



Salmon Committee

Thursday, April 30, 2020
Beginning 9 AM AKT
Zoom Meeting

Draft minutes

Introduction

A regular meeting of the Alaska Seafood Marketing Institute (ASMI) Salmon Committee was called to order at 9:05 AM AKST on April 30, 2020 online via Zoom.

Roll Call:

Committee members present:

Chair Thea Thomas

Vice Sandy Souter

Julianne Curry

John Daly

Larry Christensen

Melanie Brown

Ron Risher

Nicholas Dowie

Ron Christianson

Cynthia Wallesz

Emily Matlock

Ron Rolin

Torque Zubeck (Ex-Officio)

Others present:

John Moller, ASMI Board Member

Gus Skaflestad, ASMI Board Member

Tomi Marsh, ASMI Board Member

Representative Louis Stutes, ASMI Board Member (Ex-Officio)

ASMI's Executive Director Jeremy Woodrow and ASMI program directors and staff, ASMI Contractors, Committee Members, Members of Industry and members of the press and public.

Approval of the Agenda:

Wallez moved to approve the agenda, Brown seconded. Motion passed unanimously.

Approval of the Minutes

Souter moved to approve the minutes from the October 10th committee meeting, Wallez seconded. Motion passed unanimously.

Chair Remarks

Thomas reminded everyone that the meeting was public and urged the committee members to keep ASMI's mission in mind throughout the discussions. She asked the committee to be mindful not to discuss any matters that would fall under the anti-trust act.

Public Comment

None

Salmon Market Update from McDowell

Garrett Evridge from the McDowell Group presented on past and upcoming salmon seasons, as well as factors that could impact the 2020 salmon season, including the coronavirus pandemic.

Historical Context

- Sockeye is the most valuable species as measured by ex-vessel value
- Pink is the greatest volume species in odd number years, sockeye in even
- The proportion of salmon being canned has been historically low
- The number one product produced by the salmon industry is a pink or sockeye H&G fish, followed by canned pink salmon, and sockeye fillets

2020 projected harvest

- Projection similar to other even years
- Pinks differ the most from a typical even year, down about 13%. Sockeye, chum, coho are all within 5% of expected harvest levels, relying on historical data
- Chinook – harvest levels remain low, but the projection represents an increase.

Coronavirus

- In some ways salmon is in a favorable position because it is tilted towards retail
- Limited data, but according to conversations with the industry, sockeye is heavily tilted towards retail while pink and keta lean back towards foodservice.
- Foodservice recovery is expected to be slow. At some point restaurants and cafeterias will be able to open, but at a reduced capacity.
- A significant portion of restaurants are not expected to reopen because of financial challenges
- People are pulling back on discretionary spending

- Some reports of meat shortages due to plant closures

World Context

- Russia, the top salmon producer in the world, is predicting a smaller harvest this year
- Farmed salmon prices are down 20-25% from this time last year
- Lots of volatility with currency rates. The Russian ruble has been weakening, which makes Russian salmon more affordable.

Inventory

- Strong retail sales have improved inventory levels.
- For the products that were slated to go into foodservice, it's difficult to switch from cafeteria and restaurant consumption to retail consumption, but the industry is getting creative and there has been some movement

Due to strong retail demand, it's likely that some consumers who panic bought seafood had never purchased seafood before, which would mean new penetration in the retail market and an opportunity for Alaska seafood.

Discussion

Thomas asked if tariffs in China were still an issue. Evridge replied yes.

Dowie asked how Evridge thought the coronavirus would impact the domestic US salmon market.

Evridge replied it was hard to know what product forms the 2020 season would bring and how countries, consumers, and processors would react to the coronavirus. He stated it was likely that one of the big changes would be a shift in what processors were doing with marginal salmon and whether they were pushing it towards canned or fresh.

Dowie asked whether Evridge thought there would be less overall exports and more salmon maintained domestically.

Evridge said that if domestic demand proves strong, there might be a shift, but added that much of the salmon is exported for reprocessing, and that cannot change in the short term.

Daly noted that there are many factors that influence exports year on year. For example, in 2019 Japan did not buy as much sockeye as expected which forced product back into the United States and helped shift volume into the domestic market.

Brown asked if there was a way to measure how much direct marketing sales have increased during the coronavirus.

Evridge stated there was no current data, but agreed direct marketing could be an opportunity. He said anecdotally, there had been increased interest.

Daly shared that there was a minute analysis showing that in retail there had been a momentary 100-200% lift at the beginning of the coronavirus outbreak that leveled out, but there continues to be a 25-30% uptick in the demand for food products. He said it was a good time for retail and hoped that the salmon industry could open new channels and capture new buyers.

Jolin asked how much canned product had gone into the Food Aid Program.

Schactler replied that over the past 10 months the Alaska seafood industry had sold 600,000-700,000 cases of canned salmon to the USDA, including a 180,000 case buy in June of 2019 for regular U.S. food aid programs, a 500,000 buy in October of 2019 for food banks, and 25,000 cases in December. He told the industry to expect new bids in the next couple of months for export product and to resupply the regular U.S. programs.

ASMI Program updates

Domestic

Megan Rider, ASMI's Domestic Marketing Director, presented on recent US salmon promotions and read feedback from the Domestic Marketing Committee.

International

Hannah Lindoff, ASMI's Director of Global Marketing and Strategy, presented on the international program's salmon activities and showed recently conducted research on the impacts of the coronavirus on current and future shopping patterns in Europe and Asia. Presentation attached.

Dowie asked if Japanese consumers were conscientious about Alaska origin.

Lindoff replied that Japanese consumers are savvy when it comes to seafood, but said one challenge with origin was that in Japan, seafood sold at retail is often packaged at the store which does not provide the same opportunities for labeling as in the US. She added that Japan also has their own salmon run that Alaska has to compete with, but said that overall Alaska tests well in Japan and people have a good image of Alaska.

Souter noted that the international research showed a decrease in visits to specialty seafood markets now and in the future for both Europe and Asia. He asked if specialty seafood markets were a large distribution chain for Alaska seafood.

Lindoff said these stores sell smaller volumes but have exceptional branding, because they are well informed about Alaska seafood. She said the stores were some of the best partners in terms of getting messaging across, and thought the International program would have to look at what to do to support those partners.

Update from the Technical committee

Michael Kohan, ASMI's Technical Director, presented on the technical program's recent activities related to salmon and gave a status update on requests the salmon committee made at the All Hands meeting in October.

Wallez asked whether ASMI should create messaging about the safety of the Alaska seafood processing sector, given the virus issues other protein industries were seeing.

Kohan replied that during the technical meeting in March, there was a discussion of how processors should promote food safety. She said ASMI had a general message about Alaska seafood and safety on the website, but that it seemed best to leave it up to companies to decide how they wanted to convey that message to buyers and consumers.

Communications and Edelman

Ashley Heimbigner, ASMI's communications director, showed a new page on ASMI's website devoted to providing information about COVID-19 and the Alaska seafood industry. She informed the committee that the photo and video acquisition project scheduled for the summer had been postponed due to coronavirus travel restrictions. She presented on upcoming communications projects such as improving the website and expanding resources for direct marketers.

Tessa Ward from Edelman updated the committee on recent PR activities.

Wallez thanked the communications team for creating the COVID-19 page on the ASMI website and said she had sent it to many customers.

Committee discussion

Thomas reminded everyone that the species committees are advisory and their job is to give advice to the ASMI operational programs.

Schactler brought up the pink salmon market, and how roe was down in value from this time last year. He asked the committee what they would like ASMI to do to help recover that market.

Risher said the main issue with roe was reduced staff capacity due to COVID-19. He said you need the right amount of roe techs to produce ikura, otherwise companies would be stuck making green roe, which drops the market. He commented that if Russia has a lower pink salmon run, there would be an opportunity to raise the price of green roe, but it would depend on how the Alaska season goes including how many fish come in and whether companies can get the Japanese roe techs into plants. Risher felt the greater challenge for the 2020 season will be dealing with smaller fish sizes and higher volumes of frozen H&G for all species due to a lack of staff and inability to process higher end products.

Daly said domestic sales on ikura were a challenge and remained regionalized. He noted that it's a very high end item and the price was challenged even before the virus. He said plants will be operating with minimal staff this summer and he believes there will be a significant shift to green roe.

Brown asked how much media coverage, such as the recent article in *Taste Magazine*, could drive the taste of American consumers with regards to roe. Brown asked if there was a detectable uptick in roe demand after the Taste article.

Ward said it was hard to detect the exact impact of the article, but that they did see good engagement online. She said there was a lot of storytelling opportunity with roe, but the sticking points for promotion were the price, accessibility, and availability.

Brown asked whether there was a possibility to increase whole fish sales (in the round, not princess cut) by promoting all the different things you can do with the fish.

Matlock said that for general consumers, the trend was towards ready to eat products such as skin pack and fillets. She did not see fish in the round as being overly marketable.

Thomas asked the committee if they had advice for the operational committees going into the season, and floated the idea of shifting focus away from foodservice and towards retail.

Wallez said she was not opposed to that and suggested the US domestic program conduct research similar to what was done for the international program to determine how people's shopping habits had changed. She liked the idea of promoting simple recipes and people cooking with their kids through the summer and through post quarantine to keep those traditions going.

Brown also liked the idea of promoting recipes for kids to make with their parents, or even recipes that would be simple enough for children to replicate themselves. She suggested something easy like the salmon version of a tuna melt, or a salmon salad sandwich. Not fancy recipes, but recipes that are very accessible, easy, and healthy. She noted this would be a great way to promote canned and shelf stable products, which are affordable as well.

Dowie asked what the committee thought about pushing more focus towards activities focused on canned products and consumer use, and asked about the cans going into USDA programs.

Christianson supported putting energy towards canned and frozen salmon. He said buying habits had changed dramatically and shopping frequency was down. He recognized that selling canned product would not be as difficult as in the past, and noted that with a short year upcoming for pink it would be hard to have enough pink salmon to meet demand, but ultimately, he thought that driving up the value was always a good initiative.

Schactler said canned sockeye was too expensive to put into food banks, but he did have a request in using small fish to buy about \$20 million worth of frozen sockeye portions for a USDA program.

Schactler asked if companies planned to ramp up the production of canned sockeye, and what their plans were for small fish. He asked if there was product development that ASMI staff could collaborate on in the marketplace.

Daly said he didn't think anyone was going to reopen already closed sockeye canneries. He explained that the cost of reopening a cannery and the crew would be massive. He predicted a similar production of volume coming out of 2020, perhaps up slightly, but nothing like 10 years ago. He said right now canned products were selling full price off the truck before it could even be loaded. He thought there might not be enough volume to dedicate money to marketing canned products right now. He said inventory levels were as low as they were ever going to be and with Alaska entering a low year, no one should anticipate an excess of cans.

Dowie suggested more good tasting recipes for canned and more education, since more people were buying it.

Daly agreed and said the more education and trendy preparations for canned salmon, the better.

Jann Dickerson, ASMI's Domestic Foodservice contractor, said restaurants she spoke to were streamlining their menus and looking for items that carry out well, which represented a challenge for seafood. However, she thought there were still opportunities to influence decision making and urged the committee not to recommend shifting dollars away from foodservice. She shared that restaurants were deciding what their menus would look like when they opened back up and many believed consumers would want to order dishes they could not make at home, or healthy dishes, both of which were an opportunity for Alaska seafood.

Souter said he would like to see promotions directed to the at home market for the next 3-6 months.

Brown noted that while ASMI can't promote individual businesses, she thinks that Aaron Kellenberg's direct marketing model has been highly successful. She shared that the company utilizes a distribution center that Trident has in the Midwest to distribute seafood direct to consumer. She further added that if there's any way to promote direct marketing so that there's more product moving domestically, ASMI should do so.

Wallez expressed concern about seafood processing safety issues and said that ASMI should be ready with a response in case safety issues arose around protein and seafood processing.

Daly commented that the coronavirus would shift everything over the yearlong sell cycle of Alaska salmon and that the committee could decide something now only to have the situation change in 48 hours. He said this made it hard to know whether the priority should be helping foodservice survive or shifting everything to retail.

Christensen reiterated that the salmon return to Bristol Bay was going to be comprised of a lot of small fish, and urged ASMI to work on marketing smaller sized salmon.

Schactler asked what the industry planned to do with all the small sockeye.

Souter said the plan was to sell them, mostly frozen.

Thomas brought up the annual meetings for BBRSDA and other fishing organizations and recommended that technical participate in those meetings and present ASMI's quality and technical materials.

Christiansen said one idea for small sockeye was to produce a steep angel cut steak to increase the recovery rate. He urged ASMI to help develop a market for small sockeye and suggested spending resources on developing more uses for small fish, rather than selling it as a whole. He said this was not an issue that would go away.

Brown added that it might be an opportunity to change the perception of a good fillet, and introduce consumers to new parts of the fish such as the belly.

Thomas read a comment from Torque Zubek stating that Alaska Airlines will have capacity to shift seafood out of Alaska this summer to almost every destination they serve, but there will be reduced frequency.

Daly circled back to the questions from the All Hands meeting in October and noted that the abundance of small salmon was a concern back then as well. He said the small fish would not be canned in the volumes they were in the past because companies were not going to reopen canneries. He thought the fish would go into refreshed programs and some portioning.

Jolin expressed concern about the rising temperatures in Alaska and asked the technical committee to create a paper on climate change and it's impacts on salmon.

Kohan said the technical program was in contact with ADF&G about their research and planned to create a general overview of how the changing environment was affecting the Alaska seafood resource.

Larry Christensen moved to adjourn; Jolin seconded. The motion passed unanimously.