

**Agency: Commerce, Community and Economic Development**

**Grant Recipient: Community & Economic Dev**

**Project Title:**

**Project Type:** Equipment and Materials

# Western Alaska Canned Chum & Herring Demonstration Project

**State Funding Requested: \$300,000**

**House District:** Statewide (1-40)

Future Funding May Be Requested

**Brief Project Description:**

Funding to the Office of Economic Development to finance a demonstration project to test the viability of developing a canned market for Western Alaska chum salmon and herring.

**Funding Plan:**

**Total Cost of Project: \$500,000**

	<u>Funding Secured</u>		<u>Other Pending Requests</u>		<u>Anticipated Future Need</u>	
	<i>Amount</i>	<i>FY</i>	<i>Amount</i>	<i>FY</i>	<i>Amount</i>	<i>FY</i>
Federal Funds			\$100,000	FY11		
Other Funds	\$100,000	FY10				
<b>Total</b>	<b>\$100,000</b>		<b>\$100,000</b>			

*Explanation of Other Funds:*

\$100k United Fisherman of Alaska/Alaska Fisheries Marketing Board Fund

**Detailed Project Description and Justification:**

Funding to the Office of Economic Development to finance a demonstration project to test the viability of developing a canned market for Western Alaska chum salmon and herring.

\$500k - Total Project Cost for development and associated marketing

\$400k - New Machinery needed to prepare and put Herring into existing salmon cans

\$ 30k - Freezing & Transportation for delayed canning

\$ 70k - International shipping, project management, documentation and publication

**Project Timeline:**

FY11

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

Dept of Commerce - Office of Economic Development & Alaska Seafood Marketing Institute

*For use by Co-chair Staff Only:*

\$300,000  
Approved

**Grant Recipient Contact Information:**

Name:	Bruce Schactler, ASMI Food Aid Program Director
Address:	311 N. Franklin Street Juneau, AK 99801
Phone Number:	738-6451
Email:	bschactler@ak.net

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

*Western Alaska Economic Development Plan  
for Canned Pink and Chum Salmon and Herring*

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## **Background**

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 5 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 \$1M has been invested by all sources, resulting in new sales directly related to the effort of over \$21M.

Due to a shortage of canned Pink Salmon from the 2006 Alaska canned pack, canned Chum Salmon was added as an accepted product for use by USDA into these same programs. This is a very significant development as canned Chums have not been a significantly marketable product for some years.

## **Opportunities for Alaska Fish Protein in Food Aid Programs**

The demand for protein in the Worldwide Food Aid programs has increased in the last few years as the Food Aid policy of "... it's what you eat, not how much you eat." In 2008, USDA purchased 390,000 cases of canned pink and chum salmon for use in their Domestic and Export Food Aid programs, or 22 % of the canned '1 lb tall' pink salmon canned pack. Also, in 2008, there were over 1 million cases of canned Pink and Keta (Chum) salmon requested by NGOs around the world for use in their various Food Aid programs for 2009-2011. This would amount to approx. 60% of the 1lb canned pink salmon pack in Alaska if it were all to be accepted for purchase by USDA.

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 this level of interest. At the request of the USDA for other fish products, herring was identified as an underutilized resource as well as a worldwide recognized canned product. 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 pink salmon production in 2006, these suggested, potential opportunities for canned chums and a new supply of canned pinks as well as herring, seem like something that should be seriously researched for what could be very good for Western Alaska in particular and the State of Alaska as a whole.

### **The Demonstration Project: Expanding on Proven Successes in Food Aid Program**

In late 2008, the process of creating a market in the worldwide Food Aid programs began for canned herring, using the same successful plan that was used for canned Pink and Keta (Chum) salmon. This process began with the production of approximately 3000 lbs of canned herring. Westward Seafoods and North Pacific seafoods donated raw product for the development phase and Trident Seafoods donated a larger quantity needed to produce the final finished product for consumer testing. The Alaska Seafood Marketing Institute, Trident Seafoods, Ocean Beauty Seafoods, Peter Pan Seafoods, and Icicle Seafoods all combined to send a container of canned salmon, which included this small batch of canned herring, to Uganda in the summer of 2009 for consumer and nutritional testing. This testing/demonstration project is in progress at this time.

#### *Current Objective*

The second phase of this program and market development which is identical to the proven plan for salmon, 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.

#### *Funding Need*

There are presently several significant mechanical and therefore financial difficulties that must be overcome to produce this product in Alaska. While there are many canning facilities in the Bristol Bay region, there are no facilities that have the various pieces of machinery necessary to "head and gut" the herring and to then fill the existing cans that are used for salmon products. Research shows that this machinery and associated installation and can line modification, will cost as much as \$400,000 (depending on the

sophistication of the machinery) to purchase and ship. The production of the frozen fish for later canning will cost about \$30,000 plus shipping. The final international shipping, management and publication/documentation of the project will be approximately another \$70,000. At this point, we have commitments for approximately 20% of this plus the commitment of processing partnerships once the specialized machinery is installed.

Samples of the first test batch of canned herring, were taken to the Boston Seafood Show, the Brussels Seafood Show and to the USDA/USAID International Food Aid Conference. At all three shows, everything from taste to market entrance was positive. After the shows, there has been follow up interest from as far away as Sri Lanka for both commercial and Food Aid use.

#### *Example of Underutilized Product for Long-term Development*

For this initial stage of the development and marketing program, we are targeting the Togiak Roe Herring Fishery, because of the present active herring fishery and the local canning facilities. The male herring are not wanted or needed for the Roe market or for the extremely limited carcass market in Japan. Presently, the male herring are used only for a few specialty products such as surimi and "fish meal". The Togiak Roe Herring fishery begins harvesting marketable Roe Herring in early May and it is common for the processing to last approximately 10 to 12 days.

Several of the processors will consider freezing 3 or 4 containers of sorted male herring from this fishery for later canning when it is convenient and cost effective from the R&D perspective. All have indicated that they are willing to participate in this development process. These frozen fish may be canned in Bristol Bay or elsewhere in Alaska, depending on which processor is interested in partnering in this significant, economic development project and which processing facility would be most economical to use.

The Village of Togiak where the target species/fishery resides is much like all of the rest of the villages on coastal West and Northwest Alaska altho it is somewhat larger than many. Their economic base is primarily the commercial Salmon, Roe herring and Roe on Kelp fisheries. There are 244 of 900 residents that hold commercial fishing licenses. Their primary vessel of use is a small flat bottom boat that they fish the shallow waters of the immediate area around the village.

The entire village depends heavily on subsistence activities. Salmon, Herring, waterfowl, seal, sea lion, walrus, whale and other local wildlife such as ducks and caribou are among the species harvested. The large majority of nonfishing jobs are local. State and

Federal government based or are corporate based such as the airport and communications.

In the case of operating a single "can line", there would be a minimum job creation in processing alone of about 60 people. If another line is needed, proportional jobs would be produced.

There are many communities on the Western Alaska coast that are very similar in an economic way, although they vary in size from much larger to much smaller. Some of these include communities such as:

Unalakleet	Nome	Platinum
Saint Michael	Hooper Bay	Mekoryuk
Emmonak	Alakanuk	Tooksook Bay
Mt. Village	St. Marys	Alakanuk

#### **Availability of Seafood Resources for Canning in Western Alaska**

Canned fish is not a "high value" product, but with the changing markets for Wild Alaska Salmon and the general increased demand for seafood "protein", the economics around canned salmon have shown new potential for a feasible market for some of these otherwise unused stocks that could add up to over 30M lbs at an exvessel value of \$4M to \$5M and a wholesale value that could exceed \$14M.

- Norton Sound Pink Salmon have not been fished due to lack of buyers since the year 2000. According to ADF&G, they are experiencing good returns that average about 4 to 5 million harvestable fish from year to year. Similar lack of markets has produced what may be as much as an unharvested 50,000 to 100,000 chums.
- The Kuskokwim and Yukon districts have unharvested Chum salmon of significant volume on a year to year basis.
- Bristol Bay certainly has a large surplus of Chums that are not harvested while fishermen are targeting the much more valuable Sockeye.
- 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.

The unharvested stocked of Western Alaska Chum and Pink salmon 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 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.

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. Last year, these programs alone purchased what could be the area's entire production volume.

**Feasibility of Project**

It is believed that this development project is positively doable, but due to the cost and long term timeline for an individual company's return on investment, it is also likely that without the leadership and initial funding from other sources, this project is much farther away from fruition that it could be.

With the leadership of the State of Alaska and partnering of Federal and corporate entities, the initial funding of this partnership effort can be put together with local processors to produce the larger volume of Canned Alaska Herring that is needed to put it on the commercial grocery shelves and the commodity list of foods available for purchase and use in the worldwide Food Aid programs.

**Estimated costs of development and associated marketing program**

New machinery (including shipping and installation) needed to prepare and put Herring into existing salmon cans:	\$400,000.00
Freezing and Transportation for delayed canning	\$30,000.00
International shipping, project management, Documentation and publication	\$70,000.00
<b>Total</b>	<b>\$500,000.00</b>