: (907)586-2902

FAX #: (907)463-3273

of Pages Including Cover Page

Message:

Draft table of contents
FYI.

6

Memorandum

To: ASMI Staff
Jerry Skene
Evyn Zell
Bradley/McCann/Anderson
Evans/Kraft

From: Eric Eckholm *EE*

Re: Long term program planning

4/11/90

Attached is a draft table of contents for a white paper on the world salmon markets. As you all know, Alaska is facing a growing marketing problem regarding salmon and the increased competition from international salmon production.

In order to respond to this situation, ASMI is going to prepare a document which carefully analyzes the situation and proposes the best solution ASMI can develop to position Alaska in the future of the world salmon market.

It's going to take the best efforts of all of the talented people that work with ASMI to meet this challenge, not for ASMI, but for the industry as a whole. We all know that small changes in the salmon market mean millions of dollars to everyone involved - from fishermen to governments.

Please review this draft table of contents, and respond regarding your thoughts. Each of you will be assigned elements of the plan. Kim Elton will be the overall coordinator of the project after I leave.

Thanks, call me if you have any questions.

Fish for Life!

ASMI 2000

The World Salmon Market

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UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
District Office
222 West 7th Avenue, #32
Anchorage, Alaska 99513-7591 Tel.: 907/271-5041

January 25, 1990

RECEIVED
INTERNATIONAL TRADE

MEMORANDUM TO: Distribution

FROM: Charles F. Becker, Director
Anchorage District Office, ITA

Charles F. Becker
JAN 25 1990
OFFICE OF THE
GOVERNOR

SUBJECT: Frozen Norwegian Salmon

The following cable was received from the U.S. & Foreign Commercial Service in the American Embassy in Tokyo:

OK

SUMMARY: Based on the current over supply of frozen salmon, the Japanese market will not accept 20,000 tons of frozen Norwegian salmon at the price of NOK 36, which is over 1,000 yen delivered to Japan. However, if the price is reduced to 600-800 yen/kilo, it will be a threat to U.S. frozen chum, coho and sockeye salmon. Although Japanese businessmen are concerned with the recent announcement of the Norwegian Fish Farmer's Sales Organization (NFFSO), they generally dismiss the plan of NFFSO on the grounds that the exporters of the salmon would have to suffer heavy losses in the Japanese market.

TEXT: U.S. & Foreign Commercial Service, Tokyo interviewed several Japanese sources (importers, brokers, wholesale market specialists, etc.) in the frozen salmon business to ascertain likely effect on the Japanese market after the recent announcement of NFFSO to produce 40,000 tons of frozen Norwegian salmon. Many Japanese businessmen doubt that any substantial quantity would be imported to Japan. The Japanese market is over-supplied with frozen salmon and is not in the position to accept a large amount of the frozen Norwegian salmon, especially at the current price of NOK 36 or over 1,000 yen/kilo delivered to Japan.

Frozen Norwegian salmon is comparable to Japanese fall chum, U.S. chum or coho salmon (because of the meat color), and their current market prices are below 800 yen/kilo. Additionally, the quantity indicated by NFFSO is large and it would take more than three months to sell 20,000 tons. Frozen Norwegian salmon is likely to sell in the same traditional market for chum which is generally limited to the Kanto Region (Tokyo, Kanagawa, Chiba, Saitama, Tochigi, and Gunma Prefectures). Because of its high fat content, the oxidation of fat is another concern when the fish is stored for a long period. Although it may be filleted or salted in addition to fresh frozen style, like chum and coho, for supermarket and department store sales, the price must be competitive or lower than those for chum or coho. This would be a new style (or market) for Norwegian salmon compared with their regular sales of fresh fish to restaurants or for the Sashimi market.



In February-March, 1989, Norway had a similar plan to sell 15,000 tons of frozen salmon. Even though the actual production is said to have been below 15,000 tons, total Japanese imports are estimated to have been only 400-500 tons. France is said to have been the largest importer, accepting 7,000-8,000 tons.

It is noteworthy that one importer thinks that almost the entire quantity of 20,000 tons currently offered to Japan and other Asian countries will eventually be imported at a low price into Japan, because the world market for frozen salmon is limited to only the EC and Japan. Further, he thinks that it will destroy the entire salmon market in Japan sometime in March through July. March or April are the most likely months that the salmon would be imported because that is when the salmon prices usually reach the highest level in the year. But, since the over-all salmon market is already depressed because of a large amount of imports in 1989, it will be difficult to sell all 20,000 tons before July when salmon fishing season in Bristol Bay enters its prime period.



EMBASSY COMMENT: This scenario, if true, is very critical for U.S. salmon fishermen, processors and exporters, because a decrease in the pre-season market price in Japan would reduce the base of price negotiation for frozen Alaskan salmon with Japanese buyers. Additionally, it would be possible for some Japanese importers to import frozen Norwegian salmon intentionally to manipulate the market for lower prices just before price negotiations commence with the exporters of Alaskan salmon.

A Japanese fishery industry newspaper on January 18 observed "for a successful outcome, NFFSO depends on unknown factors which are: a) a catch decrease forecast for Pacific salmon and, b) an expectation that other Atlantic salmon-producing countries will reduce their productions." It also comments that if Norway plans to produce 150,000 tons of salmon again in 1990, the proposed action plan will not solve their problems.

None of the sources contacted wanted to see frozen Norwegian salmon imported at this time. Post believes that it is likely a few hundred tons of frozen Norwegian salmon could be imported without any impact on the Japanese market. However, if NFFSO actually produces 40,000 tons of frozen salmon, whether or not any of it is imported to Japan, it will disturb the worldwide salmon market, possibly depressing the whole seafood market.



UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
District Office
222 West 7th Avenue, #32
Anchorage, Alaska 99513-7591 Tel.: 907/271-5041

January 25, 1990

MEMORANDUM TO: Distribution

FROM: Charles F. Becker, Director
Anchorage District Office, ITA

SUBJECT: Surimi Product Exhibition: Japan

Tokai Denpun Company, Ltd. will sponsor the 15th Surimi Products Exhibition:

February 23, 1990, Friday
From: 11:00 AM till 19:30 PM
Shizuoka Terminal Hotel
Address: 56 Kurogane-Cho, Shizuoka-Shi, Shizuoka
Prefecture 420
Telephone: 0542-54-4141
FAX: 0542-55-3721

About 400 Japanese surimi product manufacturers, to which Tokai Denpun sells Japanese and imported surimi, will exhibit over 20,000 products under 2,000 different categories. Tokai Denpun invites overseas visitors to the exhibition. The exhibition will be educational and a good opportunity for overseas surimi processors and surimi products manufacturers to see and try many different products sold in Japan.

Anyone who wishes to visit the exhibition should directly contact:

Mr. Hitoshi Mori
Surimi Section, Marine Product Department
Tokai Denpun Company, Ltd.
4-15 Tenmachi, Shizuoka 420
Telephone: 0541-53-1181
FAX: 0542-51-3522

for pre-registration. Visitors are allowed to participate in all programs (Exhibition, Lectures and reception) at no charge. Tokai Denpun, a major surimi distributor, was established in 1947 and has 500 employees. Its paid-in capital is 470 million yen and the sales for 1989 was 120 billion yen. Its business includes domestic sales, import, export, processing and manufacturing of starch, agricultural products, marine products, livestock products, food additives, feed, brewing materials, oils and fats, medicine and industrial chemicals, chemical products, package materials and food machinery.



Shizuoka Terminal Hotel is near the JR Shizuoka Station. It takes about 1 hour from Tokyo on JR Tokaido Shinkansen. One-way fare is approximately 6,000 yen (145 yen/US\$1.00) from Tokyo. Although it is possible to return to Tokyo after reception on the same day, visitors wishing to stay in Shizuoka should contact hotel directly. Net room rates are 8,000-10,000 yen for single and 12,000-14,000 yen for double rooms. 10% service charge, any local tax and 3% consumption taxes will be added to the above room rate.

U.S. & Foreign Commercial Service representative, Tommy Asakawa, Mr. Mikio Kawasaki (Oregon State Office, Tokyo), Ms. Greta Anderson Goto and Ms. Kimiko Muguruma (Alaska State Office, Tokyo) will also attend the exhibition.

ABLE001

Italy

AGENCY

Description:

2092XXX-0000 FRESH (LIVE LOBSTERS) AND FROZEN FISH

Comments:

FIRM FOUNDED IN 1987 BY THREE PARTNERS, WHO MANAGE AND RUN THE BUSINESS. IT IS MAINLY AN IMPORTER/AGENT/DISTRIBUTOR AND EXPORTER OF LEATHERS. IT ALSO DEALS IN FRESH AND FROZEN FISH AND IN WOOD PULP. FIRM SELLS THROUGHOUT ITALY THROUGH SEVERAL REPRESENTATIVES AND REPORTED A SALES VOLUME OF APPROX. USD 2 MILLION FOR 1988. BANK REF.: CASSA DI RISPARMIO DI PISA, 56029 SANTA CROCE SULLARNO (PISA), ITALY.
MORRIS

WRITE TO:

MR. FRANCESCO BINI
OREGON PELLAMI SAS
VIA PROVINCIALE FRANCESCA SUD 49
56029 SANTA CROCE SULLARNO (PISA), ITALY

PH.: 39--571-30239 TELEX: 501262

FAX: 39--571-30239

Please send a copy of your response to:

COMMERCIAL OFFICER (TOP)
AMERICAN CONSULATE
FLORENCE, ITALY
APO NEW YORK 09019

Refer to -- P0009

CABLE032

Spain

DIRECT SALE/AGENCY/JOINT VENTURE

Description:

99733XX-0000 FRESH SHELLFISH

Comments:

SMALLED-SIZED FIRM, ESTABLISHED IN NOVEMBER 1989,
EMPLOYS 5. COMPANY ACTS AS IMPORTER/EXPORTER OF FRESH
AND FROZEN SEAFOOD. THEY ARE INTERESTED IN IMPORTING
SHELLFISH AND WOULD LIKE QUOTATION CIF BARCELONA. FIRM
IS ALSO LOOKING FOR A PARTNER TO INVEST ABOUT USD180,000
IN THEIR OPERATION. BANKREFS: BANCO HISPANO AMERICANO,
AG.13333, PI I MARGALL 39, 08140 CALDES DE MONTBUI
(BARCELONA).
DAVIS

WRITE TO:

MR. ANTONIO NSOUMB, MWNAGING DIRECTOR
COMERCIAL ANTONIO INC.
RONDA UNIVERSIDAD 21 - 4G
08007 BARCELONA

PHONE: 343/4125196

FAX: 343/412-5195

Please send a copy of your response to:
COMMERCIAL OFFICER (TOP)
BARCELONA, SPAIN
APO NEW YORK 09285

CABLE012

West Germany

DIRECT SALE FOR RESALE

Description:

9971XXX-0000 SURIMI PRODUCT

997342"-0000 FROZEN EELS

Comments:

FIRM WAS FOUNDED IN 1988, AND ACTS AS AGENT IN THE
FISH BUSINESS; EMPLOYS 3; ANNUAL TURNOVER DM 15 MILLION.
WHITLOCK

WRITE TO:

MR. ERNST W. SCHWARZ

SAS SEAFOOD AGENTUR SCHWARZ GMBH & CO.

NIIHOOGER 5

D-2280 MORSUM/SYLT

PHONE: (4654) 1421

FAX: (4654) 703

Please send a copy of your response to:

COMMERCIAL OFFICER (TOP)
AMERICAN CONSULATE GENERAL
HAMBURG, F.R. GERMANY
APO NEW YORK 09215

Refer to -- P0013

CABLE024
United Kingdom
DIRECT SALE FOR RESALE

Description:

IMPORT US GOODS FOR RESALE
209XXX-0000 SEAFOOD
2253XXX-0000 TEXTILE GOODS
22628XX-0000 TEXTILE GOODS
3841XXX-0000 MEDICAL AND PHARMACEUTICAL PRODUCTS
3842XXX-0000 MEDICAL APPLIANCES AND SURGICAL
INSTRUMENTS
3541XXX-0000 MACHINE TOOLS FOR VARIOUS INDUSTRIES
2844XXX-0000 COSMETICS, AROMATIC FLAVORS AND
ADDITIVES

Comments:

OVERSEAS INTERNATIONAL CORPORATION WISH TO IMPORT
FOR RESALE A VARIETY OF PRODUCTS RANGING FROM MEDICAL
TO PERFUME AND MACHINE TOOLS. THEIR BUSINESS WAS
ORIGINALLY BASED IN THE MIDDLE EAST BUT TERMINATED AND
TRANSFERRED TO LONDON IN 1980. GOODS ARE TO BE OF A
HIGH STANDARD. (US/FCS/PJOWEN/GKNOWLES) CATTO

WRITE TO:

MR. E. K. DAVID, PRESIDENT
OVERSEAS INTERNATIONAL CORPORATION
1 CHEYNE CLOSE
PAGE HILL, BUCKINGHAM, MK18 1XP
UNITED KINGDOM

TEL: 0280-815112

SCOMM

75:23



SENATE LABOR & COMMERCE COMMITTEE

Senator Richard L. (Dick) Eliason, Chairman

Senator Pat Rodey, Vice-Chairman
 Senator Jan Faiks
 Senator Jalmar Kerttula
 Senator Jack Coghill

Questions regarding info gathered
 by Task Force:

What are the actual
 potential benefits of
 fish farming identified
 by the groups research?
 Our interpretation of
 their findings:

Very few new jobs

Many bankruptcies
 happening in industry
 elsewhere

Very little market
 potential

Very little Alaskan profits
 investment so any would
 leave state



SENATE LABOR & COMMERCE COMMITTEE

Senator Richard L. (Dick) Eliason, Chairman

Senator Pat Rodey, Vice-Chairman
 Senator Jan Faiks
 Senator Jalmar Kerttula
 Senator Jack Coghill

All assurances that it can be
 done fairly safely add

IF tough regs, IF proper
 enforcement, IF enough state
 funding & personnel, IF
 broodstock acquisition is
 handled right.

Why should we believe
 that Alaska will be able
 to manage every aspect
 adequately when Norway
 can't, Washington can't,
 B.C. can't. They must have
 all thought they had proper
 controls in place.

Alaska

FINFISH FARMING TASK FORCE

REPORT

to the

ALASKA

LEGISLATURE

January 15, 1990

Alaska Finfish Farming Task Force

REPORT TO THE ALASKA LEGISLATURE

January 15, 1990

Alaska Finfish Farming Task Force
P.O. Box AM
Juneau, AK 99811
907/465-3568

THE ALASKA FINFISH FARMING TASK FORCE

Members:

Ken Castner, Homer -- Representative of Commercial Fishermen
Mary Lou Cooper Elton, Juneau -- Public Member
Theodore Merrell, Juneau -- Fisheries Biologist, Chairman
Brent Paine, Anchorage -- Aquatic Farming Advocate
John Weddleton, Anchorage -- Private Economist

Staff: Jon Sherwood, Project Coordinator
Martha Fischbach, Publication Specialist

The following individuals held the part-time clerical position:

Fran Armon
Chris Clark
Martha Fischbach

Acknowledgements

Many individuals and organizations helped the task force in its efforts, and we gratefully acknowledge their efforts.

In addition, the task force would like to express its appreciation to Mike Nizich and the staff of the Office of the Governor, Division of Administrative Services for providing the task force with administrative support; to John Lucas and the staff of the Office of Management and Budget, Division of Audit and Management Services, particularly June Baker and Donna Voss, for providing office space and support for the task force staff; and Sen. Arliss Sturgulewski and her staff, for arranging conference rooms, recording equipment, and teleconferencing services for task force meetings.

Sen. Tim Kelly, President of the Alaska Senate
Rep. Sam Cotten, Speaker of the Alaska House of Representative
Pouch V
Juneau, AK 99811

Senator Kelly and Representative Cotten:

Transmitted herein is the final report of the Alaska Finfish Farming Task Force. The task force has met its charge as stated in Ch. 145 SLA 1988; the findings and recommendations included in this report reflect that mission.

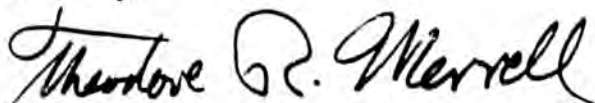
These findings and recommendations have resulted from our review of prior research, inspection of finfish farms, the testimony of experts, and public comments. This report represents the consensus of the entire task force. All of our findings and recommendations were agreed upon by every task force member.

The time constraint on the task force prevented us from considering every issue in great depth. We have focused our efforts on those issues over which there is the most controversy and on the issues for which more definitive answers are available. We hope that you will find this report useful to your deliberations.

With the submission of this report, the task force will cease to exist as a formal body. However, our project coordinator has been retained to be available as needed through the legislative session to assist in the deliberations of this important issue.

Finally, on behalf of the task force, I would like to take this opportunity to thank you for creating this opportunity to participate in an important public policy issue.

Sincerely,

A handwritten signature in cursive script that reads "Theodore R. Merrell". The signature is written in dark ink and is positioned above the printed name of the signatory.

Theodore R. Merrell, Chairman
Alaska Finfish Farming Task Force

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Chapter 1

INTRODUCTION

The viability and desirability of finfish farming in Alaska, particularly salmon, has long been a subject of controversy. The state is currently under its second finfish farming moratorium. This one expires on July 1, 1990.

The Alaska Finfish Farming Task Force was created by the Alaska Legislature in 1988 (Ch. 145 SLA 1988) to study the socioeconomic, biological, and environmental issues related to finfish farming. The task force was charged with addressing finfish farming in Alaska in freshwater, in marine environments, and in tanks or other upland structures containing marine water. In addition, the task force was to consider hatchery operations related to finfish farming.

By statute, the composition of the task force must represent a variety of perspectives. Specifically, the task force is comprised of one representative of the commercial salmon fishermen, one aquatic farming advocate, one private economist, one fisheries biologist, and one public member with no involvement in the seafood or aquatic farming industry. State employees were not eligible to serve on the task force.

Although the legislation authorizing the task force was passed in 1988, the Legislature did not fund the task force until its 1989 legislative session. In July 1989, Governor Cowper announced his appointments to the task force; the first meeting was held in late July.

This task force is not the first body in the state to consider the issue of finfish farming. During the Sheffield Administration, the Governor's Mariculture Advisory Committee was formed to look at the issue. In addition, the Alaska Legislature has considered various pieces of legislation pertaining to aquatic farming.

One of the first actions of the task force was to familiarize itself with the work that preceded it. In addition, it considered new information on social, environmental, and economic impacts that has recently become available from the operation of West Coast and foreign salmon farms. The world markets for salmon are changing dramatically; many assumptions regarding salmon farming economics and marketing that are based on historical data may not be relevant today.

In 1989, the State of Alaska implement its plant and shellfish mariculture regulations, giving state officials additional experience in the regulation of an industry that shares many of the characteristics of the proposed finfish farming industry.

To ensure that it evaluated finfish farming based upon the most current information available, the task force took testimony from experts on every major issue. In addition, the task force toured salmon farms and hatcheries in the Puget Sound area. It visited both salt water marine pen farms and fresh water smolt and pan-sized fish farms.

Due to the limited time available to the task force to perform its mandated tasks, it has focused on the specific issues set forth in Ch. 145 SLA 1988:

- protecting the health of the existing fisheries resource;
- siting of farms to protect the environment and minimize use conflicts;
- the supply of finfish farming broodstock;
- the cost of regulating finfish farming;
- the economic benefits and costs of finfish farming; and
- strategies for improving the marketability of Alaska salmon, particularly those species that compete with farmed salmon.

The task force has incorporated other concerns into its evaluation of these issues as appropriate.

The remainder of this report addresses the six major topics listed above. Each of these topics is divided into its component specific issues. Each issue is defined in broad terms, and a set of findings, briefly summarizing information pertaining to the issue that was collected by the task force, is provided. Where pertinent, the trade-offs associated with the different approaches to addressing each issue are discussed. Finally, the task force presents its recommendations as to the manner in which future State efforts should address each issue and some general conclusions and concerns about the role of finfish farming in Alaska.

The task force did not begin its work with any supposition that finfish farming is desirable or undesirable for Alaska. To address some of the issues included in the legislation authorizing the task force, however, it is necessary to presuppose the existence of a finfish farming industry. For example, one cannot determine the cost of regulating a finfish farming industry without assuming that an industry will exist. The reader should

not construe any finding or recommendation pertaining to a specific issue to be either endorsement or disapproval of finfish farming in Alaska.

For clarity, a brief explanation of a few terms used in this report and in the discussion of finfish farming is provided below.

- **Finfish** is used as a generic term for finfish indigenous to Alaska, except where noted.
- **Finfish farming** is the growing of fish to market size in an enclosed environment. **Aquatic farming** includes sea plants and shell fish as well as finfish.
- **Ocean ranching** is the release of hatchery-reared fish into the public waters for eventual recapture.
- **Aquaculture** is the cultivation of fish and plants in both fresh and salt water. However, in Alaska, the term is specific to the State's and private nonprofit hatcheries' ocean ranching programs.
- **Mariculture** is fish cultivation in salt water. However, in Alaska, the term is used to refer to all aquatic farming activities.

To avoid confusion, we have tried to be explicit in our references to finfish farming and ocean ranching by avoiding the more general terms, mariculture and aquaculture.

Chapter 2

THE HEALTH OF THE FISHERIES

Any effort to initiate finfish farming in Alaska must provide for the maintenance of the health of the state's existing commercial, recreational, and subsistence fisheries. There is continuing public concern regarding the effects of finfish farming on disease transmission and genetic alterations in wild stocks.

Finfish farming also could affect the health of existing fisheries through its impacts on the environment. This issue is addressed as the first concern in Chapter 4.

DISEASE

Concern

Can diseases from finfish farms be transmitted to wild and hatchery finfish stocks, with substantive adverse impacts on those stocks?

Findings

- a. Fish raised in farms are subject to increased stress from handling and from the high density of fish per volume of water; this increased stress makes farmed fish more susceptible to disease than are fish in the wild.
- b. Diseases occurring in farmed stocks also occur in the marine environment and in wild stocks.
- c. Disease transmission between captive stocks and wild stocks is a two-way problem. Captive stocks are probably more susceptible to disease because of increased stress. The potential for disease transmission between captive and wild stocks exists in both ocean ranching operations and fish farm operations.
- d. The importation of nonindigenous stocks poses the risk of importing diseases that are not present in existing wild and hatchery stocks. To control the spread of disease,

the State has imposed strict regulations limiting the movement of salmon and their gametes within Alaska and prohibits the importation of live fish or gametes from outside the state.

- e. Disease pathogens can travel through the water table in land-based farming operations. Upland finfish farming can result in the contamination of the water table with pathogens that infect fish.
- f. The risk of disease transmission from captive to wild stocks increases in direct proportion to the degree to which captive fish and the water they use contact wild fish. Of the three alternatives for finfish farming (upland freshwater, upland marine, and marine pens), marine pens, with the certainty of fish escapement, pose the greatest risk of spreading disease.
- g. Upland marine and fresh water facilities pose less risk of contamination of natural waters than do marine pens.
- h. The addition of finfish farming to aquaculture activities in Alaska would increase the demand for the pathology services necessary to control disease. Providing these services to a finfish farming industry would strain existing State technical and financial resources.
- i. Pathology services are available in other fish farming regions from private laboratories.
- j. Pathological services can be provided by persons certified by the American Fisheries Society under State authority. This practice currently exists in the ocean-ranching program.¹

Recommendations

- 1. The finfish farming industry can be accommodated without significant threat of disease to wild and hatchery stocks if the State continues to meet its responsibilities in fish disease control and if monies are provided for additional health services or private pathological services are created.

¹ This finding is repeated in Chapter 5, as finding f.

2. Current policies prohibiting importation of live salmonids, including gametes, should be placed into statute and rigorously enforced.²
3. To ensure adequate control of disease in the finfish farming industry, the State will need to provide for the development of private pathology services or increase staff and funding for existing State services.
4. If the State allows private pathology services, there should be a licensing or certification process.
5. Water discharged from upland marine and fresh water facilities should be screened and the effluent treated.

GENETICS

Concern

Does escapement of farmed finfish pose a threat to the genetic integrity of wild stocks?

Findings

- a. Each finfish stock has its own unique genetic characteristics. Therefore, the interbreeding of wild stocks with selectively bred farmed stocks could alter the genetic characteristics of wild stocks.
- b. Fish farmers would practice selective breeding to enhance characters that are best suited for the farm environment. Over time, farmed fish stocks will diverge genetically from the donor wild stocks; the characteristics for which farmed stocks are bred diminish their suitability to life in the wild.
- c. The greater the extent of fish escaping from fish farms, the greater the possibility that farmed fish will either interbreed with or compete with wild stocks.

² This recommendation is repeated in Chapter 2, as recommendation 2 in the section on genetics.