

Agency: Commerce, Community and Economic Development**Grant Recipient: Community & Economic Dev****Project Title:****Project Type: Equipment and Materials**

Alaska Seafood Marketing Institute - Canned Salmon, Herring and Protein Powder Project

State Funding Requested: \$300,000**House District: Statewide (1-40)**

Future Funding May Be Requested

Brief Project Description:

The Alaska Global Food Aid Program is hoping to move forward with members of the Alaska Seafood Industry to create a new, high value product from the seafood waste stream and to further create an associated, international market for it; turning fish waste into marketable products will increase state and local tax revenues. This would be phase 2 of the Western Alaska Canned Chum & Herring Demonstration Project with a slightly different focus.

Funding Plan:

Total Project Cost:	\$500,000
Funding Already Secured:	(\$200,000)
FY2014 State Funding Request:	<u>(\$300,000)</u>
Project Deficit:	\$0

*Funding Details:**Projected Budget**Research and development \$50,000**Product Production Costs \$200,000**Packaging, labeling and domestic shipping \$30,000**International Shipping \$15,000**International project design and management with associated international travel \$190,000**Publication, marketing and industry communication \$15,000**Total \$500,000***Detailed Project Description and Justification:**

Throughout Western Alaska, the salmon and herring resource is abundant, but in many cases underutilized. There are several reasons for this, but the primary reason is that the cost of frozen processing and transporting (including fresh) is often prohibitively expensive. This paper addresses the need for a canning facility in Western, Alaska as well as the development and marketing needs to address the feasibility of such a facility.

The Alaska Global Food Aid Initiative has been in progress for 7 years. At the direction and with financial support from the State of Alaska and the Alaska Fisheries Marketing Board, Canned Salmon is now being used in many of the USDA Export Food Aid programs around the world. Over the short life of this effort, approximately \$2M has been invested by all sources, resulting in new sales directly related to the effort of over \$40M.

Due to a shortage of canned Pink from the 2006 Alaska canned pack, canned Chum Salmon was added as an accepted product for use by USDA into these same programs.

The demand for protein in the Worldwide Food Aid programs continues to increase. It is clear that as a mature world market, there is not enough canned Pink or Keta salmon produced to supply both the world-wide commercial and Food Aid markets at the more recent level of interest. To add to this demand, is the decrease in the percentage of the Alaska salmon harvest that is canned. Value added products and the general increase in world-wide demand for frozen fish continues to increase the volume of frozen processing. Efforts to grow the export food aid program market have been very successful but it is very important as with any market to be able to insure the supply to that market. After the shortage of canned salmon production over the last several years, potential opportunities for new Canned Herring product are very real.

Herring in Alaska are produced primarily for their eggs (Roe). This product is destined exclusively for markets in Japan which have declined significantly over the last 10 years.

Due to this decline and to the similar economic difficulties associated with the processing and transportation mentioned above for Salmon, the herring resource north of Bristol Bay has not been harvested for quite some time.

There are estimates that unharvested stocks of Western Alaska Chum and Pink salmon alone could produce over 400,000 cases of canned product. This is not a large volume in comparison to the Alaska canned pack as a whole, but for each of these areas in W and N.W. Alaska, there is significant opportunity for summertime employment and renewed harvesting opportunity that is not currently available. The development of canned herring could increase the economics for a canning facility through volume of production and length of production season. An economical waste stream process is also a very significant part of the development needed to insure the financial viability of such a factory.

Availability of canning equipment, labor, availability of fishermen, and cost of freight and power are all certainly parts of the equation for a business plan. If the owners of the canned fish are Alaska Natives and are designated as small business, they may have priority to sell into various USDA programs. In the last few years, these Food Aid programs alone purchased what could be the area's entire production volume. In fact, the demand well exceeds the supply to the point of a very real need for new canned fish products in both Export and Domestic Feeding programs.

The Alaska Global Food Aid's proven plan for salmon has been started of Herring and will be followed for the new protein product produced from the associated production waste stream. The project must produce a volume of product for testing in a variety of climates, cultures, and countries around the world. This is necessary to show both the Food Aid and commercial markets that it is a product that has broad acceptability and usage anywhere in the world. Once these subjects of interest are clarified and shown to be acceptable to all involved, Alaska will have the potential to develop and produce a "new" seafood product for new world markets. This is a product and a resulting process (canning) that can supply an outlet for underutilized stocks throughout Western Alaska, where economic development is so badly needed. The creation of a new market for canned herring will help the financial picture that is needed for investment in canning facilities for underutilized salmon stocks as well.

Research and development of a new product is usually a risky proposition, however in this case we believe that the world demand for high quality protein considerably lessens that risk.

Because of the funding for phase 1 of this Western Alaska Herring Development project, the entire Alaska Seafood Industry has gotten behind the project. This considerable support has helped to bring the project to the point where we are today....a point that is well ahead of our original planning expectations.

The Alaska Global Food Aid Program within ASMI has taken the initial canned herring product to the world Food Aid market where acceptance of the product is very promising. USDA's domestic and export Food Aid programs are publicly looking forward to the development of this new Alaska Seafood product for their programs that in 2012 purchased over \$10M of canned Alaska Seafood.

In phase one, the Western Alaska Herring Development Project has surpassed the goals set forth in the FY2011 plan. The challenges have been met and coupled with 2 phases of product development have led the project to its final stages of product and market development.

At the present rate of development and associated Industry participation, it is expected that the principal development portion of this project will be completed in the next 2 years with significant commercial purchases in a volume that will bring the investment and new jobs to Western Alaska that are so desperately needed.

During this Herring Development project, the World Food Aid community has come to the Alaska Global Food Aid Program looking for a new, sustainable product that is extremely high in protein, while both shelf stable, very light weight and with the potential for use with vitamins and micro-nutrients.

In discussions with the World Food Aid participants, USDA, and world renowned nutritionists, a very small sample of Alaska Seafood (salmon) Protein Powder was developed in Alaska. This sample has been shown around the world for the last 3 years and shared with focus groups in various countries in Africa and South America. It was similarly shown at the International Food Aid Conference and with the World Food Programme in Europe. The initial acceptance and expectations looking toward the development of more developed product is universal and the market's excitement cannot be overstated! Following the successful model of the Canned Salmon Development project, and now that of the ongoing Herring Development Project, the Alaska Global Food Aid Program is moving forward with members of the Alaska Seafood Industry to create this new, high value product from the seafood (salmon) waste stream and to further create an associated, international market for it.

Based on the history of the Canned Salmon project and ongoing Canned Herring project, the international excitement for this new Alaska Seafood product supports the addition of this new product and market development project to the Alaska Global Food Aid portfolio of Economic Development projects.

These projects are all complementary of each other and continue to show the communities of Western Alaska the potential for a successful new investment opportunity that will create new values for underutilized, State managed seafood resources. These are resources that are both "near shore" and "in river" fisheries that are harvested and used by Alaska residents and local business.

Successful development and completion of these projects will bring the new values that are necessary for the following investments that will create new opportunity and the associated jobs that come with such economic development.

Project Timeline:

The estimated costs of development and associated worldwide marketing program for phase 2 of the Western Alaska Herring project and the new Protein Powder project for the next 2 years are estimated to be approximately \$500K.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Alaska Seafood Marketing Institute

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Has this project been through a public review process at the local level and is it a community priority? Yes No

<i>For use by Co-chair Staff Only:</i>
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