

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2301 SCOMM 95: HOUSE SPEC. COMM. ON FISHERIES 1995-1996

CHARACTERISTICS OF THE MARKET

Fresh/Frozen Salmon

A. Highest Development: Salmon's Best Markets

		<u>Penetration Indices</u>	<u>Volume/Eatings Indices</u>
Regions:	Pacific	187	196
	South Atlantic	121	132
	Mountain	116	106
Cities:	2,500M+	127	131
	1,000M-2,500M	111	98
Income:	\$40M - 50M	122	121
	\$50M - 70M	105	111
	\$70M +	154	175
Occupation:	Retired	150	140
Household Size:	Two	153	148
Age:	45 - 54	118	117
	55 - 64	167	152
	65+	145	131
Education:	College Grad	112	112

B. Average Development: Salmon's Highest Potential

Regions:	East North Central	88	88
	West North Central	86	74
	East South Central	78	89
	West South Central	83	73
Cities:	1,000M+		
Consumer:	Upscale Empty Nester		

Note: Other demographics for this group, i.e. income, education, etc., are the same as those for the above, Salmon's Best Markets.

CHARACTERISTICS OF THE MARKET

Other Finfish

- Each region has finfish species that are strong due to local availability (local/regional fish).
- Key Alaska whitefish species are strongest in the following regions:

		<u>Index</u>
Halibut:	Pacific	418
	Mountain	230
	East North Central	85
Cod:	Pacific	204
	Mountain	157
Sole:	Pacific	238
	Mountain	121
	New England	125
	Mid Atlantic	133

NOTE: Focus Group studies on whitefish are currently being done to further expand this profile.

- The majority of volume is found in city sizes of:
 - 2,500M +
 - 1,000 - 2,500M
- The highest potential:
 - New distribution
 - Undeveloped North and South Central regions
- Fresh and fresh/frozen fish usage:

* Fish Dishes	40%
* Combination Dishes	17%
* Sandwiches	15%
* Salad	8%
* Seafood Dishes	8%
* Soup	4%
* Other	6%

CHARACTERISTICS OF THE MARKET

Canned Salmon

A. Total Canned

		<u>Penetration</u>	<u>Volume/Eatings</u>
Regions:	West North Central	131	134
	South Atlantic	131	134
	East South Central	151	162
	West South Central	107	107
City Sizes:	Large 2,500M+	107	111
	Medium 500M - 1,000M	112	113
	Small (non SMSA)	116	116

Consumer:

- There are two main users of canned salmon:
 - Low income families in small, medium-size cities using low cost food alternatives for their families.
 - Low income/high income empty nesters out of the work-force stretching fixed income dollars and using products perceived as healthy.
- There is also an emerging user of canned salmon:
 - Middle income, large families wanting quick, efficient meal preparation and meal extension alternatives.
 - The age demographics have expanded to a wider profile. People between 45-54 years of age have shown an increased penetration and usage of canned salmon.
- Additional Focus Group Research is being done on canned salmon to further define this market.

CHARACTERISTICS OF THE MARKET

Canned Salmon (cont.)

- Canned salmon is dominated by pinks. Pink and red salmon appeal to different markets; pink appeal is more downscale, while red appeal is more upscale, due to price and perceived quality image.
- Pink salmon skews heavily to:
 - South (Atlantic and South Central Regions); secondarily North Central
 - Non-SMSA regions
 - Older, 45+, empty nesters, "getting by", to poorer households
 - Two - five-member households
 - Black households
- Red salmon skews more to:
 - East, secondarily West and North Central
 - Very large and smaller cities (2,500M+ and secondarily 50M-250M)
 - Older, 55+, empty nesters and older singles, more affluent
 - Two-member households
 - All ethnic backgrounds

B. Canned Salmon Usage

- If a household uses one type of fresh/frozen fish/seafood they are more likely to use other types, including canned salmon.
- Canned salmon is eaten more "as is" (38%) vs. tuna (11%).
 - Tuna used predominantly in sandwiches
 - Salmon used most frequently in fish dishes (e.g., croquettes)

Canned Tuna

Sandwiches	67%
Salad	17%
Combination Dishes	7%
Fish Dishes	2%
Other	5%

Canned Salmon

Fish Dishes	64%
(Croquettes 48%, Loaf 7%)	
Sandwich	22%
Salad	6%
Combination Dishes	3%
Other	5%

- Canned Salmon does not appear as versatile to consumers as tuna.
- Purchasing canned salmon is not top of mind for most consumers. Display and ad features are the key components to purchase.

CHARACTERISTICS OF THE MARKET

Fresh/Frozen Crab User

- Fresh/frozen crab users are most likely to be (strongest):
 - South Atlantic, secondarily West South Central Region
 - Larger cities (1,000M - 2,500M) and smaller cities (50M - 250M)
 - Middle/higher income (\$30,000 - 49,999)
 - 2-5 person households
 - Middle age (45-54, secondarily 55-64) to empty nesters, kids 13-17 years
 - High school graduate, (female head)
- Markets with average to slightly below average potential include:
 - West North Central, Pacific
 - Largest cities (2,500M+) and non-SMSA
 - Incomes \$50,000+
 - Blue collar, white collar
 - 3-4 person households
 - Older (65+), middle age 45+, 54+ years
 - Those with any children and no children
 - College graduates
- A review of shrimp usage shows that consumers perceive it to be easier to use than crab and is more versatile, thus is used in more combination dishes.
- Shrimp is also seen as having more value. It's a lower cost alternative.

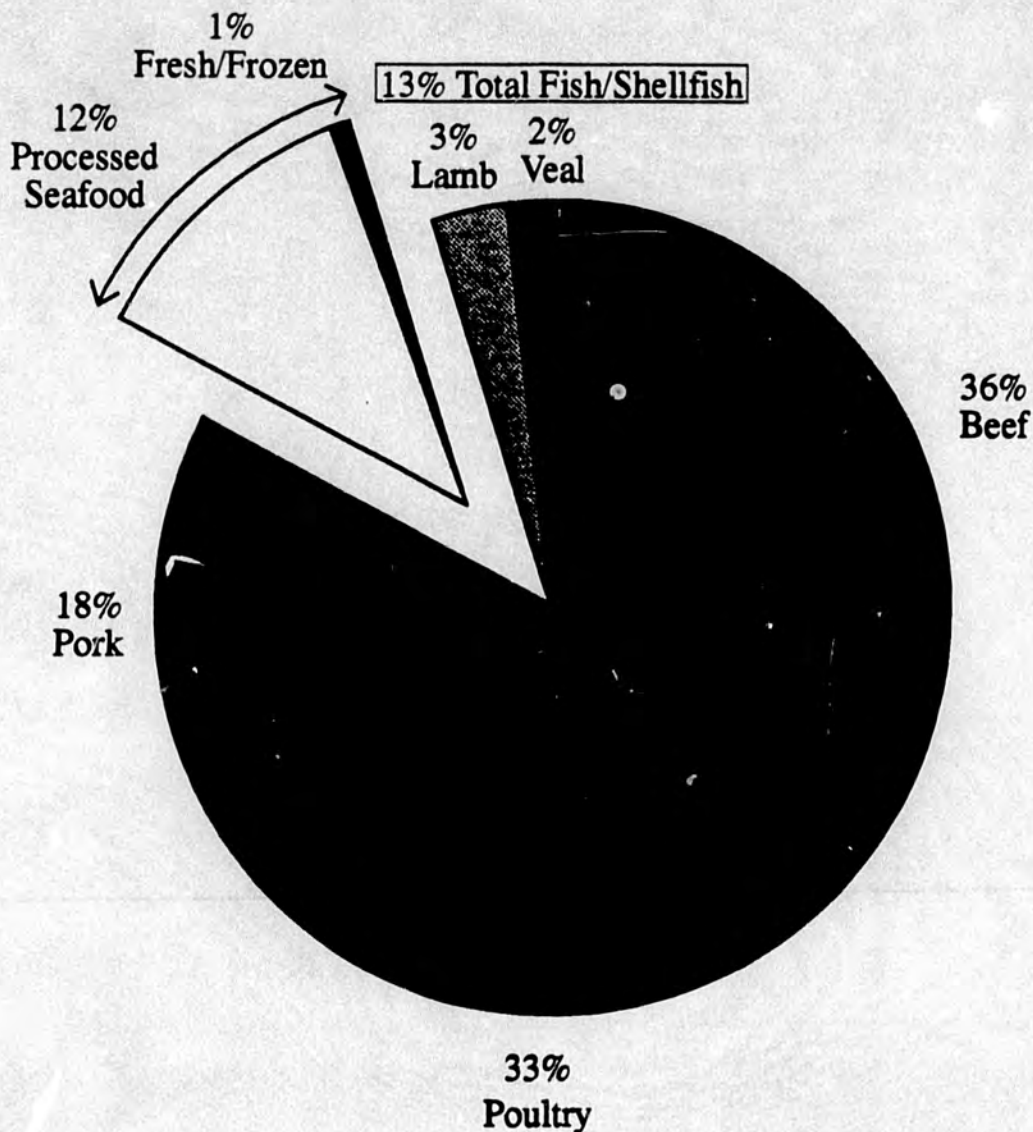
Crab

Combination Dishes	26%
Seafood Salad	22%
Soup	11%
Seafood Sandwich	9%
Seafood Dishes	5%

Shrimp

Combination Dishes	43%
Seafood Salad	16%
Breaded Shrimp	9%
Soup	8%
Other	7%

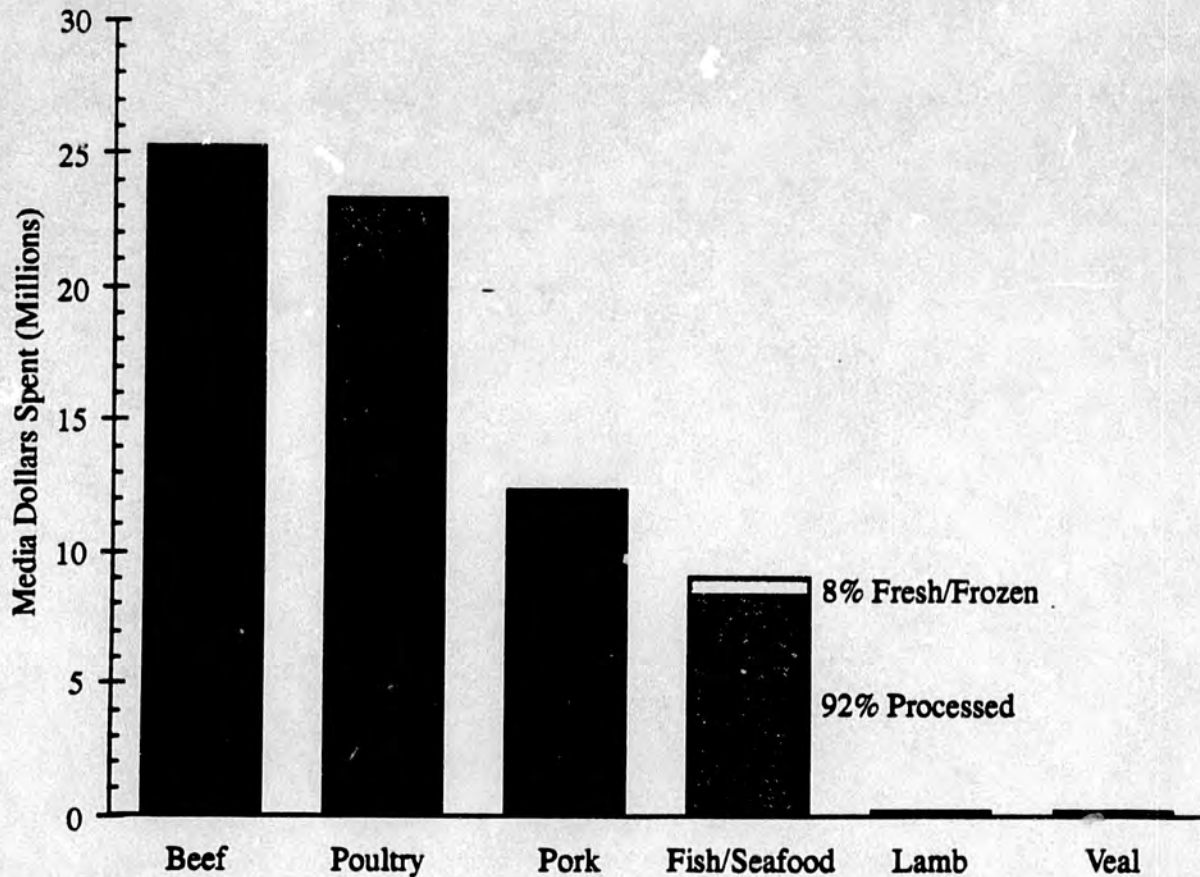
1993 SHARE OF VOICE



Source: LNA Competitive Spending Analysis

- With 36% of the share of voice, beef continues to maintain its number one standing.
- Poultry, which includes both turkey and chicken, also maintains a high share of voice at 33%.
- Pork is the only category showing consistent gains in share of voice over the past five years.
- Fish/shellfish currently holds a 13% share of voice, down from 17% last year and a high of 27% in 1990.
- Of this, fresh and fresh frozen seafood have never had a significant share of voice, currently representing only 1% of the total meat and seafood category.

1993 MEDIA SPENDINGS

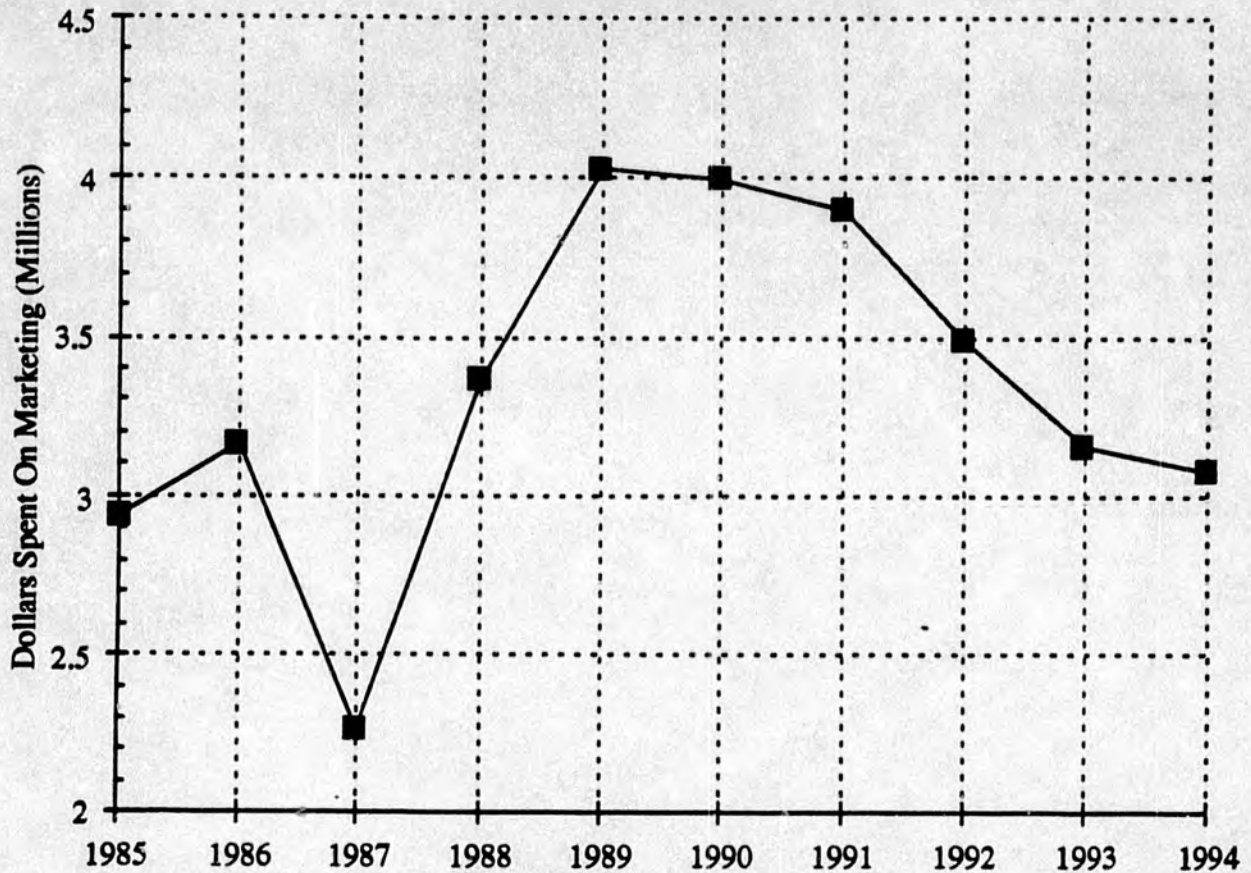


Source: LNA Competitive Spending Analysis

- Beef continues to lead the category in media expenditures, spending over \$25 million dollars this past year.
- Fish/shellfish saw one of the biggest declines in media spending over the last year, spending close to \$7 million less than in 1992.
- Fresh/frozen makes up 40% of the total fish/seafood eaten, 45% is canned, and only 15% for frozen/processed seafood, but the frozen/processed category spends over 10 times more to advertise its products than the fresh/frozen/canned category.
- As a result, the primary consumer advertising message received is about frozen processed seafood. - i.e., fishsticks, etc.

ASMI SPENDING HISTORY

Marketing Dollars



Source: Alaska Seafood Marketing Institute

- Last year, ASMI spent just over \$3 million on Marketing.
- This compares to a high four years ago of over \$4 million.
- Of this, only about \$750,000 was in media spending.
- In contrast, both the beef and poultry industries spend about \$25 million each year on advertising alone.
- With this limited marketing budget, Alaska Seafood faces stiff competition in its efforts to be "heard" — both within the seafood category (versus processed seafood), as well as against other major protein sources that spend far more dollars to get their messages out to people.

ALASKA SEAFOOD

Consumer Attitudes And Perceptions

1. Total unaided awareness of Alaska as a seafood-producing region:

ASMI Mktg. \$	4 million	3.5 million	3.2 million	3.1 million
	<u>Jan. '90</u>	<u>Apr. '92</u>	<u>Apr. '93</u>	<u>Mar. '94</u>
Awareness	17%	21%	20%	21%

2. Mentions of Alaska as the one best region for seafood; all mentions of Alaska as a producer of high-quality seafood:

	<u>Jan. '90</u>	<u>Apr. '92</u>	<u>Apr. '93</u>	<u>Mar. '94</u>
Best	8%	29%	21%	10%
All Mentions	15	18	19	19

3. Incidence of purchasing fresh, frozen, canned, or smoked Alaska Seafood in the past month:

	<u>Jan. '90</u>	<u>Apr. '92</u>	<u>Apr. '93</u>	<u>Mar. '94</u>
Total	12%	19%	20%	23%
West	21	21	24	29
Central	11	21	21	22
East	10	15	15	17

4. "Freshness" as a reason for purchase:

	<u>Jan. '90</u>	<u>Apr. '92</u>	<u>Apr. '93</u>	<u>Mar. '94</u>
Freshness	8%	9%	16%	37%

5. Key attitudinal measures (on a 10 point scale):

	<u>Jan. '90</u>	<u>Apr. '92</u>	<u>Apr. '93</u>	<u>Mar. '94</u>	Net Change (Jan. '90 to Mar. '94)
Good Value	6.1	6.6	6.6	6.4	+0.3
Larger Variety	4.6	5.3	5.2	5.4	+0.8
I Look for					
Alaska Seafood	3.0	3.7	3.4	4.0	+1.0
Available Year-Round	6.7	6.9	7.1	7.1	+0.4
Best Seafood Comes					
from Alaska	5.4	5.6	5.4	5.6	+0.2
Alaska Seafood					
Tastes Better	5.2	5.4	5.3	5.4	+0.2
OTHER MEASURES					
More Expensive	5.9	5.5	5.6	5.2	-0.7
Frozen Quality	3.5	4.3	3.8	4.0	+0.5

Source: '94 Tracking Study; The Research Department

6. Consumers' likelihood for future purchases of Alaska Seafood:

	<u>Jan. '90</u>	<u>Apr. '92</u>	<u>Apr. '93</u>	<u>Mar. '94</u>
Very Likely	27%	38%	33%	41%

Show increases over January 1990 for all attributes:

	<u>Jan. '90</u>	<u>Apr. '92</u>	<u>Apr. '93</u>	<u>Mar. '94</u>
Convincing	6.6	7.3	6.9	7.3
Caught My Attention	6.5	7.7	7.6	7.4
Good Reason To Buy	5.4	6.4	6.5	6.1
Alaska Seafood				
Is Better	4.7	6.7	6.2	5.9
Told Me Something				
I Didn't Know	3.7	5.2	4.9	5.0

7. Among those aware of advertising, most key measures are significantly higher among those not aware of advertising.

- Purchase fresh, frozen, canned, and smoked Alaska seafood past month.
- Most attitude and belief scores.
- Future purchase likelihood

8. Overall since 1990, the marketing program has been effective in improving attitudes and increasing actual purchase incidence and future purchase likelihood – all by significant margins.

9. The following key measures are significantly higher among cable television households:

- Attitudes:
 - Best seafood comes from Alaska
 - Tastes better
- Future purchase likelihood
- Advertising attitudes
 - Convincing
 - Told me something I didn't know
- Specific ad recall (Alaska Fisherman TV commercial)

Source: '94 Tracking Study; The Research Department

PROMOTIONAL HISTORY

Success Stories

The following programs have proven to be very successful for ASMI and should continue to be utilized:

:30/:30 RADIO – Offering :30/:30 radio packages to leading retailers in select cities across the country has highlighted the availability of Alaska canned salmon products at store level. In exchange, retailers must have met pre-specified promotional requirements and show proof of advertising.

- Helps build retail markets for Alaska Seafood with grocery buyers.
- Increases volume by gaining displays and ad feature activity with retail chains.
- Builds sales in the canned seafood departments and works to establish relationships with grocery buyers. (We are currently executing a fresh/frozen program with national chains.)

INCENTIVES – Incentives encourage retailers to promote Alaska Seafood during specific time periods, both through advertising and in-store demos. In exchange for the chance to win, retailers must have met pre-specified promotional requirements and have backed up results with proof of advertising features.

- Successful incentives have included all-expense paid fishing trips to Alaska and luxury cruises through Alaska's Inside Passage.
- Helped build retail markets for Alaska Seafood with grocery buyers.
- Increased volumes by gaining displays and ad feature activity with chains.
- Built loyalty with retailers, while generating excitement of Alaska Seafood in both the fresh and fresh frozen seafood and canned seafood departments.

IN-STORE DEMOS – In-store demo packages have been used with leading retailers in select cities, in return for stocking, promoting, displaying and running ad features on the agreed-to product form.

- In-store demos have included such things as staff training seminars by Chef Puetz and in-store demos by authentic Alaska fishermen.
- Helped build retail and consumer markets for fresh-frozen Alaska salmon.
- Increased volume by allowing customers to try Alaska seafood at no cost.
- Educated retailers and consumers on product usage and cooking techniques.
- Increased volumes due to feature value-pricing during demo period.

FOODSERVICE PROMOTIONS — Foodservice concentrated primarily on casual-theme and family chains, as well as non-commercial B&I contract management companies looking to expand their menus to include more seafood. Promotions featuring multiple species menus, rather than being species specific, ran for a minimum of 30 days and carried an "Alaska Seafood Festival" theme, the Alaska Seafood logo, and "branded" Alaska Seafood menu items. Participating outlets included the Westin, Omni, Marriott, Hyatt, and Hilton Hotels, as well as Stuart Anderson's, Bob's Big Boy, Sfuzzi, and the Melting Pot restaurant chains. Non-commercial operations who participated included Kodak, Ford Motor Company, Marriott, and Guckenheimer contract management companies.

- Promotions offered high returns on investment and worked to move cases of Alaska Seafood.
- Helped to establish positive operator feedback, and increased sales/case movement, Alaska seafood menu placement, consumer traffic, and repeat promotions with those who participated.
- A more organized effort by the Regional Marketing Managers on a targeted regional basis could help expand the results of these types of promotions in the future.
- Continued National Account Calls along with Regional Calls will benefit Alaska Seafood with Foodservice Operators long term.

PROMOTIONAL HISTORY

Not So Successful Retail Promotions

LENT RETAIL DIRECT MAIL KIT — In an effort to promote seafood purchases during the Lent period, ASMI mailed a promotional kit to select retailers across the country offering incentives if they participated in the program.

Although this direct mail program was not highly successful for ASMI. The program specifics enable us to draw some powerful conclusions that can help us to create even more successful programs in the future.

- While this program worked well with retailers who usually participate, many winners had won ASMI contests previously.
- Overall, it seems that this type of program would have been better received with more one-on-one involvement with larger individual retailers.
- Bottomline, a program of this nature can best be used to attract results from small market retailers, but must be developed on a smaller scale.

IMPLICATIONS OF FINDINGS

Retail is the biggest opportunity for growth.

- Seafood's biggest opportunity for growth is at retail. The seafood department is currently expected to be 2.4% of grocery sales at current rates by the year 2000. Current volume is 2% of grocery volume. This compares to over 14% for meat and poultry and the service deli with 4.6% of volume.
- As more and more retailers move to an everyday low price strategy, the perimeter of the store is becoming even more important for retail profits. Deli, seafood, prepared food, bakery, and produce are all seen as growth areas.
- Seafood sales volumes, particularly those of canned salmon, tend to increase in relation to in-store features and display activity.
 - ASMI should work to increase sales volumes through more in-store feature and display activity.
 - Support existing business with continuous pressure on display, feature, and ad activity with highest developed retailers.
- There is a need for better consumer education about handling, cooking and usage ideas for Alaska Seafood.
 - Expanded efforts by ASMI in retail in use of POP materials (i.e. counter cards, recipes, etc.), consumer demos, and in-store programs will increase awareness and results.
- Overall, ASMI has experienced significant success throughout the country with the use of a variety of retail programs.
- Retail programs which appear to work best for ASMI require "selling in" on the front end, and their success seems to correlate in part to the ASMI resources allotted to one-on-one interaction at the retail division level.
- The addition of Regional Marketing Managers in strategic regions of the country would help to ensure that ASMI has the resources necessary to allow continued success of these retail programs in the future.
- National headquarter calls will continue to be important to gaining results on a division/region basis.

IMPLICATIONS OF FINDINGS

Increased household penetration will build consumer usage.

- It appears that seafood in general still has great appeal to the health-conscious consumer, but with a total of 65% of at-home penetration, there is definite room to increase Alaska Seafood penetration as shown below:

Current At-Home Penetration

Canned Salmon	5.0%
Fresh and Fresh/Frozen Salmon	5.0%
Fresh and Fresh/Frozen Crab	1.8%

- The central regions of the country are the biggest areas of opportunity for increased seafood penetration and usage.
 - These markets have a below average penetration but have a high level of interest for seafood products.
 - These markets are away from the coastal areas dominated by local species.
 - The large cities in these regions show high seafood usage.
- The coastal regions have potential for increased use of non-local species because they provide a desired change of pace and variety.
- Demographically the consumer group with the largest prospect for growth lies with two distinct groups:
 - Upscale empty nesters 55+
 - Established, financially comfortable families, 45-54

IMPLICATIONS OF FINDINGS

Canned salmon has growth potential

- Marketing efforts should be directed toward getting current consumers to use canned salmon as an alternative to tuna in sandwiches and salads.
 - Show ways to use
 - Focus on sandwiches, salads, additional fish dishes
 - Simple/Easy to make meals
- Increased penetration of canned red salmon is possible among current fish/seafood users if it is positioned as a convenient substitute for fresh salmon, canned red salmon offers:
 - Quality
 - Taste
 - Versatility
 - Shelf stable (have on hand)
 - Next best thing to fresh/frozen
- Canned salmon must gain a higher level of ad features and displays to reach its full potential.
- Targeting the younger, middle income family 45-54, who currently use other protein extenders, can develop a large new user base.

Advertising must support the retail efforts

- It appears the current advertising does work to move the needle for ASMI, particularly if used in conjunction with high levels of advertising and promotional support in the retail sector.
- Advertising should be used on a region-by-region, market support basis, and should be used as leverage to gain significant cooperative efforts with key retailers.

IMPLICATIONS OF FINDINGS

Food Service has three target potentials:

1. Top 50 Broadline Foodservice Distributors
2. Commercial, chain restaurants with \$1,000M+ annual sales
 - Casual theme/specialty multi-unit chains (25+ units)
 - Mid-scale family-style, multi-unit chains segmented by menu type:
 - Fish/seafood specialty
 - Family steak
 - Cafeterias
 - Fine dining restaurants (fresh)
3. Non-commercial contract management companies who manage multi-unit contracts in the B&I, college and healthcare field

These account types must be called on nationally as well as regionally.

MISSION/STRATEGY

ASMI MISSION STATEMENT

The mission of the Alaska Seafood Marketing Institute (ASMI) is to increase the consumption of Alaska Seafood and to promote the quality and superiority of Alaska Seafood products in all areas of the domestic market.

ASMI WAVE 1 MARKETING OBJECTIVES

I. Primary Objectives

- Sell the special attributes of Alaska salmon - Determine what attributes are important to which customers so strategies can be identified and tactics set.
- Educate retailers on the benefits of frozen and canned salmon - Ease of handling issues and food safety issues, as well as quality. Get beyond the fresh issue.
- Joint marketing - Extend the reach of our budget and help broaden our reach with joint promotions, in-store demonstrations in cooperation with chains and retail with fishermen participation, menu promotions with food service institutional feeding programs. To recognize budget limitations and maximize impact.
- Focus marketing - Identify demographic groups and their needs and wants (ethnic, traditional eaters, aging populations of baby boomers, and others). Goal is target marketing.

II. Second Tier Objectives:

- 1) Nurture industry efforts to develop new product forms
- 2) Expand fresh sales in season
- 3) Standardize salmon nomenclature to avoid confusion
- 4) Provide information for intelligent business decisions (a white paper)
- 5) Cross pollinate with other commodity groups
- 6) Increase ASMI visibility and leadership in the industry

SALMON COMMITTEE OBJECTIVES

- Use 60% of the annual committee budget for short-term promotional programs, with the remaining devoted to long-term programs. Both short and long-term programs must be quantifiable;
- Boost the consumption of Alaska salmon by one-tenth pound per capita per year from the base consumption of .97 pounds per person in 1993 by concentrating on current seafood users;
- Increase the use of frozen and canned salmon at the retail and foodservice level;
- Encourage the use of standard nomenclature for Alaska salmon identified by origin in the domestic marketplace within the next two years;
- Build Alaska brand awareness by having 10% of Alaska salmon identified by origin in the domestic marketplace within the next two years;
- Change consumer attitude by 10% percent annually, from a base of 4 on a 1-10 scale, (March 1994) to increase awareness that the quality and taste of frozen seafood/salmon is just as good as fresh;
- Change consumer attitude by 10% annually from a base of 7% for fresh/frozen, first mention, (March 1994) to increase awareness of Alaska as a source of salmon;
- Increase the use of frozen and canned salmon through direct education of consumers.

STRATEGY PREMISE

With the overall goal of target marketing by ASMI, this marketing plan was developed on the basis of having:

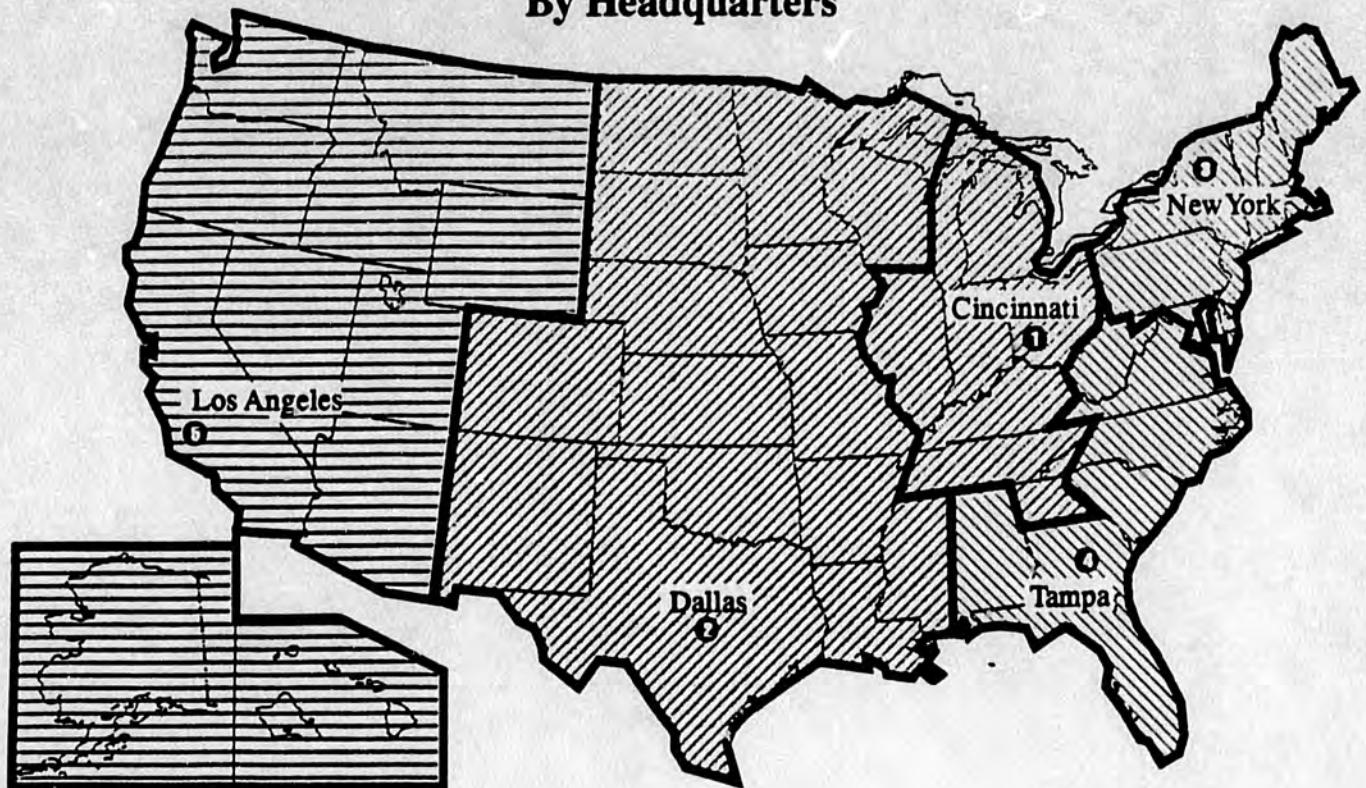
- Regional Marketing Managers to call on key retail (approximately 65%) and food service (approximately 35%) buyers on a region-by-region basis, in order of priority with the largest opportunities first.
- A focus on primary and secondary cities within regions that show the highest propensity to use seafood.
- Continued success in targeting national accounts in both the retail and food service segments.
- All marketing spending focused on a region-by-region basis.

This will be accomplished by rolling out an expansion of this marketing program in three phases. This will enable ASMI staff to evaluate progress, understand results, fine tune programs, and maximize results.

Programs must be adaptable to changes of species needs on a year-to-year basis taking into account:

- The fluctuation of product availability
- Species revenue generation/budget breakdown
- Individual committee objectives

SUPPORT/PERSONNEL TERRITORY BREAKDOWN By Headquarters



This Marketing Program is based on funding for the following personnel during the time periods outlined:

I. PHASE 1: JANUARY - JUNE, 1995:

- Retail Marketing Director
Two Regional Marketing Managers
Territory One: Cincinnati Region
Territory Two: Dallas Region
- Food Service Marketing Director
- Two Administrative Assistants

II. PHASE 2: JULY, 1995 - DECEMBER, 1995:

- All of the above, plus:
Two Additional Regional Marketing Managers
Territory Three: New York Region
Territory Four: Tampa Region

III. PHASE 3: DECEMBER, 1995 - JUNE, 1996

- All of the above, plus:
One Additional Regional Marketing Manager
Territory Five: Los Angeles Region
Assistant Food Service Manager

ALASKA SEAFOOD TERRITORY DEFINITION

TERRITORY ONE

<u>Primary Markets</u>	<u>Index</u>
Chicago	118
Detroit	118
Pittsburgh	118
St. Louis	137

<u>Secondary Markets</u>	<u>Index</u>
Atlanta	104
Cincinnati	92
Cleveland	92
Columbus	92
Grand Rapids	92
Indianapolis	92
Memphis	66
Nashville	66

TERRITORY THREE

<u>Primary Markets</u>	<u>Index</u>
Boston	134
Hartford	117
New York	121
Philadelphia	121
Orlando	98

<u>Secondary Markets</u>	<u>Index</u>
Baltimore	104
Buffalo	100
Harrisburg	92
Washington D.C.	104

TERRITORY TWO

<u>Primary Markets</u>	<u>Index</u>
Dallas/Ft. Worth	141
Minneapolis	137
Oklahoma City	141
San Antonio	141

<u>Secondary Markets</u>	<u>Index</u>
Denver	104
Houston	103
Kansas City	101
Milwaukee	92
New Orleans	101

TERRITORY FOUR

<u>Secondary Markets</u>	<u>Index</u>
Charlotte	98
Greenville	98
Miami	98
Norfolk	98
Raleigh	103
West Palm Beach	103

TERRITORY FIVE

<u>Secondary Markets</u>	<u>Index</u>
Los Angeles	110
Phoenix/Mesa	104
Sacramento	111
Seattle	111
San Diego	110
Portland	111
Salt Lake City	111
San Francisco	111

NOTE: Index numbers represent the difference of average per capita usage of seafood versus the national level per capita usage. For example: Per capita average seafood consumption is 15 lbs. on a national basis. An index of 110 means that a market consumes 16.5 lbs. or 10% more than the national average.

RETAIL PROGRAM

RETAIL PROGRAM

I. OBJECTIVES

1. Develop distribution and identity for Alaska Seafood at the retail level.
2. Gain three ad features for three items, during key periods with each national chain:

 Fall: National Seafood Month, August 15 - November 11
 Winter: Lent, January 1 - April 30
3. Gain three ad features for three items during key periods in key markets supported by assigned field staff with chains accounting for over 60% of All Commodity Volume:

 Fall: National Seafood Month
 Winter: Lent
 Summer: June/July
4. Increase trial of Alaska Seafood products.

II. STRATEGIES AND TACTICS

1. Use the ASMI seal to develop an identity at point-of-purchase:
 - a. Use seal as proof of performance for ad feature activities
 - b. Use Television/Radio schedules for tagged TV, :30/:30 radio to gain ad feature results and awareness of the seal.
 - c. Continue to develop collateral materials to educate consumers on handling, cooking, and recipes for Alaska Seafood.
 - d. Offer the seal in plaque form signifying retailers as quality handlers of Alaska Seafood.

2. Use successful promotions to extend feature results with select chains.
 - a. Use successful incentive programs with select chains to gain ad feature results:
 - 50 cruise line trips
 - 25 fishing trips
 - b. Develop five themed newspaper run of page (ROP) programs for each major promotion to communicate product and gain features with select chains
 - full page
 - 1/2 page
 - 1/4 page
 - c. Introduce an ad coupon program to retailers to motivate consumers with trial of Alaska Seafood.
3. Extend Alaska Seafood trial by introduction of an education program to retail trade and consumer.
 - a. One day demonstration program to 25 chains:
 1. Training seminar with Gary Puetz with demo staff in the morning
 2. Training seminar with Gary Puetz for chain staff in the afternoon
 - b. Demonstration program at retail level with 25% of stores of 25 chains participating
 - Use fishermen wherever possible to increase results of this program
 - c. Attend two trade shows per year and demonstrate Alaska Seafood Products
 - Boston Seafood Show
 - Long Beach Seafood Show
 - d. Conduct two market education trips for fishermen to develop an understanding of the selling process from wholesalers, buyers, and retail stores. Use this program to further educate retailers of seafood from Alaska
 - two times per year
 - 8 fishermen
 - 4 processor sales personnel
 - e. Continue the Alaska education trip for retailers, food service operators, and magazine editors. Include fishing plant tours, observing gill netters/trollers, viewing a resource presentation, and tasting Alaska Seafood.
4. Develop a National Retail Advisory Council to meet and develop ideas to better promote Alaska Seafood at the retail level.

FOODSERVICE PROGRAM

FOODSERVICE PROGRAM

I. OBJECTIVES

- Increase sales of fresh, fresh/frozen, and canned Alaska seafood by increasing the menuing of Alaska seafood in targeted foodservice accounts during key promotional periods:

Fall: National Seafood Month, August 15 – November 11

Lent: January 1 - April 30

- Gain penetration of Alaska seafood in the top 50 Broadline Foodservice Distributors with two ad features with at least three Alaska Seafood items during these key periods.
- Achieve five Alaska seafood promotions with regional, commercial restaurant chains: casual dinner-house, family-style and/or family-steak chains within each sales territory.
- Target top 60 contract management firms; achieve Alaska seafood promotions with headquarter locations of the top 15 contract management companies.

II. STRATEGIES

- Develop high impact, regional sales promotional programs designed to increase menuing/distribution of Alaska seafood, with primary emphasis on Alaska salmon.
- Support regional promotional activity with educational programs, demonstrations, recipes and collateral materials to sell Alaska seafood's superior features/benefits.
- Utilize Regional Marketing Managers to sell-in promotional programs at the chain headquarter level on a regional basis; utilize Foodservice Marketing Director to sell-in promotions at the national account level.
- Utilize foodservice publicity to highlight successes of promotional activity.

III. TACTICS

1. Direct Mail

On a regional basis, execute direct mail programs to targeted foodservice and distributor accounts:

- Develop an ASMI Foodservice Newsletter designed to create visibility for the entire line with emphasis on the five species of Alaska salmon.
- Highlight successful restaurant case histories and promotions using Alaska seafood, and key contests, special event notices.

2. Trade Show Conferences/Seminars

Attend the most influential trade shows and conferences to create visibility among key target audience decision makers:

- National Restaurant Show
- American Culinary Federation (chefs/culinary prof.)
- American Dietetic Association (healthcare, dietitians)
- Society for Foodservice Mgmt. (contract mgmt conference)

Utilize Gary Puetz as ASMI foodservice chef/spokesperson; create higher visibility for cooking demonstrations at the booth (i.e. enhance cooking station); maximize ASMI's "presence" on all trade show/conference seminar agendas.

3. Industry Round Table

To further enhance our understanding of the industry's needs, establish an annual ASMI foodservice conference/round table (i.e. focus group) at the Boston Seafood Show. Assemble a board of industry experts (operators and foodservice distributors) to "roundtable" on key issues surrounding Alaska seafood.

4. State Restaurant Association Seminars

Gain visibility through local, regional restaurant associations. Schedule demonstrations about Alaska seafood at the local events and/or trade conventions.

On a regional basis, work with select restaurant associations to organize an Alaska seafood recipe contest. Direct mail announcement and entry form to target chain accounts in foodservice newsletter.

5. Restaurant Promotions

Develop a variety of five "Alaska Seafood Promotion Kits" that provide target chains with generic "turn key" merchandising materials to promote Alaska seafood in their operations. Kits will contain poster, table tent, menu shells and recipe cards.

1. "The Wild, Alaska Seafood Promotion"
2. "Alaska Salmon Burgers"
3. "The Great Alaska Salmon Run"
4. "The Alaska Crab Festival"
5. "Great Alaska Seafood Sensations"

Schedule chain headquarter Alaska Seafood training demonstrations (with Gary Puetz) to educate chefs and regional managers on care, handling and preparation ideas.

Wherever possible, offer Alaska fishermen at kick-off promotions in flagship locations.

Incentive funds will be available to cover costs for customized chain promotions (i.e., collateral, recipe, photography support and manager/waitstaff incentives).

6. Waitstaff Training Video

Develop an educational video, "Alaska Seafood Primer" for foodservice waitstaff to build knowledge and confidence in serving Alaska seafood. Video to review background on benefits of fresh vs. fresh frozen, the range of Alaska seafood, serving tips, etc.

7. Distributor Promotions

Secure Alaska Seafood ad features within distributor flyers; develop ad slicks to encourage feature activity (i.e., at least three items must be featured).

To foster feature activity, Regional Marketing Managers will organize local incentive programs on a regional/national headquarter basis.

Conduct Alaska Seafood sales training demonstrations at local/chain headquarters of target distributors to further enhance the distributor sales representative's (DSR) understanding of the Alaska Seafood line of products, fresh frozen advantages, etc.

Develop a series of three DSR sales "tip" sheets on salmon, whitefish and shellfish to encourage sales activity and increase knowledge base.

8. **Culinary Schools/Scholarship Program**

To impact young chefs during their culinary school training, utilize Gary Puetz as spokesperson/educator on a regional basis to conduct Alaska seafood training sessions at top five culinary institutions:

- Johnson & Wales, Providence, RI
- CIA, Hyde Park, NY
- CIA, Napa, CA
- California Culinary Academy, San Francisco, CA
- New England Culinary Academy, MA

Develop an incentive program with all 5 locations to grant a \$5M Alaska Seafood Scholarship Program to the chef that demonstrates the most concentrated "success" in an Alaska seafood "challenge"

9. **Foodservice Public Relations**

Work with in-house marketing departments at top broadline distributors to gain publicity for Alaska Seafood within their monthly and/or quarterly flyers/sales magazines.

Attend the annual IFEC conference in November 1995 to meet desk-side with key foodservice editors; encourage Alaska Seafood feature activity.

Develop 10 case histories/feature articles to submit to foodservice trade publications; develop photography of chef-developed Alaska Seafood entree and place article, recipe and photo in leading foodservice magazines.

CONSUMER PROGRAM

CONSUMER

I. OBJECTIVES

1. Leverage advertising programs to gain retailer distribution, featuring, and displaying Alaska Seafood and maximizing results.
2. Target purchasers, women 35-64 of age who are medium to heavy seafood users who buy seafood for their families.
3. Increase penetration, and usage of Alaska Seafood on a region-by-region basis by targeting markets with highest potential that are supported by Regional Marketing Managers.
4. Maximize impact and take advantage of seasonal trends by focusing on key promotional periods each calendar year:
 - Fall
 - Lent

II. STRATEGIES

1. Increase awareness and stimulate purchase during key promotion periods with tagged TV and :30/:30 radio in key markets with high seafood consumption.
 - Deliver combined television and radio sustaining reach of 50% at the 3+ level during each 4 week period in primary markets.
 - Deliver 900 radio spots in secondary markets.
2. Continue successful national account programs using :30/:30 radio during:
 - Fall
 - Lent
3. Roll-out program in phases as Regional Marketing Managers are added.

III. TACTICS

PHASE I: MEDIA SUPPORT

TERRITORY I

PRIMARY

Television

Radio

SECONDARY

Radio

TERRITORY II

PRIMARY

Television

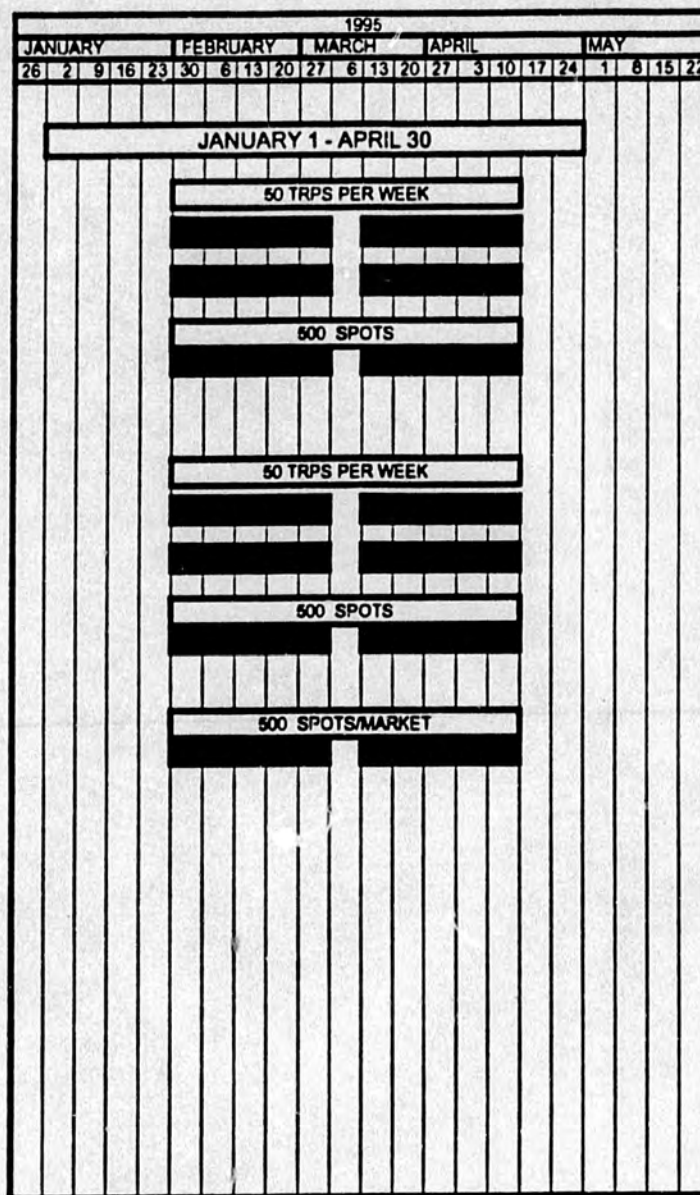
Radio

SECONDARY

Radio

NATIONAL ACCOUNTS

Radio



Note: Territory Definitions listed on page #43

III. TACTICS (CONT.)

PHASE II: MEDIA SUPPORT

TERRITORY I

PRIMARY

Television

Radio

SECONDARY

Radio

TERRITORY II

PRIMARY

Television

Radio

SECONDARY

Radio

TERRITORY III

PRIMARY

Television

Radio

SECONDARY

Radio

TERRITORY IV

SECONDARY

Radio

NATIONAL ACCOUNTS

Radio

AUGUST	SEPTEMBER	OCTOBER	NOVEMBER
31 7 14 21 28	4 11 18 25	2 9 16 23 30	6 13 20
AUGUST 15 - NOVEMBER 11			
60 TRPS PER WEEK			
500 SPOTS			
60 TRPS PER WEEK			
500 SPOTS			
60 TRPS PER WEEK			
500 SPOTS			
60 TRPS PER WEEK			
500 SPOTS			
200 SPOTS/ Market			

Note: Territory Definitions listed on page #43

III. TACTICS (CONT.)

PHASE III: MEDIA SUPPORT

TERRITORY I

PRIMARY

Television

Radio

SECONDARY

Radio

TERRITORY II

PRIMARY

Television

Radio

SECONDARY

Radio

TERRITORY III

PRIMARY

Television

Radio

SECONDARY

Radio

TERRITORY IV

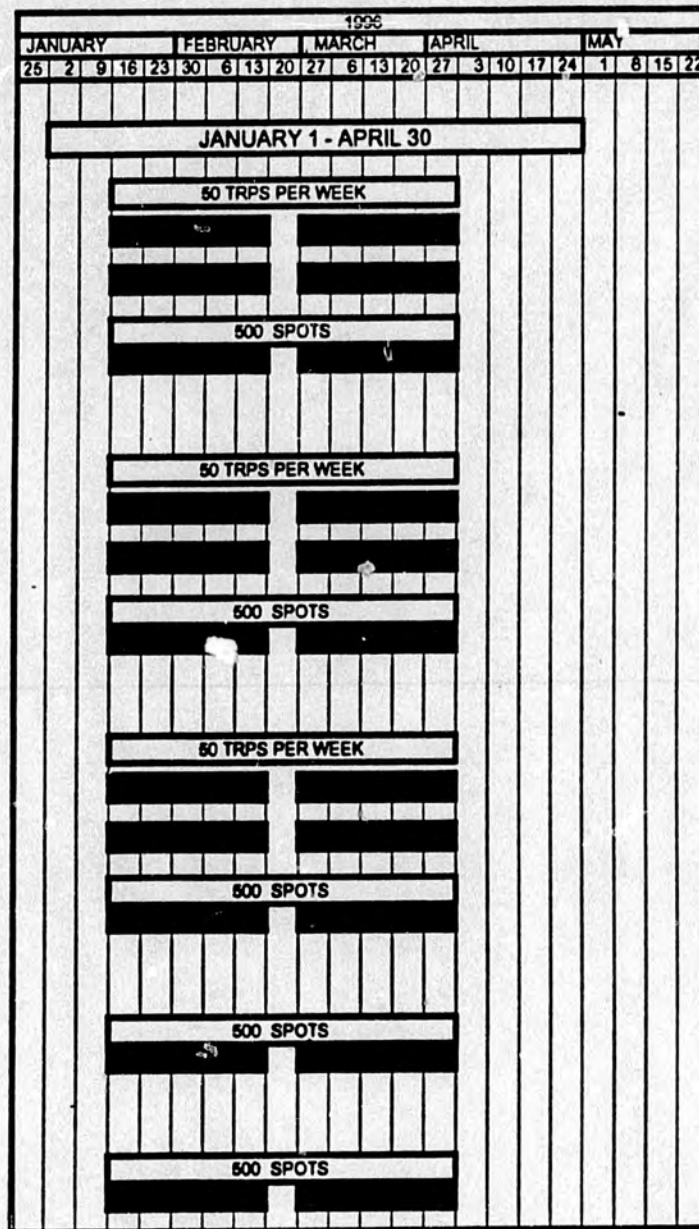
SECONDARY

Radio

TERRITORY V

SECONDARY

Radio



Note: Territory Definitions listed on page #43

CONSUMER PUBLIC RELATIONS PROGRAM

I. OBJECTIVES

The Consumer Public Relations Program will follow three objectives which fit within the overall objectives of ASMI's marketing plan.

- To increase awareness of the abundance and high quality of Alaska Seafood.
- To educate consumers on the basics of purchasing, handling and preparing Alaska Seafood.
- To stimulate purchase through increases in awareness and education.

The following public relations tactics meet our outlined objectives:

II. TACTICS

A. NEWSPAPER

A Series: The Basics of Cooking Seafood

This 4-part article series, distributed to all newspapers in each of the five sales territories within the designated time periods. This project will meet our objective to educate consumers on the basics of cooking seafood by focusing each article on a different cooking method, such as broiling, baking, grilling, etc. Additional information on selection, storage and the benefits of fresher/frozen seafood will stimulate consumer purchase.

Each release will include one Alaska Seafood recipe with accompanying lead copy and photography for a total of four salmon, four whitefish, and four shellfish recipes released. This is different from our previous newspaper releases because it enables the editor to set up a series-style article that will run in four parts. Although we are reducing the total number of recipes released to each editor, from five to four, we expect greater total pick-up because the editor will be encouraged to use all four parts of the series.

B. COLOR ROP PAGE

A four-color, full page ROP will meet our objective of educating the consumer on the ease of cooking seafood by focusing on the "10 minutes per inch" rule. Agency is exploring the possibility of creating a self-liquidating 1-inch ruler to offer as a consumer write-away on the page. Distributed to all newspapers in each of the five sales territories during the designated time periods, ROP pages differ from the newspaper releases described above by providing full-page coverage. Most ROPs are used as the front page of the newspaper food section. Recipes and photography accompanying the copy will help stimulate consumer purchases.

C. RADIO

Tips From the Alaska Seafood Expert

Agency will script, produce and distribute six radio releases, 50 seconds in length, to 3 to 5 stations per market. This will be leveraged by the retail :30/:30 radio program. Scripts will be voiced by spokesperson, Gary Puetz to lend the credibility of an expert to the material. To meet our objective of educating consumers on the basics of cooking seafood, some scripts will focus on easy cooking tips, such as the 10 minutes per inch rule. To meet our objective of increasing awareness of the abundance and quality of Alaska Seafood, other scripts will focus on industry reports, such as the importance of Alaska as a salmon resource as demonstrated by the harvest levels. Agency is investigating working in conjunction with *Simply Seafood Magazine* to lend further credibility to these releases.

D. COMBINED MEDIA

Media Tour in Primary Markets

Agency to arrange for media appearances during the designated time periods in top 3 cities of each of the five sales territories for a total of 15 markets. Utilizing chef Gary Puetz to meet our objectives of increasing awareness, educating the consumer on the basics of cooking seafood and stimulating product usage, agency will arrange for Gary to be interviewed on radio food news programs, to give cooking demonstrations on TV cooking shows and to meet with food editors of newspapers in each market to encourage articles about Alaska Seafood.

Additionally, desk-side visits will be arranged with key consumer newspaper (and/or) city magazine editors on a regional basis to encourage articles and recipe placement about Alaska Seafood.

E. CONSUMER PRESS CONFERENCES

International Association of Culinary Professionals (IACP)

The IACP has an international membership of over 2200 food professionals, ranging from cooking teachers and cookbook authors to caterers, food columnists and chefs. Participation in this conference will position ASMI as a resource for this influential group of food educators. To meet our objectives of increasing awareness and educating consumers, agency will submit a proposal to teach a master class on Alaska salmon, including a side-by-side tasting of the five species, at the annual conference, held this year April 5-9 in San Antonio. In addition, ASMI will be represented at the trade show portion of the conference. 1,000 members are expected to attend the conference, 125-150 are expected to attend the class.

F. OPPORTUNISTIC PROMOTIONS

Pursue opportunities with local/national newspaper and television media surrounding retail programs and other special events in local markets. This will include things like fulfilling special requests for recipes, photography and editorial from newspaper and magazine editors.

RESULTS/BUDGET

MEASUREMENT OF RESULTS

There will be an ongoing evaluation of program results, accomplished by measuring:

1. Proof of Performance:

- a. An evaluation will be made in each territory after each promotional period to compare results to objectives. This will be done within each territory by:
 - Retailer
 - Foodservice distributor
 - Regional commercial restaurant chain
 - Non-commercial management companies
- b. This same evaluation review will be done to national accounts assigned to Seattle personnel.

2. Consumer and Trade Attitudes and Use:

- a. A pre-promotion benchmark study will be done by an independent research contractor to better understand attitudes, use and intent to purchase dimensions for ASMI by consumer and trade audiences.
- b. A post-promotion benchmark study will be done by an independent research contractor on the same criteria to measure results.

3. Sales Volume Impact:

- a. Retailers, foodservice distributors, and foodservice operators would be asked to share volume impact of promotions.
- b. A representative sample of retail stores and foodservice operators would be used to gain examples of volume and thrust of promotions using varied promotional tools, i.e.,
 - In-store demos
 - Fishermen visits
 - Ad features
 - Table displays
 - Menuing

4. Publicity:

- a. Use a clipping service to measure ASMI's publicity in the consumer and trade media by monitoring press coverage and providing a compilation report to measure circulation and value.

ALASKA SEAFOOD DOMESTIC MARKETING PLAN

BUDGET FY95/FY96 JANUARY 1, 1995 TO JUNE 30, 1996

Anticipated Expenditure

PROGRAM	1/2 FY95	FY96	TOTAL
Administration	275,000	550,000	825,000
Administration	225,000	450,000	675,000
Fulfillment Service Contract	50,000	100,000	150,000
Board & Committee	50,000	90,000	140,000
Board Meetings	20,000	40,000	60,000
Committee Meetings	30,000	50,000	80,000
Quality	250,000	350,000	600,000
Industry/Trade Promotions	250,000	350,000	600,000
Program Development	280,000	400,000	680,000
ASMI Direct Development	180,000	200,000	380,000
Salmon Market Info.	100,000	200,000	300,000
Communication	180,000	300,000	480,000
Industry Relations	90,000	150,000	240,000
Trade/Consumer Relations	90,000	150,000	240,000
Domestic Retail	2,350,000	5,100,000	7,450,000
ASMI Direct Marketing	700,000	1,100,000	1,950,000
Regional Marketing Reps.	150,000	450,000	600,000
Retail Promotions	1,500,000	3,550,000	5,050,000
Domestic Foodservice	550,000	1,075,000	1,625,000
Foodservice Promotions	450,000	900,000	1,350,000
Consumer Promotions	100,000	175,000	275,000
Plan Total	3,935,000	7,865,000	11,800,000

ALASKA SEAFOOD DOMESTIC MARKETING PLAN
BUDGET FY95/FY96
JANUARY 1, 1995 TO JUNE 30, 1996

Anticipated Expenditure

	1/2 FY95	FY96	TOTAL
Offshore Processor	0	0	0
Salmon Harvester	1,505,000	3,665,000	5,170,000
Onshore Processor	1,000,000	2,500,000	3,500,000
Annual Carry-Over	1,430,000	1,700,000	3,130,000
Plan Total	3,935,000	7,865,000	11,800,000

Revenue Notes

- The projected revenue for the eighteen month period is \$11.8 million, of which \$1.43 million is a one-time carry-over from FY93 and FY94.
- The revenue for this eighteen month period represents annualized budget of \$7.7 million.
- Based upon conservative estimates for the budget period starting July 1, 1996 (SFY97), the annual revenues in subsequent years is anticipated to range between \$6 and \$7 million.
- If additional sources of revenue are not available in subsequent years, the program would be reduced to a sustainable effort that would allow aggressive marketing at 9% to 22% below the planned budget. This degree of reduction is manageable over a multi-year period.

GLOSSARY

GLOSSARY OF TERMS

City Sizes - Cities are broken down by population. The largest of the category is labeled 2500M+ which represents a city populated by 2.5 million people. 500M - 2499M represents a community ranging in population from 500,000 to 2,499,999 people, etc.

Commercial Restaurant - An independent eating establishment which sells food for profit to the general public.

Consumption - The using up of consumer goods, Alaska seafood for example.

CREST - A research group which gathers information on consumer behavior from 12,800 American households' diary of commercial restaurants visited over a specified period.

Finfish - All fish consumed by humans excluding shellfish.

Frequency - The average number of times an audience has the opportunity to be exposed to advertisements, a particular program or a program schedule within a measured period.

Household - A domestic establishment including the members of a family and others living under the same roof.

Index - A relative measurement of annual consumption based upon the national average which is represented by the number 100. For example, the Boston index for seafood consumption is 134. So, Boston indexes 34% higher than the national average for seafood consumption.

M - A symbol that represents the number 1,000.

Neilsen's - A research group which gathers information on consumer behavior from 15,000 households.

Non-Commercial Restaurant - An eating establishment in which the consumer is "captive". Eating facilities in the work place, hospitals, schools, and jails, etc. are included.

NPD - (National Purchase Diaries) A research group which gathers information on consumer behavior from 2,500 American households.

NSMA - (Non Metropolitan Statistical Area) A city of less than 50,000 people.

Penetration - The degree to which a product or service has reached the people of a certain area or market.

QSR - A foodservice abbreviation of Quick Service Restaurant.

Rating Points - A rating used in radio and TV to express the number of homes tuned into a particular program or station, at a specific time.

Reach - A measurement of the number of homes exposed to a program or a commercial one or more times.

Share of Voice - The percentage of all brand advertising done in a product category by any one brand, Alaska seafood for example.

Share of Market - The percentage of purchases in a product category that is enjoyed by any one brand.

Top of Mind - The first brand or advertising campaign that comes to a respondent's mind in research on awareness or attitude.

TRPS - (Targetted Rating Points) A radio and TV media term representing the percentage of the targetted demographic market exposed to advertisements, a particular program or a program schedule within a measured period. Theoretically, a rating of 50 TRPS per week would expose 50% of ASMI's demographic market to the ASMI TV and/or radio advertising over a week period.

Usage - A measurement of the use (or consumption) of a consumer product.

Upscale Empty Nester - A consumer at the upper end of a range in demographic analysis in terms of education, income, etc. without children at home.

What is ASMI?

The Alaska Seafood Marketing Institute (ASMI) is an innovative partnership of state government and private industry operating under the State of Alaska's Department of Commerce and Economic Development. Its programs, which generically promote Alaska seafood, are guided by a 25-member board of directors appointed by the Governor of Alaska and made up of commercial fishermen, representatives of large and small processing firms and the public. Serving under the board are committees which advise on domestic marketing, export marketing program and quality assurance.

The Alaska seafood industry produces 90% of all salmon in the U.S. and over 50% of total seafood. ASMI promotes all the seafood produced in Alaska as a generic product, not as individual brands. The marketing programs are conducted on both a national and international scale to get people to eat more Alaska seafood.

The ASMI marketing program in the U.S. targets both consumers and the seafood trade through television, radio and print advertising and promotional material distribution. Campaigns are divided into two major programs focusing on retail and foodservice activities. Fresh and frozen Alaska salmon, canned salmon, whitefish and shellfish are all highlighted through promotional efforts. Alaska processor and salmon fishermen assessments supply the funding for domestic seafood marketing.

The international marketing program promotes the sale of wild Alaska salmon in Japan, Korea, Australia, France, Netherlands, Ireland and the United Kingdom. In addition, ASMI research and trade missions continue to find new markets for Alaska salmon. ASMI uses a strategic mix of consumer and trade advertising campaigns to increase the overall export level of Alaska seafood. The program is conducted with funding provided by the federal government through participation in the Market Promotion Program for exclusive use in foreign countries.

The Quality Assurance Program at ASMI is designed to unite fishermen, processors, distributors and resource managers into an effective alliance. The program works to enhance the quality image of all Alaska seafood products through education, publicity and the development of seafood quality training and handling materials.



Alaska Seafood Marketing Institute
1111 W. 8th St., Suite 100
Juneau, AK 99801-1895
(907) 465-5560

THE ASMI SEAFOOD QUALITY PROGRAM

Helping to Build Seafood Quality Awareness

The seafood quality program at ASMI is designed to bring together commercial fishermen, seafood processors, distributors and the trade into an effective partnership. It is in everyone's best interest that Alaska seafood be known for its quality.

To help accomplish this, a 15 member committee of quality specialists from the harvesting, processing and university sectors have been appointed by the ASMI Board of Directors. These individuals are charged with recommending voluntary quality enhancement activities of the organization as mandated by the ASMI enabling legislation [AS 16.51.100]. The committee's four main goals are:

- * To develop voluntary market-oriented specifications for Alaska seafood which can be used in promoting a high quality image for these products in domestic and world markets. ASMI specifications shall meet or exceed the requirements established by the U.S. Food And Drug Administration (FDA) and the Alaska Department of Environmental Conservation (ADEC) and shall be complimentary to guidelines established by the FAO/WHO Codex Alimentarius Commission.
- * To adopt and distribute recommended handling guidelines for Alaska seafood from the moment of capture to the point of final distribution. These guidelines shall include, but not be limited to, recommended practices for fishing, tendering, fish transfer, dockside evaluation and processing, as well as transportation, cold storage, foodservice and retail. Such efforts shall be coordinated with the organizations having a similar mission whenever possible, to economize and reduce duplication of effort.
- * To review and recommend educational, research and other programs which will assist the Alaska seafood industry in helping to maintain or enhance the overall quality image of Alaska seafood.
- * To develop methods for the periodic evaluation of quality practices within the industry.

Perhaps the greatest strength of the committee process lies in using its creative, real-world approach to problem-solving quality issues within the limits under which the industry operates. Those limits include the management of the fishery; complexities of a wild product; the geography of Alaska and the voluntary, generic mission of ASMI.

To date, the Quality Committee has published voluntary recommended guidelines, written and distributed product specifications, conducted original research on product shelf life and performed detailed surveys on the status and capabilities of the Alaska salmon industry with regard to quality. The success of the ASMI quality program is based upon continued commitment to the quality awareness message of the ASMI information being made available to the seafood industry. Experience teaches us, that to be effective we need the active participation of YOU - the fisherman, processor, and tradesman - in ASMI activities.

When it comes to quality, you are the difference!



SCOMM

95:17

LEGAL SERVICES

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

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

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

February 23, 1996

SUBJECT: Sectional Summary of CSHB 118(FSH); An Act relating to seafood marketing, to the definition of "seafood" for purposes of the Alaska Seafood Marketing Institute, to an aquatic farm product marketing assessment, and to the salmon marketing tax.

TO: Representative Alan Austerman

FROM: George Utermohle *GU*
Legislative Counsel

You have requested a sectional summary of CSHB 118(FSH); An Act relating to seafood marketing, to the definition of "seafood" for purposes of the Alaska Seafood Marketing Institute, to an aquatic farm product marketing assessment, and to the salmon marketing tax.

As a preliminary matter, please note that a sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill amends AS 16.51.090 by authorizing the board of directors of the Alaska Seafood Marketing Institute to establish committees related to the marketing of seafood and seafood products.

Section 2 of the bill adds a new section to AS 16.51 which defines "seafood" for the purposes of AS 16.51.120 - 16.51.161, seafood marketing assessment.

Section 3 of the bill adds a new section to AS 16.51 establishing a marketing assessment of 0.3 percent of the value of aquatic farm products sold by aquatic farms.

Section 4 of the bill amends AS 16.51.170 to provide that AS 43.05 and AS 43.10 apply for the enforcement and collection of the aquatic farm product assessment established by sec. 3 of the bill.

Section 5 of the bill amends the general definition of "seafood" for AS 16.51 to include aquatic farm products.

Section 6 of the bill adds a definition of "aquatic farm product" for purposes of AS 16.51.

Representative Alan Austerman
February 23, 1996
Page 2

Section 7 of the bill amends AS 43.76.110 to provide that persons (private nonprofit hatcheries under AS 16.10.400) who have special harvest area entry permits must pay the salmon marketing tax.

Section 8 of the bill provides that the bill takes effect immediately under AS 01.10.070(c).

GU:glc:klb
96-114.glc

ALASKA STATE LEGISLATURE

Senate Health, Education and
Social Services Committee

Senate Judiciary Committee

Department of Health and Social
Services Budget Subcommittee

Department of Law
Budget Subcommittee



While in Session:
State Capitol, Rm. 9
Juneau, Alaska 99801
(907) 465-3704
fax: (907) 465-2529

While in Anchorage:
716 West 4th Ave., Ste. 440
Anchorage, Alaska 99501
(907) 258-8182
fax: (907) 258-5571

SENATOR JOHNNY ELLIS

MEMORANDUM

TO: All Legislators

FROM: Senator Johnny Ellis

DATE: April 10, 1995

RE: Shellfish Mariculture Research Center

A handwritten signature, likely of Senator Johnny Ellis, consisting of stylized initials "JE".

A handwritten signature, possibly "Amy", written in cursive.

In 1987, I proposed legislation that eventually passed which legalized shellfish farming in Alaska.

In January of 1993, I sponsored legislation to provide funding for a Mariculture Technical Center, which would provide much needed research and technical assistance to shellfish growers in Alaska. Funding for this exciting project was approved, and construction should begin this spring. The attached article from the *Alaska Journal of Commerce* describes the project in more detail, and outlines some of the benefits that the Mariculture Technical Center will provide for this growing industry and for Alaska's economy.

Sometimes it takes a long time to see the results of the efforts we make here in Juneau, but it's almost always worth the wait!

New research center in Seward to support state mariculture

By Andrew Arenson

Special to the Journal of Commerce



State mariculture research center adviser Ray RaLonde checks oyster spat growing in a lantern net.

FAIRBANKS — Alaska's fledgling shellfish industry could grow dramatically in coming years with the help of research to be done at a new \$3.2 million mariculture center set to be built in Seward beginning in August.

The purpose of the state-run facility, according to the Alaska Department of Fish and Game, which will staff and supervise operations at the research center, will be to help shellfish farmers develop a stronger and more diverse industry through practical research and development of oysters, clams and scallops. A shellfish hatchery also will be built on the center site to provide a long-awaited in-state source of commercial seed stock for farmers.

Fish and Game predicted the center will employ three full-time staffers and one half-time worker, while the hatchery is be leased out to independent mariculture operators.

The shellfish industry in Alaska had a potential net worth of nearly \$4 million in 1994.

Oyster farmer Jeff Hetrick, who started the state's first successful oyster hatchery in Seward in 1993 — the Qutekcak shellfish hatchery — said the

Continued on Page 7

New research center may lead to shellfish boom

Continued from Page 1

proposed research center has the potential of contributing immediate results to shellfish farmers around the state.

"Hopefully, the center will help to produce larger and more reliable seed," Hetrick said. "Right now we're looking at developing new species like Little Neck clams and scallops because we've found there is a tremendous potential in Alaska for both species."

"In Chile, the scallop industry alone employs over 14,000 people," he said.

Hetrick, along with other mariculture specialists in Alaska, believes that diversity is one of two primary components in successful farming of shellfish in Alaska. The other factor, he said, is to continue developing new sources of spat, shellfish spawn, to sell to Alaska farmers.

Currently, there is only one in-state source providing spat for Alaska farmers — the Qutekcak hatchery in Moose Pass. That facility, which is gearing up to begin its second season, will try to sell 1 million baby oysters to farmers throughout Alaska. Prior to its existence, Alaska farmers had no in-state source of spat and relied heavily on hatcheries in the Pacific Northwest, mainly in Washington state.

"Little Neck clams were a big success for us last year. They helped open a lot of doors for us," said Carmen Young, the hatchery's manager. "Farmers are very excited because permitting doesn't allow farming of non-native species — except for oysters — so they are limited (in) what they can grow."

The importation of live shellfish is closely regulated by the state Board of Fisheries, which allows only commercially cultured oysters of a certain size to be imported.

"The board must do this to protect wild stocks of oysters in Alaska from an intestinal parasite called 'mytilicola' which develops in oysters over 20 millimeters in size," said Ray RaLonde, an aquaculture specialist for the University of Alaska Marine Advisory Program and advisor on the Seward project.

RaLonde explained that regulating imported spat is necessary but because of the size restriction, Alaska farmers often get the short end of the stick. He said more often than not, the small seed oysters are the runts — or inferior stock.

He added that growth cycles of oysters in Alaska differ from their counterparts in the Pacific Northwest. Washington state hatcheries, he said, can only sell their product in the winter because their oysters' natural spawning cycle is in the summer. While they are spawning, they are not fit to eat.

Oysters rarely spawn naturally in Alaska because the species requires a sustained water temperature of 68 to 72 degrees for approximately one month to reproduce.

This biological fact has both good and bad implications for the Alaska farmer. Because they do not spawn, oysters grown in Alaska

stay fat and succulent and do not become mushy and bitter as they do in regions where spawning occurs naturally. Raft culture techniques, which allow oysters to feed around the clock instead of between tides as is the case with beach culture methods, offer a very intense April to October growing season. Most importantly, an abundance of nutrient-rich clean water in Alaska is a natural advantage over oyster farming in other states where pollution problems are gradually bringing the Pacific Northwest shellfish industry to a halt.

Jim Cochran, mariculture coordinator for Fish and Game and project manager for the new research center, said the facility will finally enable state officials to do practical shellfish research and look into ways of expanding the industry. "Our first direction is to protect our wild stocks," Cochran said. "We are seeing problem after problem in Washington state hatcheries. This new facility will enable the state to do practical research and development as opposed to the theoretical studies done by the university."

Alaska currently has 57 mariculture farms, down from 63 in 1994. The shellfish industry

sold \$250,000 worth of oysters last year, while \$3.5 million worth did not become marketable, according to Fish and Game's 1994 annual report.

Cochran estimated that with the help of the new center's findings, the industry could easily net \$3 million to \$5 million annually.

The \$3.2 million for construction of the research facility were earmarked last summer in the \$900 million Exxon Valdez oil-spill settlement, officials said. The center is to be located adjacent to UAF's Institute for Marine Science, which is next door to the Alaska Marine Ferry terminal in Seward.

Construction, originally slated for an April startup, likely will begin in August because project organizers are still waiting for confirmation of the center's building design from the architectural firm of Kramer, Chin and Mao in Juneau.

Once the negotiation process is complete and a design is confirmed, officials said the construction will go out for bid.

Cochran is confident that although the center's start-up date is being postponed, scheduled completion will still be May '96.

AK AQUACULTURE ASSOC.

~~Academic Shellfish Company~~

~~Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Southeast Alaska (Petersburg)
Sales Manager: Brian Paust
Address: P.O. Box 962
Petersburg, AK 99833
(907) 772-3381 w; (907) 772-3227 h
Fax: (907) 772-4431~~

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A. S. M. I.

Alaska AquaFarms

Market Name: Arctic Oysters™/Sourdoughs™
Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Prince William Sound
(Fairmount Island)
Sales Manager: Jeff Hetrick
Address: P.O. Box 7
Moose Pass, AK 99631
Telephone: (907) 288-3667
Fax: (907) 288-3667

Aquabionics

Product: Half Shell Pacific Oysters
Cultured Blue Mussels
Type of Company: Grower
Farm Location: Prince William Sound
(Perry Island)
Sales Manager: Jack Van Hyning
Address: P.O. Box 80165
Fairbanks, AK 99708
Telephone: (907) 479-2476
Fax: (907) 376-9666

Bay Blue Mussel Farm

Product: Cultured Blue Mussels
Type of Company: Grower
Farm Location: Kachemak Bay
(Halibut Cove Lagoon)
Sales Manager: Brenda Hays
Address: P.O. Box 6458
Halibut Cove, AK 99603
Telephone: (907) 235-2165

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JAN 30 1995
Ans'd.....

Klawock Heenya Corporation

Market Name: Shinaku Oysters
Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Southeast Alaska (Klawock)
Sales Manager: John Skan
Address: P.O. Box 129
Klawock, AK 99925
Telephone: (907) 755-2270
Fax: (907) 755-2966

Pristine Products

Market Name: Pristine's
Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Prince William Sound (Seward)
Sales Manager: Susie Sczawinski
Address: P.O. Box 1272
Seward, AK 99664
Telephone: (Marine Radio) (907) 726-2826
Nomad II WAS 8974

Select Seafoods of Alaska

Product: Cultured Blue Mussels
Type of Company: Grower
Farm Location: Kachemak Bay (Halibut Cove)
Sales Manager: Mark Bradley
Address: HCO1 Box 1595-8
Kenai, AK 99611
Telephone: (907) 776-5498

Sunny Cove Mariculture, Inc.

Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Southeast Alaska (Cholmondeley Sound)
Sales Manager: Rich Andrew, Carol Taylor
Address: P.O. Box 5235
Ketchikan, AK 99901
Telephone: (907) 225-3751 or 225-2463

Blue Lagoon Mussels

Product: Cultured Blue Mussels
Type of Company: Grower
Farm Location: Kachemak Bay
(Halibut Cove Lagoon)
Sales Manager: Diana Tillion
Address: P.O. Box 6409
Halibut Cove, AK 99603
Telephone: (907) 296-2207

Benson Sea Farms

Product: Half Shell Pacific Oysters
Littleneck Clams
Type of Company: Grower
Farm Location: Southeast Alaska (Kake)
Sales Manager: Wolf Benson
Address: P.O. Box 1541
Petersburg, AK 99833
Telephone: (907) 772-4490

Canoe Lagoon Oyster Company

Market Name: ALASKA STERLING
Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Southeast Alaska (Coffman Cove)
Sales Manager: SHARON GRAY
Address: P.O. Box 18062
Coffman Cove, AK 99918
Telephone: (907) 329-2253
Fax: (907) 329-2202

Chenega Bay Mariculture

Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Prince William Sound
(Chenega Bay)
Sales Manager: David Daisy
Address: P.O. Box 8079
Chenega Bay, AK 99574-9999
Telephone: (907) 573-5132
Fax: (907) 574-5120

Eagle Rock SeaFarms

Product: Half Shell Pacific Oysters
Cultured Blue Mussels
Type of Company: Grower
Farm Location: Kachemak Bay (Seldovia)
Sales Manager: Joe Banta
Address: 12304 Hilltop Drive
Anchorage, AK 99515
Telephone: (907) 522-3808
Fax: (907) 277-4523

Favco, Inc.

Product: Half Shell Pacific Oysters
Cultured Blue Mussels
Type of Company: Distributor
Sales Manager: Jim O'Neill
Address: P.O. Box 190968
Anchorage, AK 99519-0968
Telephone: (907) 278-1525
Fax: (907) 276-6626

Glacier Fresh Aquatic Farms

Market Name: Northern Lights Oyster Co.
Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Kachemak Bay (Seldovia)
Sales Manager: Sherry Bess
Address: P.O. Box 1140
Homer, AK 99603
Telephone: (907) 235-7133
Fax: (907) 235-7133

Kachemak Bay Oyster Company

Market Name: Kachemak Oysters
Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Kachemak Bay (Seldovia)
Sales Manager: Heidi Borson Paine
Address: 17740 Kiloana Circle
Eagle River, AK 99577
Telephone: (907) 696-7288
Fax: (907) 696-7288

Tatitlek Mariculture

Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Prince William Sound
(Tatitlek)
Sales Manager: David Daisy
Address: 3300 C Street
Anchorage, AK 99503
Telephone: (907) 325-2311
Fax: (907) 325-2298

Tenass Pass Shellfish

Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Southeast Alaska (Sea Otter Sound)
Sales Manager: Rodger Painter
Address: 130 Seward St., Suite 504
Juneau, AK 99801-2106
Telephone: (907) 463-3600
Fax: (907) 463-3601

Yakutat Mariculture, Inc.

Market Name: St. Elias Oysters
Product: Half Shell Pacific Oysters
Type of Company: Grower
Farm Location: Southeast Alaska (Yakutat)
Address: P.O. Box 416
Yakutat, AK 99689
Telephone: (907) 784-3335
Fax: (907) 784-3622



REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

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

SPONSOR STATEMENT

CSHB 118 - "SEAFOOD MARKETING / AQUATIC PRODUCT TAX"

March 3, 1996

CSHB 118 brings ASMI two new sources of revenue to ASMI.

First, this bill imposes an aquatic farm product marketing assessment at the rate of .3 percent on the value of aquatic farmers' product. The aquatic farmers' assessment would be remitted to the Department of Revenue annually by April 1 of the calendar year following the sales. Oysters, mussels and clams are permitted for aquatic farming; however, at present, only oysters are being sold in any significant amount.

Second, CSHB 118 amends AS 43.76.110 so that special harvest area permit holders would be subject to the 1 percent salmon marketing tax. Special harvest area permit holders are those fishermen who harvest cost recovery salmon for the hatcheries. The salmon put on the market through this method enter and effect the salmon market and should contribute to our ailing salmon markets.

Table 1. 1995 Aquatic farm permit data.

	<u>Southeast</u>	<u>Southcentral</u>	<u>TOTAL</u>
OPERATIONS			
Aquatic farm permit applications	2	7	9
New Farm Permits issued	1	3	4 ¹⁾
Permits pending or still in process	1	4	5
Total permitted aquatic farms	15	41	56
Shellfish hatcheries/nurseries	1	1	2
Farm/Hatchery Major Amendment Applications	2	1	3
Farms reporting activity	13	31	44
Farm permit renewals received	2	7 ²⁾	9
Farm permit renewals issued	4	11	15
1994 renewals pending/still in process	1	4	5
Acreage permitted for aquatic farming	46	163 ³⁾	209
RESEARCH			
Permit applications	11	26	37
SHELLFISH AND AQUATIC PLANT ACQUISITION/TRANSPORT			
Permit applications	30	47	77
Permits issued	27	44	71
Permits pending or still in process	3	1	4

1) From 1994 applications.

2) Includes one shellfish hatchery renewal application.

3) Includes 20 acres in Kachemak Bay State Park.

Table 2. 1995 Aquatic farm operations data.

	Southeast	Southcentral	TOTAL
MARKET SALES			
Oysters	599,106	267,866 ¹⁾	866,972
Value	\$185,723	\$110,302	\$296,025
Mussels (lbs)	100	4,235	4,335
Value	— ³⁾	\$10,458	\$10,458
Total aquatic farm market sales			\$306,483
HATCHERY/NURSERY SALES			
Oysters	0	43,370	43,370
Value	\$0	— ³⁾	— ³⁾
SEEDSTOCK PURCHASED			
Oyster spat	1,779,752	2,404,000 ¹⁾	4,183,752
Oyster larvae	0	4,000,000	4,000,000
END OF YEAR INVENTORY ²⁾			
Oysters	3,606,064	6,809,002 ¹⁾	10,315,066.00
Value	\$1,086,879	\$2,655,510	\$3,742,389
Mussels (lbs)	1,000	73,210 ⁴⁾	74,210
Value	— ³⁾	\$179,365	\$179,365
Total End-of-Year Aquatic Farm Inventory Value			\$3,921,754
Oysters(hatchery/nursery)	33,800	94,000	127,800.00
Value	— ³⁾	— ³⁾	— ³⁾
Littleneck clams (hatchery stock)	0	34,000	34,000
Value	\$0	— ³⁾	— ³⁾
EMPLOYMENT SUMMARY			
Number of employees	24	50	74 ⁵⁾
Days worked	1,342	2,887	4,229

1) Southcentral production data preliminary

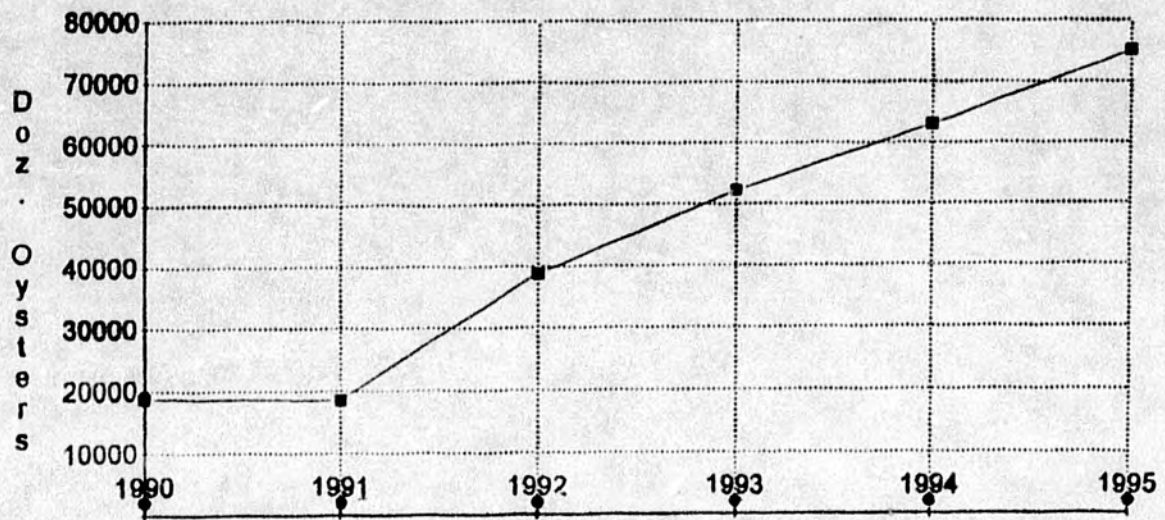
2) A small inventory of other species, primarily scallops (<5,000 organisms) exists.

3) Single producer, financial information confidential.

4) Estimate. Mussel inventory methods vary widely between farms.

5) Does not include owner/operator work days.

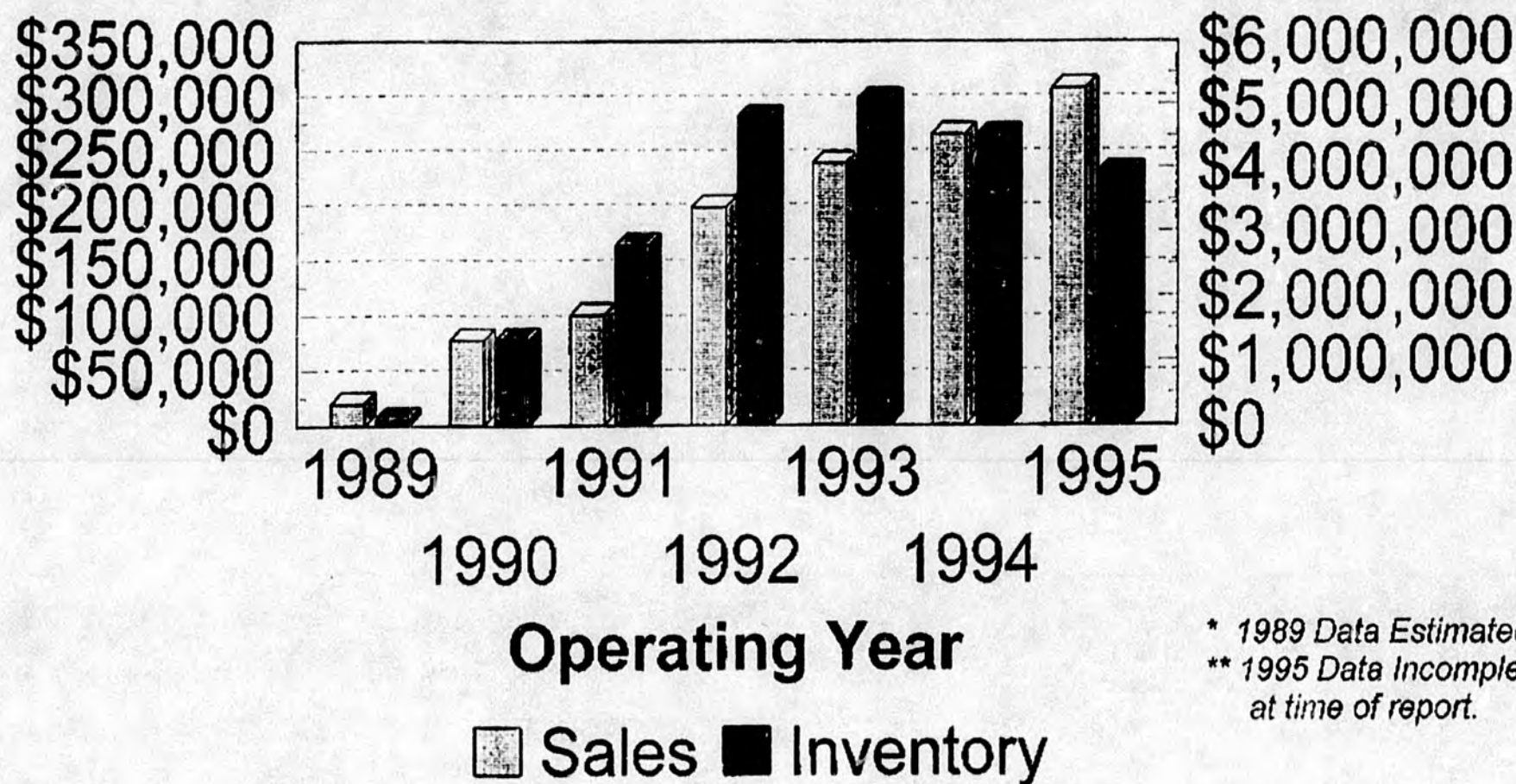
Alaska Oyster Sales 1990-1995
(1995 estimated)



AQUATIC FARM SALES AND INVENTORY

Total Farm Sales

End of Year Inventory



• 1995 Reporting Year



REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

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

SPONSOR STATEMENT

CSHB 118 - "SEAFOOD MARKETING / AQUATIC PRODUCT TAX"

by Rep. Alan Austerman

January 27, 1996

CSHB 118 would impose an aquatic farm product marketing assessment at the rate of .3 percent of the value of aquatic farmers' product. The aquatic farmers' assessment would be remitted to the Department of Revenue annually by April 1 of the calendar year following the sale. Oysters, mussels and clams are permitted for aquatic farming; however, at present, only oysters are being sold in any significant amount.

The CSHB 118 draft provides for the aquatic farm producers to contribute to ASMI under the seafood marketing assessment of .3 percent. The original bill included these producers under the 1 percent salmon marketing tax.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE AUSTERMAN

TO: CSHB 118(); version "K"

- 1 Page 6, lines 12 - 13:
- 2 Delete all material.
- 3 Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE AUSTERMAN

TO: CSHB 118(); version "K"

1 Page 2, line 23, through page 6, line 2:

2 Delete all material.

3 Insert new bill sections to read:

4 **"* Sec. 2.** AS 16.51 is amended by adding a new section to read:

5 Sec. 16.51.161. DEFINITION FOR AS 16.51.120 - 16.51.161. In
6 AS 16.51.120 - 16.51.161, "seafood" has the meaning given in AS 16.51.180, but does
7 not include aquatic farm products.

8 *** Sec. 3.** AS 16.51 is amended by adding a new section to read:

9 Sec. 16.51.165. AQUATIC FARM PRODUCT MARKETING
10 ASSESSMENT. (a) A person who holds an aquatic farm permit under AS 16.40.100
11 shall pay an aquatic farm product marketing assessment of three-tenths of one percent
12 of the value of aquatic farm products sold by the permit holder.

13 (b) A permit holder shall remit to the Department of Revenue by April 1 of
14 each year the total amount of the aquatic farm product marketing assessment owed
15 on the value of aquatic farm products sold by the permit holder in the previous
16 calendar year.

17 (c) In this section,

18 (1) "permit holder" means a person who holds an aquatic farm permit
19 under AS 16.40.100;

20 (2) "value" means the actual price received by a permit holder for the
21 sale of aquatic farm products."

22 Renumber the following bill sections accordingly.

23 Page 6, line 11:

1 Delete "as defined in AS 16.40.199"

2 Insert "[AS DEFINED IN AS 16.40.199]"

3 Page 6, lines 12 - 13:

4 Delete all material and insert a new bill section to read:

5 **"* Sec. 6.** AS 16.51.180 is amended by adding a new paragraph to read:

6 (7) "aquatic farm product" has the meaning given in AS 16.40.199."

7 Renumber the following bill section accordingly.

8 Page 6, line 14:

9 Delete "2 and 3"

10 Insert "3 and 4"



UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112
Juneau, Alaska 99801
907/586-2820
Fax: 907/463-2545

POSITION PAPER

TO: House Resources Committee
Hon. Bill Williams, Co-Chairman

RE: HB 118 Seafood Marketing/Aquatic Products Tax

By the United Fishermen of Alaska

March 12, 1996

The United Fishermen of Alaska supports the passage of HB 118, which would direct a portion of the proceeds of cost recovery harvest by fish hatcheries and oyster farms to the general fund and which, if appropriated by the legislature, could be used by the Alaska Seafood Marketing Institute for its seafood marketing programs.

The UFA board of directors voted on March 4, 1996, to support this legislation because of our belief that salmon hatcheries and other seafood mariculture ventures should contribute to seafood marketing efforts led by ASMI. Mariculture growers themselves support contributions to the ASMI marketing efforts.

While the overall amount collected from this proposed tax is relatively small, we believe that the amounts likely to be collected are larger than some estimates, and are likely to grow in the future as the Alaska oyster harvest increases. We believe the legislation is significant in that it ensures that all parts of the seafood industry help fund efforts to market Alaska seafood products.

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fishermen's Association • Alaska Trollers Association • Area K Seiners Association
Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association
Cordova District Fishermen United • Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Peninsula Marketing Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association
Seafood Producers Cooperative • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association • United Cook Inlet Drift Association

TOTAL P.01



**Rep. Alan Austerman
Capitol Building
Juneau, AK 99811**

Dear Rep. Austerman:

Thank you for inviting our comments on House Bill 118. The Alaskan Shellfish Growers Association (ASGA) voted unanimously at its annual meeting in October to support this measure if two amendments are adopted. These amendments relate to reporting requirements and the amount of the assessment.

The collection provisions of the legislation would be unduly burdensome and costly to administer. In fact, the Alaska Department of Revenue estimates the administrative cost of the procedures would far exceed the amount collected. These sections would require the reporting to the state of each sale of aquatic farm products, and would impose enormous paperwork requirements on growers and the state.

These sections were based upon the collection requirements of the one percent marketing assessment on salmon fishermen. They work well for that purpose because each purchase of salmon must be recorded on a "fish ticket" and a copy forwarded to the state for other purposes. However, aquatic farmers are not under a "fish ticket" system and to impose a similar system strictly for the marketing assessment would be excessive.

Discussion with Revenue officials suggest that the department would support a single annual report from growers for the purposes of collecting the tax. Shellfish growers currently are required to submit an annual report to the Alaska Department of Fish and Game. The year-end report includes a month-by-month summary of aquatic farm product sales and gross revenues from those sales. It seems that this report could be revised slightly to fit the purposes of this legislation.

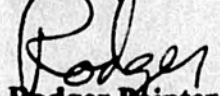
The legislation would impose a one percent marketing tax on aquatic farmers to help support the programs of the Alaska Seafood Marketing Institute (ASMI). While we believe that ASMI is doing a very good job in promoting Alaska oysters, ASGA believes the tax should be fair and equitable to everyone in the industry.

Aquatic farmers are classified by the state for all other purposes as seafood, but HB 118 would put us in a new category. Existing statutes allows seafood processors to set the level of the

assessment through a vote of all licensed processing companies. Currently, this assessment is set at .3 percent. ASGA strongly believes that aquatic farmers should be put under the same assessment as all other seafood processors.

Again, ASGA strongly supports ASMI's marketing efforts, but we believe adoption of both of these amendments are vital. I would be pleased to work with you and your staff to develop legislation acceptable to the industry.

Sincerely,



Rodger Painter

c.c. Rep. Caren Robinson
 Rep. Kim Elton
 Art Scheunemann, ASMI

AQUATIC FARM SALES AND INVENTORY

Total Farm Sales

End of Year Inventory



• 1995 Reporting Year

* 1989 Data Estimated
 ** 1995 Data Incomplete
 at time of report.

Alaska Oyster Sales 1990-1995
(1995 estimated)

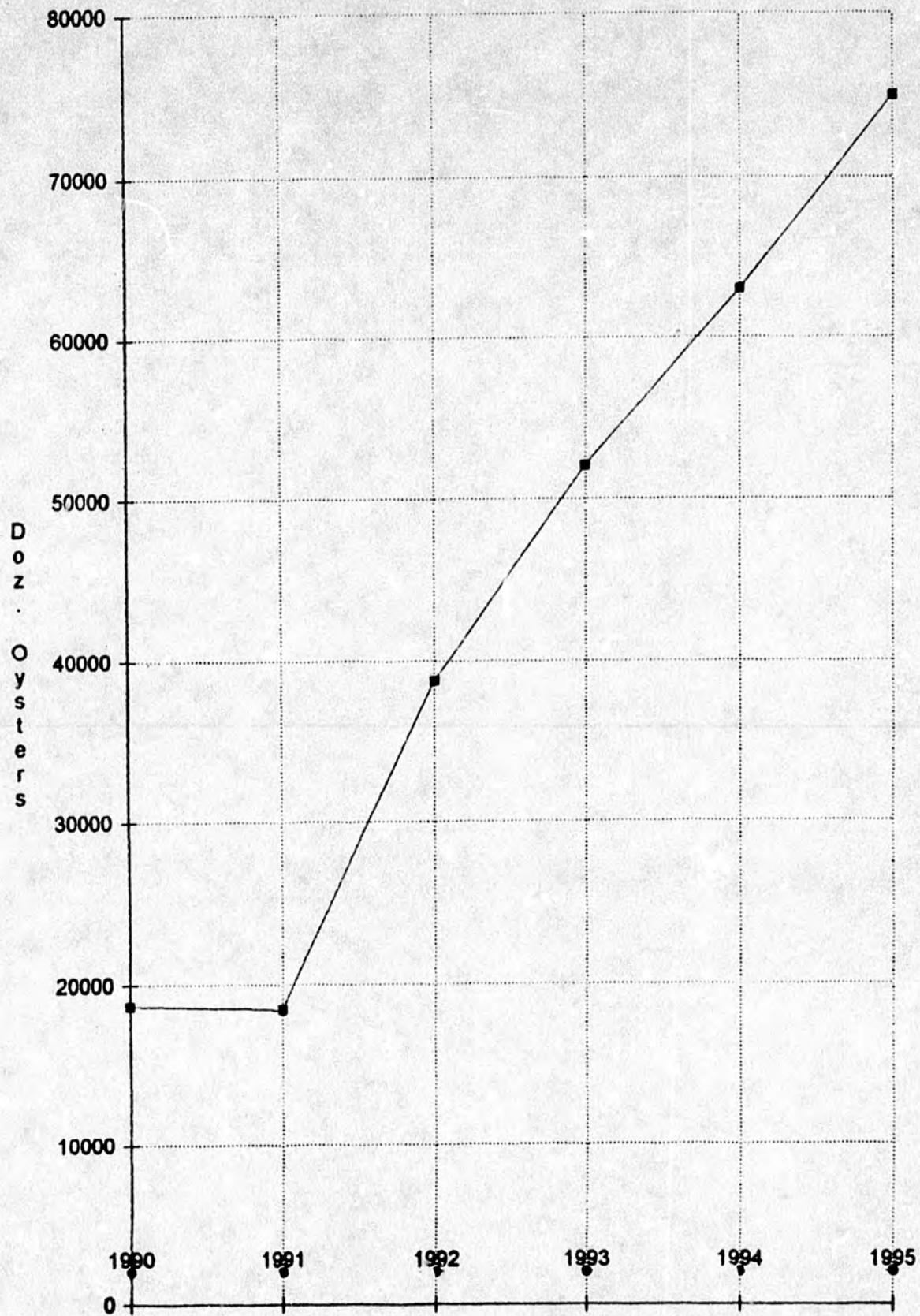


Table 2. 1995 Aquatic farm operations data.

	Southeast	Southcentral	TOTAL
MARKET SALES			
Oysters	599,106	214,826 ¹⁾	813,932
Value	\$185,723	\$83,782	\$269,505
Mussels (lbs)	100	4,085	4,185
Value	— ³⁾	\$10,008	\$10,008
Total aquatic farm market sales			\$279,513
HATCHERY/NURSERY SALES			
Oysters	0	43,370	43,370
Value	\$0	— ³⁾	— ³⁾
SEEDSTOCK PURCHASED			
Oyster spat	1,779,752	2,104,800 ¹⁾	3,883,752
Oyster larvae	0	4,000,000	4,000,000
END OF YEAR INVENTORY			
Oysters	3,500,064	5,284,822 ¹⁾	8,778,886.00
Value	\$1,086,879	\$2,053,281	\$3,140,160
Mussels (lbs)	1,000	73,060 ⁴⁾	74,060
Value	— ³⁾	\$178,997	\$178,997
Oysters (hatchery/nursery)	33,800	94,000	127,800.00
Value	— ³⁾	— ³⁾	— ³⁾
Littleneck clams (hatchery stock)	0	34,000	34,000
Value	\$0	— ³⁾	— ³⁾
Total End-of-Year Aquatic Farm Inventory Value			\$3,319,157
EMPLOYMENT SUMMARY			
Number of employees	24	50	74 ⁵⁾
Days worked	1,342	2,887	4,229

1) Southcentral production data preliminary

2) A small inventory of other species, primarily scallops (<5,000 organisms) exists.

3) Single producer, financial information confidential.

4) Estimate. Mussel inventory methods vary widely between farms.

SCOMM

95:18



Southwest Alaska Municipal Conference

Putting Resources to Work For People

3300 Arctic Blvd., Suite 203 • Anchorage, Alaska 99503 • (907) 562-7380 • FAX (907) 562-0438

RESOLUTION 94-19

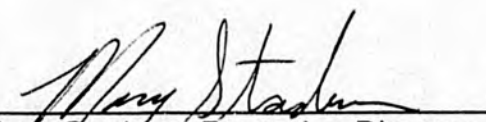
A RESOLUTION REGARDING BONDING REQUIREMENTS FOR SMALL PROCESSORS

- Whereas,** communities in Southwest Alaska are involved in the seafood and fishing industries and;
- Whereas,** declines in fish prices have forced fishermen to look for alternative markets or processes that would allow for higher prices for their fish and;
- Whereas,** the amount of bonding required by the State of Alaska is the same for a small processor as a large processor and;
- Whereas,** small processors do not have the same financial resources as large processors and;
- Whereas,** allowing a lesser amount of bond for small processors would alleviate much of the financial burden to mom and pop processing operations and;

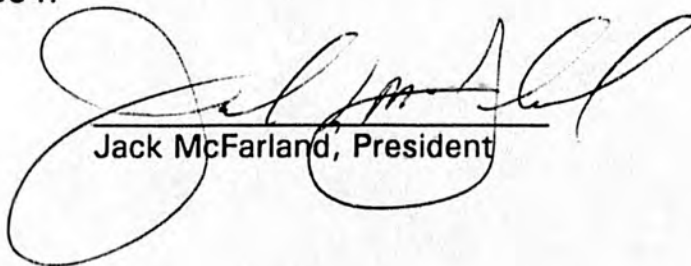
Be It Resolved that a small processor that processes 30,000 lbs. or less of fish a year shall pay a \$2,000 bond to the State of Alaska and;

Be It Further Resolved that SWAMC respectfully requests its legislators to introduce and push legislation for the bond requirement for small processors.

PASSED AND APPROVED BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE
THIS 12th DAY OF SEPTEMBER, 1994.


Mary Stadum, Executive Director

g:\fallconf.94\res9419


Jack McFarland, President

Representing the Bristol Bay, Pribilof, Kodiak Island and Aleutian Island areas.

WALTER J. HICKEL, GOVERNOR

**DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT**

DIVISION OF ECONOMIC DEVELOPMENT

P.O. BOX 110804
JUNEAU, ALASKA 99811-0804
PHONE: (907) 465-2017

DCED Comments on House Bill 140

This bill reduces the amount of surety bond required for small fish processors that process 30,000 pounds or less of fish a year from \$10,000 to \$2,000. Processors, who initially filed a \$2,000 bond under this bill and then process more than 30,000 pounds of fish in a year, are required to notify the department and comply with the \$10,000 bond requirement.

The purpose of the bond is to protect fishermen and processing workers from processing companies that do not pay them in full at the end of the fishing season. The bond payment is made to the Department of Revenue and, according to agency officials, is rarely activated.

Changes in market conditions and fishery management have caused many fishermen to consider marketing their own fish. One of the biggest impediments to the development of these entrepreneurial enterprises are the costs of permits, licenses and bonding requirements which were designed for compliance by large processing companies. Furthermore, operations that process less than 30,000 pounds of fish annually are likely processing the fish harvested by their own fishing operation and bonds posted to protect them from nonpayment to themselves would be rendered meaningless.

HB 140 will significantly help reduce capital investment costs for small direct marketing operations and increase their likelihood for success.



REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

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

SPONSOR STATEMENT

HB 140 - "SMALL FISH PROCESSOR SURETY BONDS"

February 14, 1995

House Bill 140 reduces the surety bond or cash deposit that small processors pay to the Department of Revenue if the processor processes 30,000 pounds of fish or less annually. These businesses would otherwise have a \$10,000 surety bond obligation or cash deposit.

HB 140 is an economic development bill for Alaska. It benefits the smallest of potential fish processing operations by lowering the bond amount from \$10,000 to \$2,000, and thereby providing an incentive for value-added businesses to establish themselves in the fishing industry.

This bill originated from a SWAMC resolution which later passed unianimously as an AML resolution. The AML version revised the annual poundage to 100,000 pounds.

FISCAL NOTE

Revision Date: _____ Dept. Affected: Revenue
 Title: Small Fish Processor Surety Bonds BRU: Audit Operations
 Component: Income and Excise Audit
 Sponsor: Rep. Austerman
 Requestor: (H) FSH COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

REVENUE FUND SOURCE:	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current (FY95) impact \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Robert N. Bartholomew, Deputy Director *Robert N. Bartholomew* Phone: 465-2320
 Division: Income and Excise Audit Date: 2/9/95
 Approved by Commissioner: *[Signature]* Date: 2/9/95
 Agency: Department of Revenue

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Bill Analysis

This bill reduces the amount of surety bond required for small fish processors that process 30,000 pounds or less of fish a year from \$10,000 to \$2,000. Processors who initially filed a \$2,000 bond under this bill and then process more than 30,000 pounds of fish in a year are required to notify the Department and comply with the \$10,000 bond requirement.

In lieu of the surety bond, small processors may file a cash deposit or other negotiable security acceptable to the Department in the amount specified for the bond.

Operating Costs

Department of Revenue does not anticipate any additional operating costs for implementing the provisions of this bill. This bill only affects the dollar amount of surety bonds required for small processors and will not establish new filing requirements for processors.

Revenue

This bill does not impact revenue because surety bonds, cash deposits and other negotiable securities filed under the surety bond program are filed as security and held in trust for the period of time specified under statutes.



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325, Fax (907) 463-5480

February 9, 1995

TO: Representative Alan Austerman
Chairman, Fisheries Committee

FROM: Kevin C. Ritchie
Kevin C. Ritchie
Executive Director

RE: HB 140 - Surety Bonds Required of Certain Fish Processors

Attached please find a copy of the Alaska Municipal League Resolution 95-19 regarding bonding requirements for small processors. This resolution passed at the Alaska Municipal League Conference in November 1994.

A revision was made to the resolution on the floor of the annual meeting to change the number from: "30,000 pounds to 100,000 pounds or less of fish a year. . ." There were no objections.

The League supports allowing a lesser amount of bond for the smaller fish processors because they don't have the financial resources of the larger processors.

a:\jk\leg95.HB140.ltr

Resolution of the Alaska Municipal League

Resolution No. 95-19

**A RESOLUTION REGARDING BONDING
REQUIREMENTS FOR SMALL PROCESSORS**

WHEREAS, communities in Alaska are involved in the seafood and fishing industries; and

WHEREAS, declines in fish prices have forced fishermen to look for alternative markets or processes that would allow for higher prices for their fish; and

WHEREAS, the amount of bonding required by the State of Alaska is the same for a small processor as a large processor; and

WHEREAS, small processors do not have the same financial resources as large processors; and

WHEREAS, allowing a lesser amount of bond for small processors would alleviate much of the financial burden to "mom and pop" processing operations:

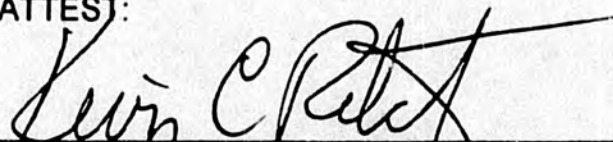
NOW, THEREFORE, BE IT RESOLVED, that a small processor that processes 100,000 pounds or less of fish a year shall pay a \$2,000 bond to the State of Alaska.

BE IT FURTHER RESOLVED that the Alaska Municipal League respectfully requests its legislators to introduce and push legislation for the bond requirement for small processors.



John Torgerson, President

ATTEST:



Kevin C. Ritchie, Executive Director



HB 140
File
Copy

Alaska State Legislature

House of Representatives
Special Committee on Fisheries

MEMORANDUM

TO: Senator Rick Halford, Co-Chair
Senator Steve Frank, Co-Chair
Senate Finance Committee

FROM: Representative Alan Austerman, Chair
House Special Committee on Fisheries

DATE: April 18, 1995

RE: HB 141 & HB 140 scheduling

I respectfully request that HB 141 and HB 140 be scheduled at your earliest possible convenience. Both of these bills are expected to move out of Senate Resources Friday afternoon. Accordingly, I would appreciate it if you would schedule these bills for next week "pending referral" since committees submit their schedules earlier in the week than the Friday Resources Committee.

You already have HB 116 in your committee which I am also interested in having heard.

If you have any questions, please call me (2487) or Amy Daugherty (4230).

STATE OF ALASKA
Commercial Fisheries Entry Commission
Average Pounds and Earnings for 1993

Year	Fishery	Number of Permits Fished	Total Pounds	Average Pounds	Total Earnings	Average Earnings
Sablefish						
93	C61A	121	5,939,678	49,088	\$6,687,157	\$55,266
93	C61C	26	836,573	32,176	\$886,328	\$34,090
Herring Seine						
93	G01A	50	20,372,918	407,458	\$3,483,769	\$69,675
93	G01H	60	7,140,700	119,012	\$2,220,758	\$37,013
93	G01K	47	8,518,109	181,235	\$2,657,195	\$56,536
93	G02Z	7	1,484,743	212,106	\$198,956	\$28,422
Herring Gill Net						
93	G34A	102	1,473,845	14,449	\$1,299,931	\$12,744
93	G34E	24	2,059,776	85,824	\$632,351	\$26,346
93	G34K	39	1,311,786	34,521	\$404,030	\$10,632
93	G34H	72	1,328,514	18,452	\$205,973	\$2,861
93	G34Y	41	742,001	18,098	\$106,106	\$2,588
93	G34Z	254	8,565,225	33,721	\$1,231,469	\$4,848
Herring Spawn-on-Kelp						
93	L12T	172	381,158	2,216	\$266,046	\$1,547
93	L21E	52	212,875	4,094	\$2,179,840	\$41,920
SE King Crab						
93	K19A	8	11,102	1,388	\$44,343	\$5,543
93	K29A	3	.	.	.	.
93	K35A	1	.	.	.	.
93	K48A	28	418,210	14,872	\$904,724	\$32,312
93	K59A	5	101,707	16,951	\$186,539	\$31,090
93	K59A	45	982,523	21,359	\$2,102,992	\$45,717
SE Tanner Crab						
93	T19A	16	188,056	11,754	\$344,360	\$21,523
Salmon Seine						
93	S01A	382	203,697,537	533,240	\$52,808,504	\$138,478
93	S01E	144	9,490,558	65,907	\$1,706,858	\$11,853
93	S01H	51	2,109,936	41,371	\$842,496	\$16,520
93	S01K	324	117,723,013	363,345	\$30,756,361	\$94,827
93	S01L	102	17,974,603	176,822	\$9,952,323	\$97,572
93	S01M	122	51,846,673	423,358	\$16,155,304	\$132,421
93	S02K	9	427,759	47,529	\$74,073	\$8,230
Salmon Drift Gill Net						
93	S03A	460	24,805,858	53,491	\$15,913,424	\$34,594
93	S03E	514	18,520,085	36,031	\$18,863,565	\$36,700
93	S03H	580	16,815,486	28,992	\$15,537,133	\$28,512
93	S03M	163	25,296,059	155,191	\$19,595,097	\$120,215
93	S03T	1875	218,071,180	116,305	\$145,328,506	\$77,509
Salmon Set Gill Net						
93	S04D	157	3,796,287	24,180	\$5,000,640	\$19,114
93	S04E	30	1,025,806	34,194	\$802,332	\$30,078
93	S04F	9	3,169	352	\$0	\$0
93	S04H	641	14,668,304	22,883	\$14,314,327	\$22,331
93	S04K	176	16,841,088	95,688	\$7,724,543	\$43,889
93	S04M	113	8,555,180	75,710	\$5,632,529	\$49,845
93	S04P	35	44,985	1,285	\$95,252	\$2,721
93	S04T	965	32,627,106	33,810	\$21,747,803	\$22,537
Salmon Gill Net						
93	S04W	787	6,727,902	8,442	\$4,046,977	\$5,078
93	S04X	114	604,315	5,301	\$232,619	\$2,041
93	S04Y	682	2,421,420	3,550	\$5,378,271	\$7,886
93	S04Z	128	1,220,579	9,336	\$365,763	\$2,857
Salmon Troll						
93	S05B	600	2,668,300	4,481	\$3,156,230	\$5,260
93	S15B	836	20,784,448	24,862	\$23,470,195	\$28,074
Salmon Fishwheel						
93	S08P	88	98,760	1,122	\$224,981	\$2,557

HOUSE COMMITTEE REPORT

(5)
Date Referred: February 1, 1995 FURTHER REFERRALS: Labor & Commerce

Date of Committee Action: 2/20/95

The HOUSE SPECIAL COMMITTEE ON FISHERIES Committee considered: HB 140

HOUSE BILL NO. 140 SMALL FISH PROCESSOR SURETY BONDS

"An Act relating to surety bonds required of certain fish processors."

recommends it be replaced with the following committee substitute CSHB 140 (FSH) ☒ the same title ☐ a new title

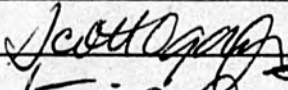
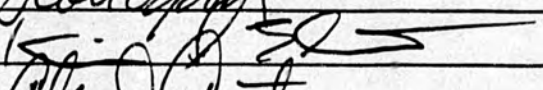
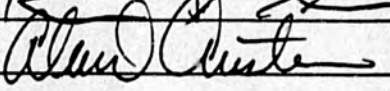
☐ additional referral to _____ Committee
☐ attached amendment(s)

ADOPTS: _____ Letter of Intent

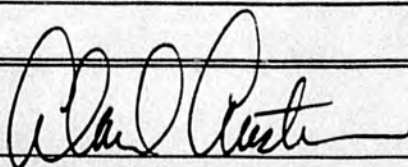
ATTACHES NEW FISCAL NOTE(s): (Dept) APPROVES PREVIOUS: (Dept/Date)

☐ fiscal note(s) _____ ☐ fiscal note(s) _____

☒ zero fiscal note(s) Revenue ☐ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
	☒			
	☒			
			☒	

CHAIR'S SIGNATURE



2/20/95



HOUSE SPECIAL COMMITTEE ON FISHERIES

DATE: 2/20/95

PLACE: Rm. 124

SUBJECT OF MEETING:

HB 140

HB 141

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS		ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Jay McLure	UFA	212 45th	112 Suite		586	586	☒	N	141
Geron Bruce	ADF+G	Box 25526	Juneau	99801	2820	2820	☒	N	HB 141
							Y	N	
							Y	N	
							Y	N	
							Y	N	
							Y	N	
							Y	N	
							Y	N	
							Y	N	
							Y	N	