

State of Alaska FY2009 Governor's Operating Budget

Department of Commerce, Community, and 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 Result	Strategies to Achieve End Result
<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 available ex-vessel value with the prior year's ex-vessel value of key commercial species using ADF&G and NMFS data.</p> <p><u>Target #2:</u> Increase by 3% the ex-vessel value of Alaska's commercial salmon harvest. <u>Measure #2:</u> Compare the latest available ex-vessel value with prior year's ex-vessel value of Alaska salmon.</p> <p><u>Target #3:</u> Increase by 3% first wholesale value of key Alaska Salmon products. <u>Measure #3:</u> Compare the latest available first wholesale value for key salmon products with prior year's first wholesale value for key salmon products using the Alaska Department of Revenue Alaska Salmon Price Report.</p> <p><u>Target #4:</u> Increase by 5% the volume and value of Alaska seafood exports to ASMI program destination countries. <u>Measure #4:</u> Compare with previous years the volume and value of Alaska seafood exports going to countries where ASMI program is active (China, Japan, Europe).</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 • Work with broadline foodservice distributors to maximize Alaska Seafood penetration 	<ul style="list-style-type: none"> • Conduct quality assurance education, provide technical support for seafood industry • Build a customer base in segments that offer best sales opportunities (e.g., colleges and universities, catering, non-commercial foodservice) • Aid all parts of the Alaska Seafood industry, including large and small processors, regional marketers and

Major Activities to Advance Strategies

- 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
- harvesters with resources and information
- Provide technical support to the seafood industry
- Communicate with Alaska seafood suppliers, policy makers and the seafood industry about ASMI's long-range marketing plans

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$18,516,700

Personnel:

Full time	19
Part time	0
Total	19

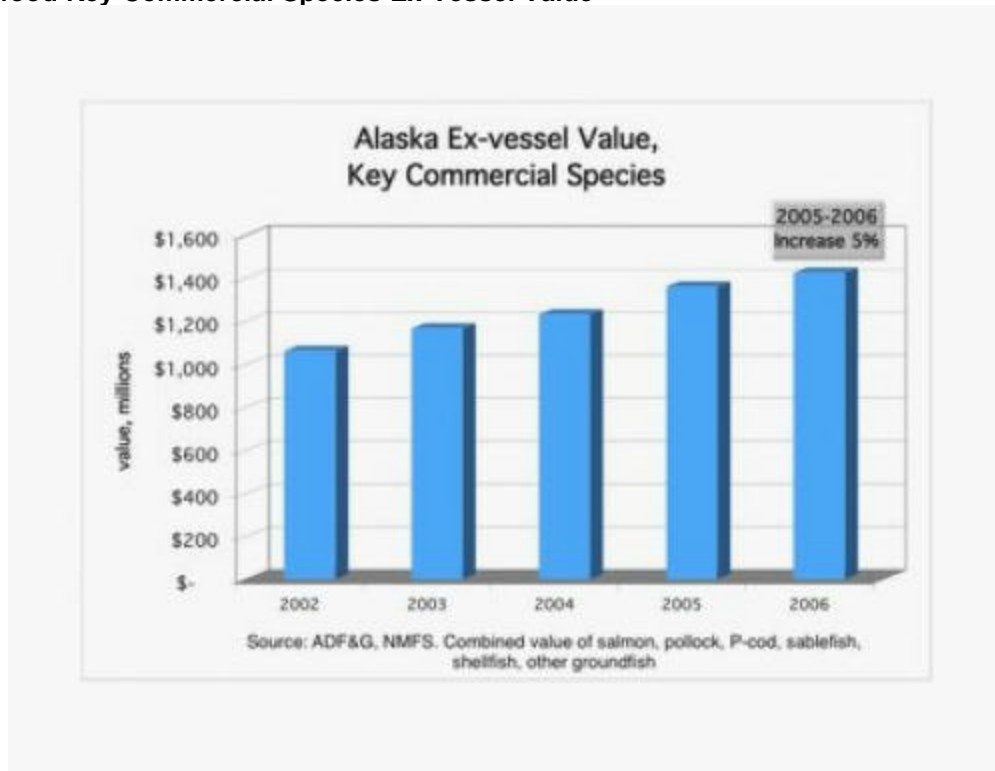
Performance Measure Detail

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 available ex-vessel value with the prior year's ex-vessel value of key commercial species using ADF&G and NMFS data.

Alaska Seafood Key Commercial Species Ex-Vessel Value



Ex-vessel value in aggregate for salmon, pollock, Pacific cod, sablefish, other groundfish and shellfish increased 5%

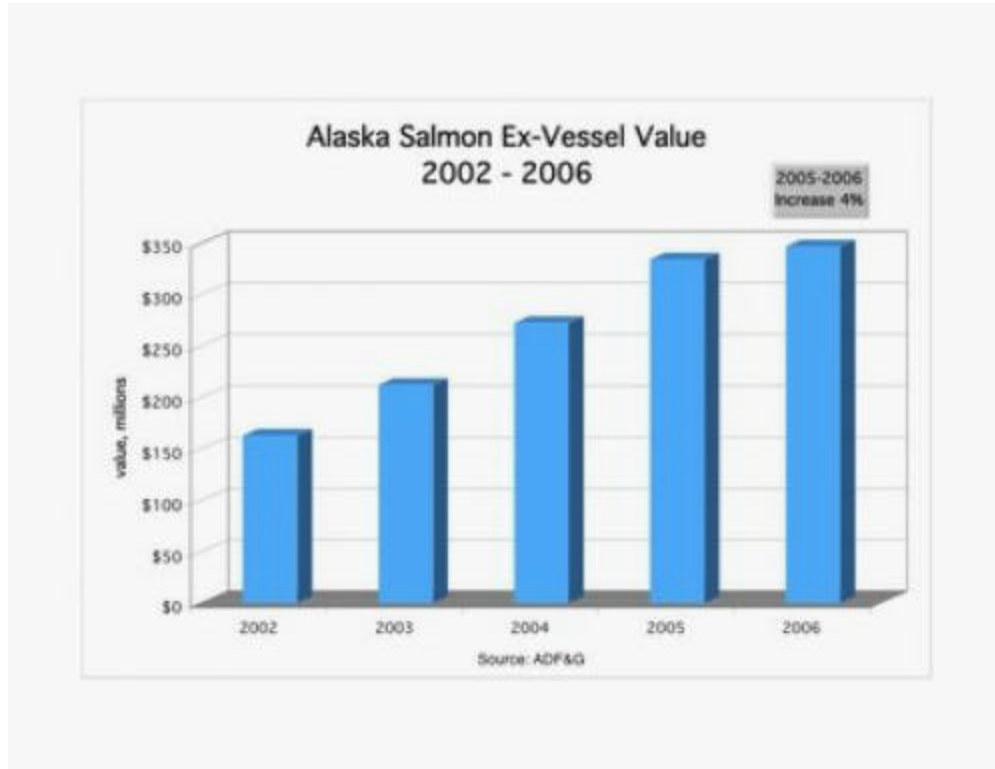
from 2005 to 2006.

Analysis of results and challenges: Ex-vessel value of key commercial species in Alaska's commercial harvest increased from 2002 to 2006, due in part to significant state and federal investment in marketing and infrastructure. During that time volume increased only 11% while value increased 34%. From 2005 to 2006 (the most recent years for which final NMFS and ADFG statistics are available) the increase in value was 5%. ASMI expects the increases in aggregate value to taper off in response to global market conditions and reduced funding available for marketing.

Target #2: Increase by 3% the ex-vessel value of Alaska's commercial salmon harvest.

Measure #2: Compare the latest available ex-vessel value with prior year's ex-vessel value of Alaska salmon.

Alaska Salmon Ex-Vessel Value



Ex-vessel value of Alaska salmon increased 4% from 2005 to 2006.

Analysis of results and challenges: Ex-vessel value of Alaska salmon increased markedly from 2002 to 2006, due to significant state and federal investment in marketing and infrastructure. From 2005 to 2006 (the most recent final statistics available) the increase was 4%. ASMI anticipates that the value increase trend will taper off due to global market conditions.

Target #3: Increase by 3% first wholesale value of key Alaska Salmon products.

Measure #3: Compare the latest available first wholesale value for key salmon products with prior year's first wholesale value for key salmon products using the Alaska Department of Revenue Alaska Salmon Price Report.

First Wholesale Value, Selected Alaska Salmon Products



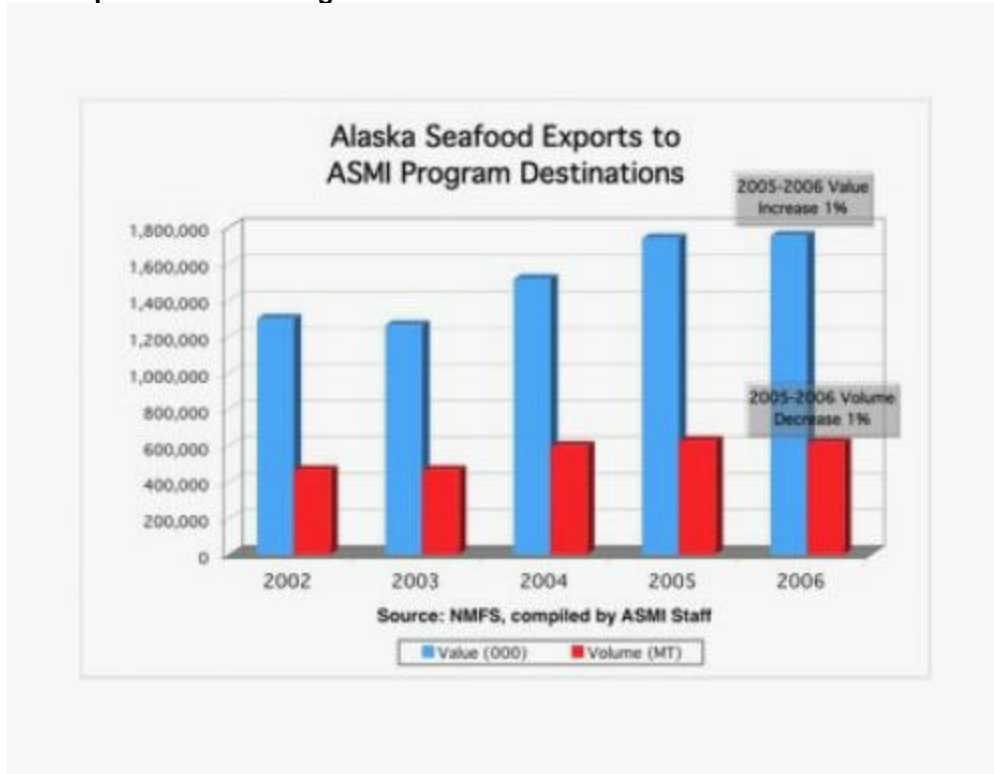
First wholesale value of selected Alaska salmon products increased 16% from 2005 to 2006.

Analysis of results and challenges: First wholesale value of Alaska salmon products increased, due to the Alaska salmon industry's continued transition to becoming a market-driven food industry and due to significant state and federal investment in marketing and infrastructure. The increase in value from 2005 to 2006 was 16%, using the most recent final statistics available from the Alaska Salmon Price Report produced by the Alaska Dept. of Revenue. Anticipated tapering off in value increase for Alaska salmon is expected to affect first wholesale value.

Target #4: Increase by 5% the volume and value of Alaska seafood exports to ASMI program destination countries.

Measure #4: Compare with previous years the volume and value of Alaska seafood exports going to countries where ASMI program is active (China, Japan, Europe).

Alaska Seafood Exports to ASMI Program Destinations



From 2002 to 2006 the value of Alaska Seafood exports to ASMI program destination countries increased 35% to more than \$1.7 billion, leveling off in 2006.

Analysis of results and challenges: From 2001 to 2005, the value of key commercial Alaska seafood species exported to countries where ASMI is active grew at nearly double the rate of the value of exports to non-ASMI-countries. Despite unusually low export value in 2002, the five year period from 2002 through 2006 shows a 35% increase in value to \$1.7 billion. The growth is 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. The trend levels off in 2006 with less than 1% growth posted in a year.

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 biologically 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.

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.

Significant Changes in Results to be Delivered in FY2009

No significant changes.

Major Component Accomplishments in 2007

- Increased value of fresh, frozen, and shelf stable (canned and pouched) Alaska Seafood in the U.S. and key international markets.
- Conducted innovative consumer campaigns, including vigorous campaigns for fresh, frozen and canned/shelf stable Alaska seafood products in the U.S.
- Substantially improved alignment with industry trade spending.
- Expanded a television ad campaign to two cable networks; ads promote Alaska Seafood, Alaska Salmon and Alaska Crab as abundant. Ads run on HGTV (Home and Garden Television) as well as TV Food Network.
- Creation and placement of new advertisements in publications read by home cooks, chefs, and restaurant owners: ads educate readers about sustainability and abundance of wild Alaska Seafood.
- Secured celebrity chef spokesperson Alton Brown for public relations activities. Brown is popular across the country through two programs on TV Food Network.
- Media tours and trade missions to Alaska from France, Japan, China, United Kingdom, and U.S. Special media tour to Unalaska to focus on Alaska crab and pollock in Dutch Harbor.
- Additional education and training in Alaska seafood handling provided for Alaska Airlines AirCargo and U.S. grocery retailers to protect quality of Alaska seafood from harvest to plate.

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

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,700.1	1,796.4	1,818.6
72000 Travel	339.5	418.0	418.0
73000 Services	12,790.2	13,455.5	16,091.6
74000 Commodities	140.0	180.0	180.0
75000 Capital Outlay	6.0	8.5	8.5
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	14,975.8	15,858.4	18,516.7
Funding Sources:			
1002 Federal Receipts	3,877.3	5,500.0	6,000.0
1004 General Fund Receipts	2,423.7	500.0	750.0
1108 Statutory Designated Program Receipts	2,250.0	500.0	1,000.0
1156 Receipt Supported Services	6,424.8	9,358.4	10,766.7
Funding Totals	14,975.8	15,858.4	18,516.7

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	1,423.7	0.0	0.0
Unrestricted Total		1,423.7	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	3,877.3	5,500.0	6,000.0
Statutory Designated Program Receipts	51063	2,250.0	500.0	1,000.0
Receipt Supported Services	51073	6,424.8	9,358.4	10,766.7
Restricted Total		12,552.1	15,358.4	17,766.7
Total Estimated Revenues		13,975.8	15,358.4	17,766.7

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	500.0	5,500.0	9,858.4	15,858.4
Adjustments which will continue current level of service:				
-FY 09 Health Insurance Increases for Exempt Employees	0.0	0.0	3.7	3.7
Proposed budget increases:				
-Domestic Seafood Marketing Campaign	0.0	0.0	1,641.6	1,641.6
-Core Service Increases Paid to Department of Administration	0.0	0.0	13.0	13.0
-Overseas Seafood Marketing	250.0	500.0	250.0	1,000.0
FY2009 Governor	750.0	6,000.0	11,766.7	18,516.7

**Alaska Seafood Marketing Institute
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2008</u> <u>Management</u> <u>Plan</u>	<u>FY2009</u> <u>Governor</u>		
			Annual Salaries	1,252,147
Full-time	19	19	Premium Pay	0
Part-time	0	0	Annual Benefits	638,669
Nonpermanent	0	0	<i>Less 3.82% Vacancy Factor</i>	(72,216)
			Lump Sum Premium Pay	0
Totals	19	19	Total Personal Services	1,818,600

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Technician	0	0	1	0	1
Admin Asst/Travel Coordinator	0	0	1	0	1
Admin Support Technician	0	0	1	1	2
Administrative Officer	0	0	1	0	1
Administrative Specialist	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
International Prog Coordinator	0	0	2	0	2
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
Usda Food Aid Prog Coordinator	0	0	0	1	1
Totals	0	0	11	8	19