

State of Alaska FY2004 Governor's Operating Budget

Department of Community & Economic Development Alaska Seafood Marketing Institute BRU/Component Budget Summary

BRU/Component: Alaska Seafood Marketing Institute

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

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Component Mission

The mission of the Alaska Seafood Marketing Institute (ASMI) is to:

1. increase worldwide consumption of Alaska seafood;
2. promote the quality and superiority of Alaska seafood products; and
3. accomplish these marketing efforts while maximizing ASMI staff Alaska resident employment in Alaska.

Component Services Provided

Export Marketing – ASMI markets Alaska Seafood products in China/Hong Kong, Japan, Taiwan, Korea, Australia, and the European Union. Using in-country contractors, ASMI conducts retail and foodservice promotions, public relations activities, tradeshows, consumer advertising and special events and seminars.

Domestic Marketing – ASMI markets all species of Alaska seafood in the retail and foodservice sectors of the U.S. market. Using contractors based around the country and staff, ASMI conducts promotions, public relations activities, tradeshows, trade advertising, special events, and in-depth Alaska Seafood training and conferences for key industry influencers, retail executives, seafood personnel and executive chefs.

Seafood Technical – ASMI conducts quality and Hazard Analysis Critical Control Point (HACCP) training programs for seafood handlers, from the harvester to the retailer, including air cargo shippers. Seafood Technical monitors labeling laws and country of origin legislation. The Seafood Technical Program is involved with the international Codex process, health issues such as omega 3 health claims, and other important national and international issues that affect the entire industry. The Seafood Technical program fulfills an important educational role in support of the foodservice, retail, and export programs. There is no other entity in Alaska that performs as broad a function as this component on behalf of the industry.

Public Relations – ASMI issues press releases, serves as liaison with the national and international press on issues affecting Alaska Seafood, publishes ASMI's newsletter, manages the Salmon Market Information Service, and educates the industry and the public about ASMI's programs.

Salmon Marketing Initiative – ASMI developed an Alaska salmon marketing plan to increase sales volume and product value for the Alaska salmon industry in the U.S. market. This 3-year program (2000-2003) is funded by an EDA grant with a Receipt Supported Services match to assist the Alaska salmon industry in coping with the effects of imported farmed salmon in the United States Market.

Component Goals and Strategies

Build the "Alaska Brand" into the world's premier seafood brand name

Continue ASMI retail account-specific marketing efforts directed at establishing and building the Alaska brand. Do this through positioning Alaska seafood as "Wild & Natural" and the clear choice for retailers and consumers in terms of health, superior flavor profiles and products that provide a sustainable and positive environmental position (unlike farmed salmon, for example).

Expand the Alaska seafood section in stores and increase the use of frozen Alaska seafood

Build on the success of FY02-03 in the implementation of private label, frozen Alaska seafood lines in grocery stores. Alaska seafood products such as salmon, halibut, cod, pollock, crab and sole have been recently introduced in major chains such as Publix, Cub Foods and Harris-Teeter, and are currently being discussed with other retailers (Wal-Mart, BI-LO and Safeway), providing a solid foundation for growth in FY03-04. This effort provides a new year-round outlet for frozen Alaska seafood products, and moves Alaska seafood into yet another form and area of the store.

Educate consumers about health benefits and ease of use of Alaska canned salmon

Increase ASMI's efforts to educate consumers about the health benefits and ease of use of Alaska canned salmon. This effort is being conducted through direct consumer sampling/contact at the Southern Women's Shows. These shows have proven to be an effective way to reach both new and current users with health information on omega-3 fatty acids, new recipes and serving suggestions via sampling and on-stage recipe demonstrations. Education at all levels is essential to building sales and brand loyalty.

Continue the development of a foodservice-retail synergy with simultaneous ASMI activities in local restaurants and nearby grocery stores so that consumers can purchase the products they have enjoyed in their neighborhood restaurant.

Increase market penetration at the distributor level

Continue to work with distributors to maximize Alaska seafood's position and penetration with high-volume broadline and seafood specialty distributors that service both the foodservice and retail sectors. A significant amount of frozen Alaska seafood is sold through this channel.

Increase the number of restaurant chains using the "Alaska" brand

Build on the success of FY02-03 in the foodservice arena by expanding the number of restaurant chains that now brand Alaska on their menus. Build an Alaska seafood customer base with those segments that offer the best sales and promotional opportunities (e.g. college & universities, catering, non-commercial)

Differentiate wild Alaska salmon from farmed salmon

Research shows that many consumers around the world are not aware that all salmon are not wild and natural. Farmed salmon producers are not marketing their products as farmed and use the word "natural" to market salmon reared in pens.

- ASMI will use public relations, chef training, seafood manager (grocer) training, cooking shows, consumer education, and special events to further develop awareness of Alaska Salmon as a wild natural product as opposed to farm-reared industrial salmon.
- ASMI will place stories in the media that point out how farmed salmon imports are damaging the Alaska seafood industry and the impact that is having on the state's fishing families, processors and small communities.
- ASMI has adopted the tagline "WILD AND NATURAL" to market Alaska's seafood and protect the brand.

Expand the reach of ASMI's quality education program

Quality handling continues to be one of the most serious issues facing the industry. ASMI will develop quality training materials on CD-ROM for all seafood handlers to improve the quality of Alaska Seafood. Each program will have a test and a certificate that can be printed to show completion of the course.

Key Component Issues for FY2003 – 2004

The seafood industry, Alaska's largest private sector employer, is suffering from severely depressed salmon market prices. These depressed market prices are, in large part, being driven by a flood of farmed salmon. As a result, average ex-vessel prices for Alaskan wild salmon are low. Revenue generated by the 1% Salmon Marketing Tax for FY03 is expected to decline from FY02 levels by at least \$1 million and a projected decline of – 68% or \$2 million from FY02 to FY04. This reduction will have a significant negative impact on ASMI's marketing efforts. Increased marketing will be needed to help offset depressed market conditions. Consequently, ASMI is investigating possible new sources of federal funding to maintain its marketing program.

Major Component Accomplishments in 2002

“Alaska” or “Alaskan” branded seafood items now rank third among all branded food items at the top 500 restaurant chains. Building the Alaska seafood brand is the best way to raise the product from a commodity status to a recognized brand on par with Idaho Potatoes or Washington Apples.

In FY02-03 major inroads were made towards strengthening the Alaska brand through ASMI's corporate “Fish For Our Future” promotion with Whole Foods (125 stores). This promotion brought together a coalition of like-minded partners (the Marine Stewardship Council and Chef's Collaborative) with a common goal of educating consumers about the benefits of Alaska's salmon management program. This effort was carried out through a retailer-supported public relations campaign, promotional materials and product demonstrations in the stores. The “Fish For Our Future” promotion resulted in an 83% increase in Alaska salmon sales in the chain and has set the stage for FY03 with Whole Foods and other retail chains interested in environmental issues/promotions.

The UK market is the largest Alaska canned salmon market in the world. Canned salmon sold in the UK increased by 22%, FY01 to FY02 (from 14,401 mt to 17,603 mt, an increase of over 3,202 mt). Overall exports to the UK in FY02 increased 71% over FY01 (15,157 mt to 25,927 mt). Of particular interest is the growth of exports of fresh and frozen coho (from 66 mt to 379 mt, up 450%), keta (from 249 mt to 355 mt, up 30%) and sockeye salmon, as well as frozen pink salmon (from 200 mt to 1,060 mt, up 800%). Exports of whitefish products such as Alaska pollock, Pacific cod and halibut have also increased substantially in the past year.

Exports to Southern Europe in FY02 increased 41% by volume over FY01 (11,734 mt to 16,502 mt). Alaska products that have demonstrated the highest growth in the past year are coho salmon, Pacific cod, Alaska Pollock and surimi. While many of Alaska's product offerings have been positioned for low-end, price sensitive applications, higher value product such as coho, sockeye and king salmon are being used by high-end foodservice operations.

Exports to China in FY02 increased 35% by volume over FY01 (35,616 mt to 48,181 mt). Of particular interest is the growth in exports of king crab, snow crab, sablefish, Pacific cod, surimi and pink salmon. This comprises a wide variety of product offerings that are suitable for both high-end and low-end applications. While still primarily a re-export market, ASMI has developed partnerships with 16 new foodservice members that have resulted in them carrying Alaska seafood on their menus on a permanent basis.

For the first time, major metropolitan newspapers and consumer magazines in the United States carried feature stories on the differences between wild and farmed salmon and the impact that farmed salmon is having on the Alaska Salmon industry. These articles were generated by press kits sent out to 800 editors by ASMI and by ASMI media tours. (Research indicates that salmon consumers are more likely to purchase Alaska Salmon if they know the impact farmed salmon is having on Alaska fishing families.)

Statutory and Regulatory Authority

AS 16.51.010-180	Alaska Seafood Marketing Institute
AS 43.76.110-130	Salmon Marketing Tax
15 AAC 116.600-700	Seafood Marketing Assessment on Processors

Key Performance Measures for FY2004

Measure:

The increase in the development of new markets.

Sec 33(b)(1) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

New accounts ASMI Programs acquired in FY02:

- Domestic Foodservice Program: 17 new accounts
- Domestic Retail Program: 15 new accounts representing 2,586 stores
- Export Foodservice Program: 26 new accounts
- Export Retail Program: 46 new accounts including chain stores

Continue to develop the potential for Alaska seafood in high-growth foodservice categories, including supermarket prepared foods and programs targeted towards multi-unit foodservice accounts.

National account promotions have been very effective in expanding the usage and menu branding of Alaska seafood with target operator accounts. High profile, leading chains and growth chains in their respective segments are volume drivers and influence other chains. Staff has also been successful in developing new product ideas and promotions for in-store delis and industry segments that ASMI has not had an opportunity to penetrate in the past (ASMI Executive chef was asked by U.S. Army to develop 20 menu concepts using Alaska seafood items that the U.S. Army already purchases.)

Focus on Salmon as a key component of our domestic marketing efforts.

Under the Strategic Salmon Initiative program (created to focus on public relations and advertising solely on Alaska salmon) ASMI partnered with Alaska Airlines in a promotion that included distribution of 300,000 Alaska Salmon bookmarks to passengers with their meal service, sponsored by in-flight magazine ads and articles.

Media Tours of ten editors from consumer magazines who traveled to Alaska generated public relations articles in Bon Appetit, Women's Day, Shape and other major consumer magazines. Another venue of PR was the use of a Public Service Announcement (PSA) that was distributed to TV stations across the country and broadcast free of charge. Total amount of "impressions" generated was 219 million with an add value of \$ 29.8 million.

After two years of effort with a contractor this initiative has now been folded into our basic programs that will continue to focus on salmon as part of their overall seafood promotion efforts. Due to the rapid decline in value of the Alaska salmon harvest, which impacted ASMI's marketing funds, ASMI reassessed its approach to this initiative. While ASMI will continue to pursue public relations and advertising, it will be on a lesser scale than the past two years and the primary emphasis will shift to retail sales and food service promotions.

Continue developing the Alaska Seafood Market in China.

After four years of developing this market, China's entry into the WTO has begun to change the picture for imports from overseas, as trade is liberalized in the form of reduced tariff schedules. Norwegian and Chilean farmed salmon are well established. ASMI will continue to build preference and usage for Alaska salmon as well as other seafood products.

China is the best example of a developing market. While most imported Alaska salmon and groundfish is re-exported in value-added form (i.e., pinbone out fillets), more is staying in the country for local consumption. More Alaska salmon (primarily keta and pink) is appearing in restaurants and in grocery stores. ASMI has been planting the seeds for expansion in this market and will work on three primary areas: encourage Alaska processors to sell product into the market rather than just for reprocessing; target the luxury hotels and restaurants for high-end products; target retail for the more moderately priced product offerings.

Develop new channels for Alaska Seafood Markets in "Mature" Export Markets.

Many "mature" markets that have been strong importers of Alaska seafood in the past demonstrate high potential for the expansion of new product species and formats, as well as the development of new, emerging consumption segments.

Australia and the United Kingdom have traditionally been the leading export markets for Alaska canned salmon. However, little or no progress has been made in the past in introducing fresh and frozen formats of Alaska seafood within these markets. In the specific case of Australia, the importation of fresh and frozen Pacific salmon had been banned until 1999, when the embargo against these products was lifted. To date, no significant commercial exports of fresh/frozen Alaska salmon has begun to flow into the Australia market.

The UK market has demonstrated great success in the introduction of fresh and frozen formats of salmon into an "existing" market. Fresh salmon promotions took place in the UK during the summer of 2002. Waitrose, Sainsbury and Tesco stores carried fresh Alaska sockeye, chum and coho salmon throughout the summer season, reaching 48% of the UK shopping public. These fresh sales have generated much enthusiasm amongst the UK retail trade,

resulting in a holiday promotion for frozen and smoked Alaska salmon that took place during the Christmas season sales period.

In Southern Europe two wild Alaska smoked salmon products were released for the holiday season. Two Spanish seafoods smokers are developing these new products as a result of ASMI Quality Samples Program that took place in fiscal year 2001-2002. Martiko is releasing an Alaska coho salmon product; Copesco Safrisa will be releasing an Alaska sockeye salmon product. In calendar year 2001, salmon exports to Southern Europe increased an average of 44% in 3 out of 4 markets, with the exception of Spain, which experienced a 34% decrease in comparison with the previous year. Alaska groundfish exports to Southern Europe increased 50% for the same time period. Surimi exports also increased 244% in 2001.

Benchmark Comparisons:

ASMI is the nation's largest seafood organization representing a single state. It is the only one of any size that markets more than one species of seafood. Other comparable organizations would be the Norwegian Seafood Export Council, which markets all species of seafood from Norway for a budget of approximately \$42,000,000 per year. Their return on marketing investment is not public information. Chile is also often compared to Alaska although their production is twice as high and growing. They belong to the International Salmon Farmers Association, which does not have a viable marketing program at this time in our markets. Their salmon products are sold primarily on price.

Background and Strategies:

American lifestyles are changing, truly affecting food needs. The most significant trend is the reduction of food being prepared at home. Consumers don't have time to cook and fewer meals are being prepared at home. Foodservice has been a key beneficiary of this trend given the convenience it offers time-starved consumers. Takeout, in particular, has benefited from this trend. ASMI's foodservice strategy includes maintaining a high profile with national multi-unit accounts. (E.g. Long John Silver's, Marie Callenders, Sodexo, Hyatt Hotels, Hilton Hotels, Carrow's, Sizzler). Menu development and promotional programs are effective avenues for increasing visibility and usage of Alaska seafood.

One foodservice program that has been pivotal in reaching executive chefs from key national accounts has been ASMI's Alaska seafood seminar at the Culinary Institute of America. In an effort to reach more chefs, ASMI plans to launch a national multi-media chef-training program with culinary schools across the country.

Heading into FY02, ASMI's Retail Program changed the way we went to market, moving away from national themed promotions in favor of Account Specific Marketing: custom promotions designed with/for selected retailers. The Account Specific Marketing initiative is directed at establishing and building the Alaska Brand through positioning Alaska Seafood as "Wild & Natural" and the clear choice for retailers and consumers in terms of health, superior flavor profiles and products that provide a sustainable and positive environmental position.

The health benefits of Alaska canned salmon were promoted via consumer sampling events (such as the Southern Women's Shows), advertisements and full-page recipe releases. Direct comparisons of omega-3 fatty acid and calcium levels in canned tuna, chicken and turkey were made. This message is relevant to both new and current canned salmon users.

FY02 saw several retailers launch private label, value-added frozen seafood lines. Several Alaskan species were featured: Alaska Salmon (Coho and Keta), Cod, Halibut, Sole, King crab and Snow crab. Other retailers are investigating their own lines, and we see tremendous opportunity for Alaskan products in the frozen seafood case.

Point-of-sale materials illustrating ASMI's new positioning statement were developed: "Wild & Natural" banners, recipe leaflets, static clings, in-ice picks and package stickers. The creative approach helps differentiate Alaskan product from seafood from other sources, particularly farmed product.

There is a growing consumer concern for "environmentally responsible" seafood – seafood that isn't over-fished or harvested in a way that is harmful to sea creatures or the environment. Environmental concerns about farming practices have forced several retailers to discontinue farmed fish completely or buy only farm-raised fish from companies that have the best practices. Educating consumers about the difference between wild Alaskan seafood and other seafood products is a priority and a key component of our strategy.

Measure:

The change in pounds of seafood sold.

Sec 33(b)(2) Ch 124 SLA 2002(515)

Alaska's Target & Progress:

FY00: 40,950,000 lbs. sold through ASMI promotions
1.6 million cases of canned salmon in the US

2.1 Million CORRECTION

(NB- the canned salmon numbers corrected from the data presented in last year's measure are derived from a more accurate method of accounting of the data)

FY01: 37,910,190 lbs.* sold through ASMI promotions
1.4 Million cases of canned salmon in the US

1.8 million CORRECTION

(NB- the canned salmon numbers corrected from the data presented in last year's measure are derived from a more accurate method of accounting of the data)

**Shellfish production in 2000 dropped 74%. Salmon harvests were down 37%.*

FY02: 46,714,774 lbs. sold through ASMI promotions
2.2 million cases of canned salmon in the US

Note: the error margin is approximately 10% under actual sales; numbers of pounds moved is considered proprietary by some promotion partners and not always available to ASMI.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

ASMI works on a "push" marketing strategy – getting the primary buyers to purchase Alaska seafood. The purpose is to move pounds and provide the Alaska seafood industry with a return on their marketing investment. ASMI pursues this strategy by focusing on the top performers at retail and, with reduced budgets, by prioritizing ASMI's partners according to how much volume they can sell. The Strategic Salmon Market Initiative funded by the EDA provides the "pull" strategy – getting consumers into the stores and restaurants to ask for Alaska salmon and other Alaska seafood products.

Measure:

The percentage of ASMI staff that resides in Alaska and the average salaries of Alaska staff compared to out-of-state staff.

Sec 33(b)(3) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

ASMI has a total of 18 permanent employees in its staff. 50% (9) members of the staff work out of the Juneau Administrative office and include 5 administrative support staff. The average salary is \$ \$4437 per month.

The remaining 50% (9) staff work out of the Bellevue (Washington) marketing office and are comprised of 3 senior marketing staff, 5 marketing specialists and one administrative support staff. The average salary is \$ 4523 per month.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

This measure was added by the legislature in 2002.

Alaska Seafood Marketing Institute
Component Financial Summary

All dollars in thousands

	FY2002 Actuals	FY2003 Authorized	FY2004 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,227.8	1,272.3	1,287.9
72000 Travel	379.3	418.0	418.0
73000 Contractual	6,178.3	8,703.0	9,119.2
74000 Supplies	142.8	180.0	180.0
75000 Equipment	17.7	8.5	8.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	7,945.9	10,581.8	11,013.6
Funding Sources:			
1002 Federal Receipts	2,442.8	3,500.0	5,500.0
1007 Inter-Agency Receipts	57.4	0.0	0.0
1156 Receipt Supported Services	5,445.7	7,081.8	5,513.6
Funding Totals	7,945.9	10,581.8	11,013.6

Alaska Seafood Marketing Institute

Proposed Changes in Levels of Service for FY2004

The declining salmon prices have and will continue to result in decreases to ASMI's revenue that is generated by the Salmon Marketing Taxes and Seafood Marketing Assessment paid by the Alaskan fishing industry. ASMI realizes that the lack of this revenue will force a reduction in its marketing campaign and that it may also result in ASMI receiving less federal funding since its current federal grants require a "match." Consequently, ASMI sought and received new sources of federal funding that require no match. An increment is requested for additional federal receipts. In addition, a decrement of receipt supported services funding acknowledges the lack of revenue.

Summary of Component Budget Changes

From FY2003 Authorized to FY2004 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	0.0	3,500.0	7,081.8	10,581.8
Adjustments which will continue current level of service:				
- \$75 per Month Health Insurance Increase for Non-covered Staff	0.0	0.0	15.6	15.6
Proposed budget decreases:				
- Recognition of lost revenue	0.0	0.0	-1,600.0	-1,600.0
Proposed budget increases:				
- Increases in various rate-based services	0.0	0.0	16.2	16.2
- Maintain marketing program	0.0	2,000.0	0.0	2,000.0
FY2004 Governor	0.0	5,500.0	5,513.6	11,013.6

Alaska Seafood Marketing Institute

Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2003</u> <u>Authorized</u>	<u>FY2004</u> <u>Governor</u>		
Full-time	18	18	Annual Salaries	993,725
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	344,938
			<i>Less 3.79% Vacancy Factor</i>	(50,735)
			Lump Sum Premium Pay	0
Totals	18	18	Total Personal Services	1,287,928

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Technician	0	0	3	0	3
Admin Support Technician	0	0	1	1	2
Administrative Officer	0	0	1	0	1
Asst Marketing Director	0	0	0	1	1
Communications Coordinator	0	0	1	0	1
Executive Director	0	0	1	0	1
Export Program Director	0	0	0	1	1
Foodservice Director	0	0	0	1	1
Marketing Assistant	0	0	0	1	1
Marketing Specialist	0	0	0	2	2
Project Assistant	0	0	1	0	1
Quality Assurance Coordinator	0	0	1	0	1
Retail Program Director	0	0	0	1	1
Sr Marketing Spec/Res Analyst	0	0	0	1	1
Totals	0	0	9	9	18