

State of Alaska FY2007 Governor's Operating Budget

**Dept of Commerce, Community, & Economic Development
Alaska Seafood Marketing Institute
RDU/Component Budget Summary**

RDU/Component: Alaska Seafood Marketing Institute

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

Contribution to Department's Mission

Increase the economic value of Alaska seafood resources.

Core Services

- U.S. and International Retail Alaska Seafood Promotion
- U.S. and International Foodservice Alaska Seafood Promotion
- Seafood Quality Technical Support
- Public Relations and Communications

End Results	Strategies to Achieve Results
<p>A: Increase the value of Alaska seafood resources</p> <p><u>Target #1:</u> Increase by 3% annually the ex-vessel value of key commercial species in Alaska's commercial harvest. <u>Measure #1:</u> Compare the latest ex-vessel value with previous years' ex-vessel value of key commercial species using ADF&G and NMFS data.</p> <p><u>Target #2:</u> Increase by 3% annually the first wholesale value of key Alaska salmon products. <u>Measure #2:</u> : Compare with previous years the first wholesale value for key salmon products using the Alaska Dept. of Revenue Alaska Salmon Price Report.</p> <p><u>Target #3:</u> : Compare with previous years the first wholesale value for key salmon products using the Alaska Dept. of Revenue Alaska Salmon Price Report. <u>Measure #3:</u> Aggregate volume and value of exports to China, Japan and the European countries where ASMI is active, as compared with previous year's performance.</p>	<p>A1: In the U.S. and overseas conduct consumer campaigns, retail and foodservice promotions, public/media relations, technical education to increase the value of Alaska seafood resources</p> <p><u>Target #1:</u> Stable funding to sustain ongoing long-range marketing campaigns in U.S. and key overseas markets <u>Measure #1:</u> Industry match raised through processor-paid marketing assessment, State general fund contribution to ASMI marketing activities, federal funds for ASMI marketing activities</p> <p><u>Target #2:</u> Conduct consumer advertising campaigns, foodservice and retail marketing programs <u>Measure #2:</u> Number of consumer surveys, data collection on brand penetration, product value increases (retail scan data), industry feedback, export figures for Alaska seafood products</p> <p><u>Target #3:</u> Successfully leverage larger share of USDA Market Access Program dollars that fund international marketing activities <u>Measure #3:</u> USDA Foreign Agricultural Service allocation of award to ASMI, compared to previous years' share of Market Access Program funds</p>

Major Activities to Advance Strategies

- | | |
|---|---|
| <ul style="list-style-type: none"> • Conduct consumer campaigns to strengthen demand for wild and natural Alaska Seafood, stimulate sales and increase economic value of Alaska seafood • Execute advertising campaign to boost usage of all key commercial species of Alaska Seafood | <ul style="list-style-type: none"> • Build a customer base in segments that offer best sales opportunities (e.g., colleges and universities, catering, non-commercial foodservice) • Conduct quality assurance education • Provide technical support to the seafood industry |
|---|---|

Major Activities to Advance Strategies

- Work with broadline foodservice distributors to maximize Alaska Seafood penetration in the marketplace
- Customized promotion methods with retailers and foodservice operators to build on strong brand equity to differentiate Alaska Seafood from competition
- Partner with restaurant chains to increase number of restaurants that feature Alaska Seafood as a branded menu item
- Partner with restaurant chains to increase number of restaurants that feature Alaska Seafood as a branded menu item
- Build a customer base in segments that offer best sales opportunities (e.g., colleges and universities, catering, non-commercial foodservice)
- Introduce Hispanic consumers in U.S. to Alaska Seafood, and expand success of Hispanic canned salmon campaign

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$18,348,500

Personnel:

Full time	18
Part time	0
Total	18

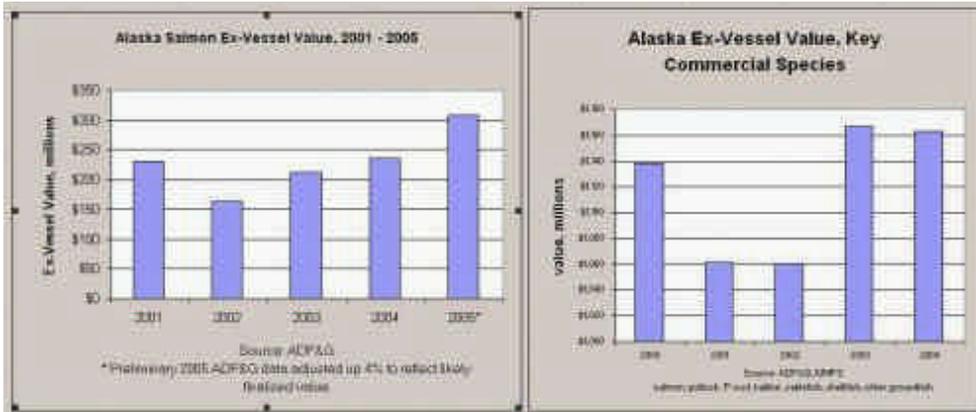
Performance Measure Detail

A: Result - Increase the value of Alaska seafood resources

Target #1: Increase by 3% annually the ex-vessel value of key commercial species in Alaska's commercial harvest.

Measure #1: Compare the latest ex-vessel value with previous years' ex-vessel value of key commercial species using ADF&G and NMFS data.

Percentage increase in ex-vessel value



Analysis of results and challenges: Ex-vessel value of key commercial species in Alaska's commercial harvest is increasing, due to significant state and federal investment in marketing and infrastructure. In order to

continue the upward value trend continuing support for the marketing effort is essential.

Challenges include:

Price resistance -Following periods of increase in value for particular species, Alaska producers are encountering price resistance in certain markets.

Seasonality, consistency of supply --- Harvest levels are subject to fluctuation on a seasonal basis and from year to year.

Inelastic supply --- Wild seafood resource supply is limited relative to often subsidized foreign aquaculture production.

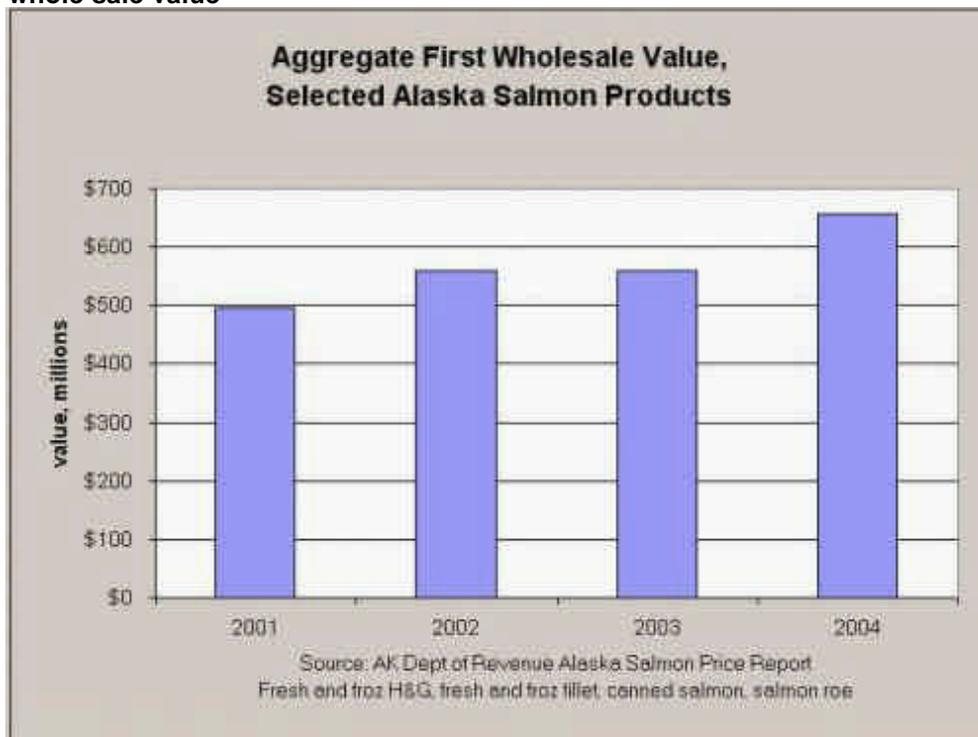
Increasing fuel and transportation costs

International currency fluctuations, tariffs and trade barriers affecting international trade. Low prices on competing proteins generally (chicken, beef, pork, dairy)well-funded campaigns promoting other proteins

Target #2: Increase by 3% annually the first wholesale value of key Alaska salmon products.

Measure #2: : Compare with previous years the first wholesale value for key salmon products using the Alaska Dept. of Revenue Alaska Salmon Price Report.

Increase in whole sale value



Analysis of results and challenges: First wholesale value of key commercial species in Alaska's commercial harvest is increasing, due to the seafood industry's continued transition to becoming a market-driven food industry and due also to significant state and federal investment in marketing and infrastructure. To continue the upward value trend continuing support for the marketing effort is essential. The industry is responding to consumer preferences for fillets, boneless and skinless portions, new shelf-stable products, and new value-added products.

Challenges include:

Price resistance -As salmon products command higher value, Alaska producers are encountering price resistance in certain markets.

Seasonality, consistency of supply --- Harvest levels are subject to fluctuation on a seasonal basis and from year to year, factors which, when combined with the attendant price fluctuations make it more difficult to compete with aquacultured products.

Inelastic supply --- Wild seafood resource supply is limited relative to often subsidized foreign farmed salmon production.

Increasing fuel and transportation costs International currency fluctuations and foreign exchange rates, tariffs and trade barriers affecting international trade. Low prices on competing proteins generally (farmed salmon, chicken, beef, pork, dairy); well-funded campaigns promoting other proteins

Target #3: : Compare with previous years the first wholesale value for key salmon products using the Alaska Dept. of Revenue Alaska Salmon Price Report.

Measure #3: Aggregate volume and value of exports to China, Japan and the European countries where ASMI is active, as compared with previous year's performance.



Analysis of results and challenges: Exports of Alaska's key commercial seafood species to the countries where ASMI is active are increasing, due in part to the success of Alaska's efforts to differentiate our wild and natural seafood from other products, and develop equity for the Alaska brand. In order to continue the upward value trend continuing support for the marketing effort is essential.

Challenges include:

Price resistance ---Following periods of increase in value for particular species, Alaska producers are encountering price resistance in certain markets.

Seasonality, consistency of supply --- Harvest levels are subject to fluctuation on a seasonal basis and from year to year.

Inelastic supply --- Wild seafood resource supply is limited relative to often subsidized foreign aquaculture production.

Increasing fuel and transportation costs

International currency fluctuations, tariffs and trade barriers affecting international trade. For example, value-added Pacific salmon products going to the European Union are subject to a much higher tariff than headed and gutted salmon, the tariff on Pacific halibut is higher than that for Atlantic halibut.

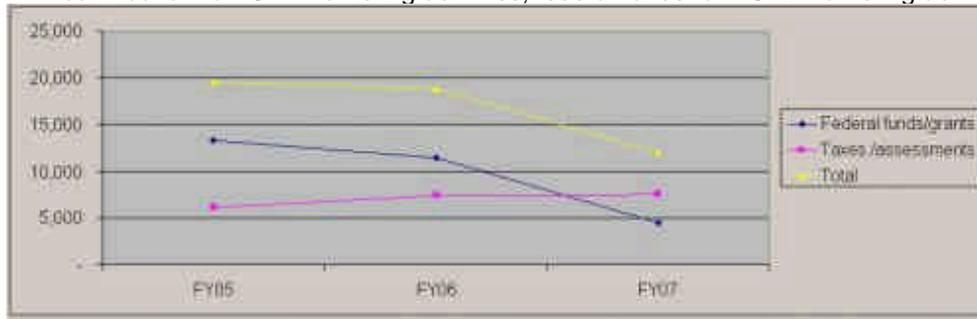
Low prices on competing proteins generally (chicken, beef, pork, dairy); well-funded campaigns promoting other proteins (e.g., campaigns in the European Union and China fielded by the Norwegian Seafood Export Council).

A1: Strategy - In the U.S. and overseas conduct consumer campaigns, retail and foodservice promotions, public/media relations, technical education to increase the value of Alaska seafood resources

Target #1: Stable funding to sustain ongoing long-range marketing campaigns in U.S. and key overseas

markets

Measure #1: Industry match raised through processor-paid marketing assessment, State general fund contribution to ASMI marketing activities, federal funds for ASMI marketing activities



Analysis of results and challenges: Over 63% of ASMI's funding for the past two years has come from multiple federal sources and through the state's Seafood Revitalization Strategy. Much of this funding source will be reduced or eliminated in FY 07. Creating "pull" and a strong brand in the marketplace requires consistent messaging over time and funding to support this activity. Without a new source of funds the ability to continue on this very successful path will no longer be present.

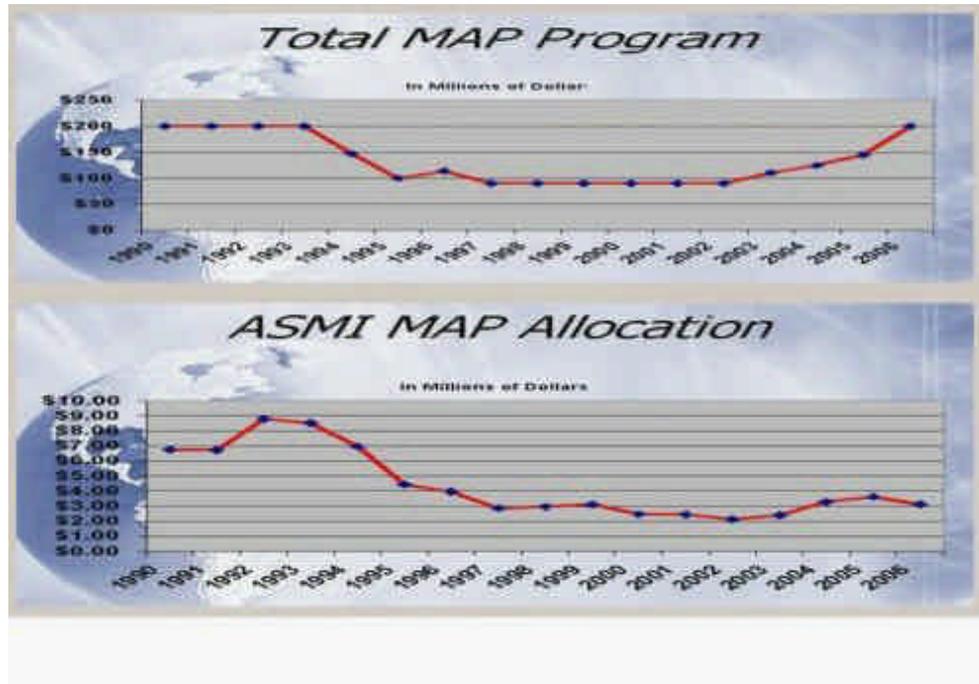
Target #2: Conduct consumer advertising campaigns, foodservice and retail marketing programs

Measure #2: Number of consumer surveys, data collection on brand penetration, product value increases (retail scan data), industry feedback, export figures for Alaska seafood products

Analysis of results and challenges: Consumer advertising campaigns and marketing programs have contributed to a strong brand position in the marketplace relative to three years ago, especially for salmon. In order to hold and/or build on the current position, a continued effort at current spending levels is necessary. Competition for "center of the plate" protein is fierce and other proteins extremely well funded. Cutting back on ASMI programs now will quickly surrender the ground that has been gained to date.

Target #3: Successfully leverage larger share of USDA Market Access Program dollars that fund international marketing activities

Measure #3: USDA Foreign Agricultural Service allocation of award to ASMI, compared to previous years' share of Market Access Program funds



Analysis of results and challenges: Alaska has been informed by USDA Foreign Agricultural Service to bring a larger proportionate contribution of match money to the table in order to obtain an increased share of the allocation. Although the total amount of money allocated to MAP has grown in recent years, the amount allocated to Alaska seafood promotion has not reflected a proportionate increase but has remained relatively flat. An additional constraint is that the MAP allocation is subject to annual congressional budget appropriation.

Key Component Challenges

Price resistance is a factor following periods of strengthening prices for Alaska seafood products, as commodity markets are price-driven/price sensitive.

Seasonality and consistency of supply, as well as the inelasticity of supply constitute major constraints on increasing the value of the seafood harvest. Harvest levels are subject to fluctuation on both seasonal basis and year to year bases.

The harvest from Alaska's commercial fisheries is limited, relative to often subsidized foreign aquaculture production.

The harvesting and processing sectors face potentially crippling increases in fuel and fuel-price-driven transportation costs.

International currency fluctuations, tariffs and trade barriers affecting international trade affect this global industry, dictating what markets will receive various products.

Modest levels of funding for promotion limit the reach of the Alaska Seafood brand in the marketplace: in the face of stiff well-funded competition promoting farmed aquaculture products, both domestic and foreign, and other forms of food proteins: beef, pork, chicken and dairy products: most of which are cheaper than many Alaska seafood offerings.

Product form and quality, primarily for Alaska salmon, are changing to capture market trends and consumer demands (e.g. skinless, boneless filets of consistent quality), however the changes have yet to affect the majority of the catch.

Messages in the media about actual and possible contaminants in seafood affect the consumer's image of all seafood products; and make further protein market penetration by the seafood industry more difficult.

Global aquaculture development and production growth is a significant challenge for the Alaska seafood industry.

Effects of salmon farming on Alaska salmon values are already well documented. Considerable aquaculture development effort is now going into cod, sablefish, and halibut, which represent a combined one-third of Alaska ex-vessel value. The farming of tilapia, and other low-cost whitefish varieties is already beginning to affect prices in the whitefish and surimi markets much as farmed salmon did a decade ago.

Significant Changes in Results to be Delivered in FY2007

Increasing the economic value of the Alaska seafood resource is the new agency mission adopted by the seven-member board of directors of our restructured marketing organization. The extent to which ASMI can sustain the current momentum of wild Alaska seafood in the marketplace will be dictated in part by funding levels. The most significant changes will be:

- New emphasis on ASMI consumer campaigns designed to “pull” product through the marketplace.
- Increase alignment with marketing efforts of suppliers; more efficient and cost effective service to Alaska’s seafood industry; industry provides feedback to fine-tune ASMI effort for maximum sales lift.
- Expand exploration of new U.S. markets for Alaska seafood, particularly canned pink salmon, within the Hispanic community (results reflected in Nielsen data and feedback from suppliers).
- Research prospects for additional market development in Europe and China.
- Boost sales of frozen Alaska seafood in the U.S., particularly during shoulder seasons, through the Cook It Frozen campaign.
- Increase volume and value of Alaska seafood exports to specific countries in which ASMI is active.

Major Component Accomplishments in 2005

ASMI has been a key part of the overall industry effort launched through the Alaska’s Fisheries Revitalization Strategy. ASMI was able to increase consumption of fresh and frozen Alaska Seafood in the U.S. and key international markets, focus more effort on consumer campaigns and consumer advertising for key Alaska Seafood products in the U.S., and conduct vigorous campaigns promoting canned salmon in the U.S. to traditional and Hispanic markets, while achieving greater alignment than ever before with industry trade spending. The seafood industry can maximize the impact of its marketing dollars by aligning sales and promotional activities with ASMI campaigns.

Results reflect a more positive outlook on the part of industry, including the salmon sector, a dramatic turnaround from 3 years ago when companies were literally walking away from the salmon business. Results include increased ex-vessel and first wholesale values for Alaska Seafood, increased ex-vessel value of salmon (doubled in three years to more than \$300 million); through a Cook It Frozen consumer campaign, boosted volume sales growth of cod, halibut, and salmon in the U.S., with frozen salmon sales up 18.7% in 2004 over same period in 2003; increased exports 48% by value and 74% by volume (aggregate) since 2000 in the countries where ASMI is active; boosted volume and value of pink salmon in six of the seven U.S. Latino markets where Hispanic canned salmon campaign was conducted during post-Lenten period; earned wild Alaska Seafood respect in the marketplace: in the U.S. 77% of restaurant diners have a positive impression of the Alaska Seafood brand; the Alaska Seafood brand is the second most popular food brand on menus of the top 500 U.S. restaurant chains, up from third place in 2001; surimi made with Alaska pollock grows in popularity in Europe; retail promotions in Western Europe alone sold Alaska seafood products valued at \$22 million. ASMI’s Alaska pavilion in Europe’s largest trade show generated projected sales over 12 months of over \$106 million for 15 participating Alaska seafood companies.

ASMI’s access to the corporate offices of grocery retailers, restaurant operators and foodservice distributors has successfully increased the value of its corporate partnerships, and achieved increased use and awareness of the Alaska Seafood brand and companion brands. The relationships built by ASMI have built brand equity for Alaska Seafood: as a result of educating chefs, restaurant operators, foodservice distributors and seafood buyers about Alaska Seafood, it has become the second most popular food brand on menus of the top 500 U.S. restaurant chains (up from third place in 2001) and is increasing in popularity in key overseas markets as well. More people than ever before are being exposed to the brand and to key messages about what it stands for: “Alaska” signifies wild, natural, unparalleled flavor, superior quality, sustainability, versatility, ease of preparation, and healthfulness. ASMI is committed to building the enthusiasm.

Statutory and Regulatory Authority

AS 16.51.010-180 Alaska Seafood Marketing Institute

15 AAC 116.600-700 Seafood Marketing Assessment on Processors

Contact Information

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**Alaska Seafood Marketing Institute
Component Financial Summary**

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,463.4	1,609.6	1,700.2
72000 Travel	365.9	418.0	418.0
73000 Services	7,962.0	14,311.8	16,041.8
74000 Commodities	106.3	180.0	180.0
75000 Capital Outlay	6.2	8.5	8.5
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	9,903.8	16,527.9	18,348.5
Funding Sources:			
1002 Federal Receipts	3,925.5	6,000.0	6,200.0
1004 General Fund Receipts	0.0	0.0	2,300.0
1108 Statutory Designated Program Receipts	1,394.8	4,750.0	4,000.0
1156 Receipt Supported Services	4,583.5	5,777.9	5,848.5
Funding Totals	9,903.8	16,527.9	18,348.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	3,925.5	6,000.0	6,200.0
Statutory Designated Program Receipts	51063	1,394.8	4,750.0	4,000.0
Receipt Supported Services	51073	4,583.5	5,777.9	5,848.5
Restricted Total		9,903.8	16,527.9	16,048.5
Total Estimated Revenues		9,903.8	16,527.9	16,048.5

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	0.0	6,000.0	10,527.9	16,527.9
Adjustments which will continue current level of service:				
-Reverse ADN 850155 ASMI Export Market Access Prgm Sec14(b) Ch3 FSSLA2005 P103 L27 (SB46) Lapses 6/30/06	0.0	-500.0	-20.0	-520.0
-Reverse ADN 850156 ASMI Herring Promotion in Overseas Market Sec14(c) Ch3 FSSLA2005 P104 L2 (SB46) Lapses 6/30/06	0.0	0.0	-750.0	-750.0
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	29.7	29.7
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	3.4	3.4
-FY 07 Retirement Systems Cost Increase	0.0	0.0	54.5	54.5
Proposed budget increases:				
-Domestic and International Marketing Campaigns	2,300.0	700.0	0.0	3,000.0
-Risk Management Self-Insurance Funding Increase	0.0	0.0	3.0	3.0
FY2007 Governor	2,300.0	6,200.0	9,848.5	18,348.5

**Alaska Seafood Marketing Institute
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	18	18	Annual Salaries	1,161,023
Part-time	0	0	COLA	28,532
Nonpermanent	1	1	Premium Pay	0
			Annual Benefits	579,014
			<i>Less 3.87% Vacancy Factor</i>	(68,369)
			Lump Sum Premium Pay	0
Totals	19	19	Total Personal Services	1,700,200

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Technician	0	0	2	0	2
Admin Support Technician	0	0	1	1	2
Administrative Assistant I	0	0	1	0	1
Administrative Officer	0	0	1	0	1
AK Regional Brand Coordinator	0	0	1	0	1
Asst Marketing Director	0	0	0	1	1
Communications Director	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	10	9	19