

2016

ALASKA SEAFOOD
MARKETING INSTITUTE

ANNUAL REPORT



Alaska Seafood Marketing Institute

BOARD OF DIRECTORS

The Governor-appointed seven-member Alaska Seafood Marketing Institute Board of Directors is allocated to five processors (four large processors, one small processor) and two commercial harvesters. Through ASMI's system of operational and species committees, the board and staff receive input from dozens of industry experts, primarily people in the harvesting and processing sectors.

Jack Schultheis, *Chair*
KWIK'PAK FISHERIES

Allen Kimball, *Vice-Chair*
TRIDENT SEAFOODS

Tom Enlow
UNISEA

Fritz Johnson
HARVESTER

Tomi Marsh
HARVESTER

Mark Palmer
OCEAN BEAUTY SEAFOODS

Richard Riggs
SILVER BAY SEAFOODS

EX-OFFICIO MEMBER

Chris Hladick, *Commissioner*
ALASKA DEPARTMENT OF COMMERCE, COMMUNITY AND
ECONOMIC DEVELOPMENT

MESSAGE FROM THE EXECUTIVE DIRECTOR

In the midst of global currency challenges and a rocky fiscal climate here in Alaska, the seafood industry remained an asset in Alaska's portfolio in 2016.

A 2016 economic analysis paints a picture of Alaska's thriving commercial fishing industry which provides employment opportunities for urban and rural residents alike: 60,000 workers in Alaska's seafood industry earn \$1.6 billion in annual labor income based on 2013 and 2014 averages (including nonresidents). These workers are skippers, deckhands and processors, taking Alaska's delicious seafood from our ocean to plates all over the world.

A total of 31,580 fishermen, the majority of whom are Alaskans, earned income as skippers and crew, operating a fleet of 8,600 vessels. Alaska fisheries provided jobs all over the state, with over 10,000 full-time equivalent jobs in the Bering Sea and Aleutian Islands, almost 10,000 in Southeast Alaska, over 8,000 in Kodiak, 7,000 in Southcentral Alaska, over 4,500 in Bristol Bay and almost 1,000 jobs in the Arctic and Yukon Kuskokwim regions (including direct and secondary impacts).

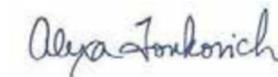
We at ASMI work hard to keep pace with our dynamic seafood industry, responding to fluctuating harvest levels

and global market conditions to keep demand for Alaska seafood strong year after year.

Alaska's seafood industry has faced extraordinary market challenges in recent years. A stronger U.S. dollar and increasing competition have drastically altered market prices for many key species. However, I am incredibly proud of the work ASMI has done to address these difficult headwinds.

This year we celebrate an exciting first: after years of holding steady in second place among protein brands, Alaska Seafood is now the #1 ranked most popular protein on U.S. menus among the top 500 restaurant chains, besting Angus beef, Kobe beef, Louisiana seafood and more.

Working with nature's best seafood and a world-class industry and understanding the pride held by all Alaskans drives us to be the best. We're lucky to be on deck with such fine company. Here's to another year of growth and resiliency.



Alexa Tonkovich
ASMI EXECUTIVE DIRECTOR





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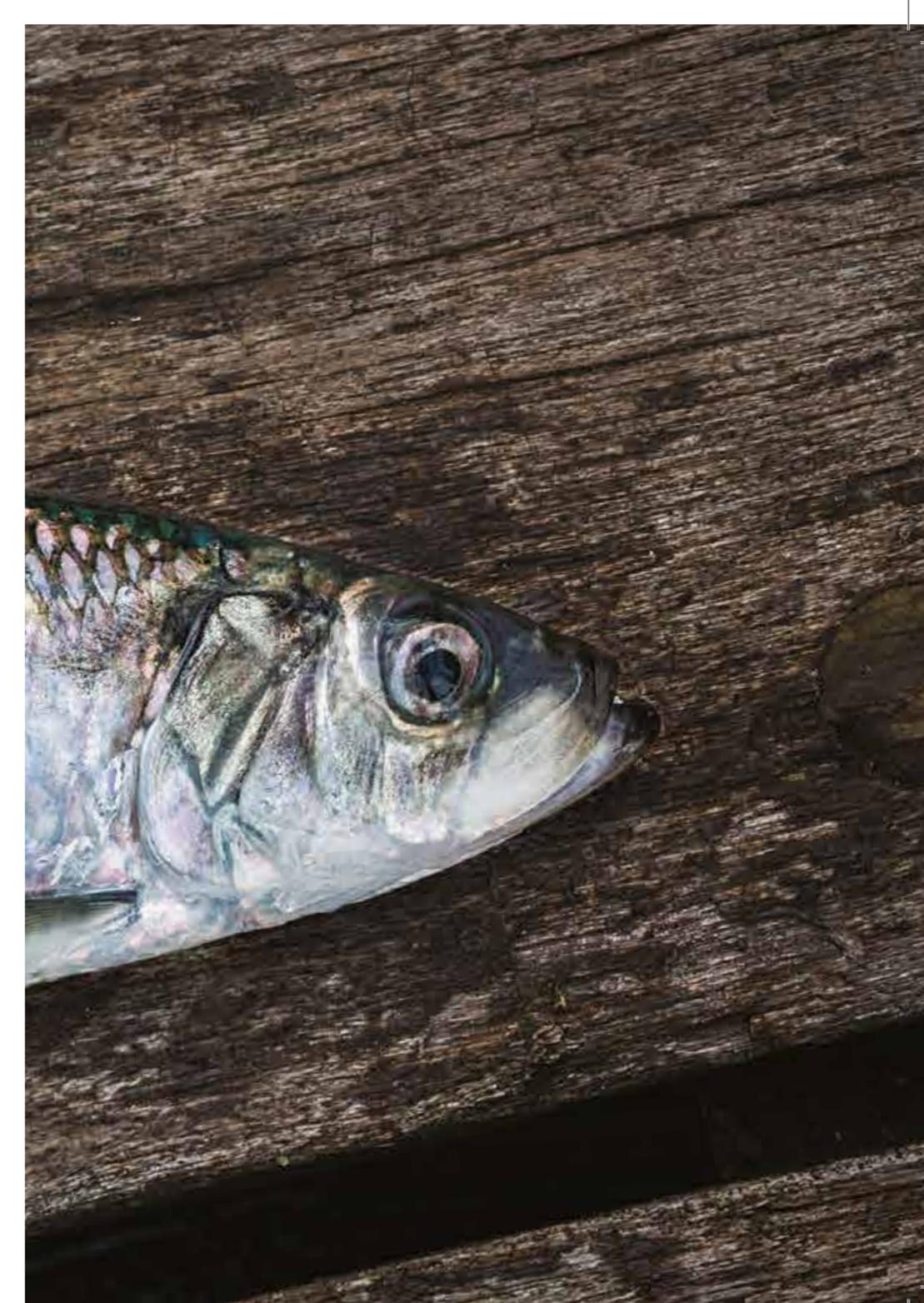
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HOW ASMI WORKS

MISSION

The Alaska Seafood Marketing Institute is a marketing organization with the mission to increase the economic value of the Alaska seafood resource through:

1. Increasing positive awareness of the Alaska Seafood brand.
2. Collaborative marketing programs that align ASMI and industry marketing efforts for maximum impact within the food industry.
3. Championing the sustainability of Alaska seafood harvests resulting from existing Alaska fisheries management imperatives (State of Alaska Constitution and Magnuson-Stevens Fishery Management and Conservation Act and The Halibut Act).
4. Proactive marketing planning to address short and long-term goals while remaining flexible and responsive to a changing environment and economy.
5. Quality assurance, technical industry analysis, education, advocacy and research.
6. Prudent, efficient fiscal management.

CORE PRINCIPLES

ASMI exists to serve the entire Alaska Seafood industry, harvester and processor alike. It is supported by industry self-assessments and uses available public funds to achieve marketing successes for the common good. ASMI adheres to the following Core Principles:

1. ASMI follows the highest ethical standards in its day-to-day operations and in its business relationships.
2. ASMI values its employees and members and insists that all be treated with dignity and respect.
3. ASMI conducts business in the open so its actions and decisions are visible to all industry members.
4. ASMI tells the truth when it conducts promotions or makes claims in the marketplace.
5. ASMI conducts marketing activities that provide the largest economic benefit for its industry members.





ASMI'S ROLE

ASMI is a public-private partnership between the State of Alaska and the Alaska seafood industry established to foster economic development of a renewable natural resource. ASMI plays a key role in the repositioning of Alaska's seafood industry as a competitive, market-driven, food production industry.

ASMI STRATEGIES AND TACTICS

With hands-on guidance from its seafood industry board of directors and input from dozens of industry experts serving on operational and advisory committees, ASMI applies a range of strategies and tactics tailored to fit specific market segments in the U.S. and overseas. These strategies and tactics enable Alaska's seafood promotion arm to conduct effective consumer retail and foodservice promotions, public relations activities, media campaigns and technical education, all designed to increase the value of Alaska's seafood resources and build brand equity. ASMI also functions as a brand manager for the Alaska Seafood family of brands.

In the U.S. and international markets ASMI:

- conducts consumer campaigns to strengthen demand for wild and natural Alaska Seafood, stimulate sales and increase economic value of Alaska seafood;
- executes advertising and public relations campaigns to boost usage of all commercial species of Alaska Seafood;
- performs outreach at expositions and trade shows;
- works with broadline foodservice distributors to maximize Alaska Seafood penetration on menus domestically and abroad;
- customizes promotion methods with retailers and foodservice operators to build on strong brand equity to differentiate Alaska Seafood from the competition;
- partners with restaurant chains to increase the number of restaurants that feature Alaska Seafood as a branded menu item; and
- conducts media tours and media outreach to secure positive publicity for Alaska's seafood products and the Alaska seafood industry.



PROGRAMS

ASMI PROGRAMS AND HOW THEY WORK

Promotional efforts in the U.S. market and key international markets increase the value of fresh, frozen and shelf stable (canned and pouched) Alaska seafood. The agency conducts innovative promotional activities with grocery retailers, foodservice distributors, restaurant chains, foodservice operators, universities and culinary schools to strengthen the Alaska Seafood brand. Quality assurance education, training and technical support are among the resources provided for the seafood industry and promotional partners. Through communications, public relations and advertising activities, millions of people around the world are exposed to positive messages about Alaska Seafood.



DOMESTIC MARKETING

The ASMI domestic marketing program works through the foodservice and retail channels to promote wild Alaska seafood as the best protein option available to their customers on menus, delivery meal kits and at retail seafood counters. We work with broadline and specialty seafood distributors, restaurants, colleges and universities, culinary and technical schools, and retailers across the U.S. and Canada to increase the positive impression of the brand.

Our work runs the gamut from in-store demonstrations to premier press events and familiarity retreats that provide influencers one-on-one experiences with the quality, taste and variety of our products. We speak to the trade and their customers about the myriad of health benefits of wild Alaska seafood and take every opportunity to promote wild Alaska seafood as a superior sustainable partnership in food for future generations.

ASMI educates and partners with industry influencers in foodservice providing logo usage incentives, recipe ideas and menu ideation, as well as resources like web-based culinary student and chef education. For individual operators, Alaska seafood point of sale materials include: posters, menu sheets, waitstaff buttons and table tents. For retailer co-op and grocery store partners, ASMI's resources include: digital assets, point of sale materials, recipes, shareable social media content, consumer trial incentive couponing, in-store sampling and interactive web-based training for retail seafood counter personnel.

The domestic program integrates with all of the other ASMI programs to ensure that we are making the most of our collective budget, staying informed and up-to-date with the latest and greatest in innovation, policies and trends in the industry that we can then share with our stakeholders.

COMMUNICATIONS

ASMI's communications program works to inform consumers that Alaska is the best source of premium seafood in the world through media interviews, curating ASMI's photo and video assets, planning and hosting media visits to Alaska, oversight of ASMI's social media channels and management of ASMI's domestic public relations program. Within Alaska, the communications program affirms the value of ASMI to the fleet, industry and policy makers by producing and distributing economic reports, press releases, marketing updates and representing ASMI at various events and trade shows throughout the state.



INTERNATIONAL MARKETING

The international program focuses on promoting Alaska Seafood in key markets: Japan, China, Europe and Brazil. Eight regional programs conduct retail and foodservice promotions, technical seminars, chef and retailer training, Alaska in-bound missions for members of the overseas trade and press, trade shows, outbound trade missions, advertising and public relations.

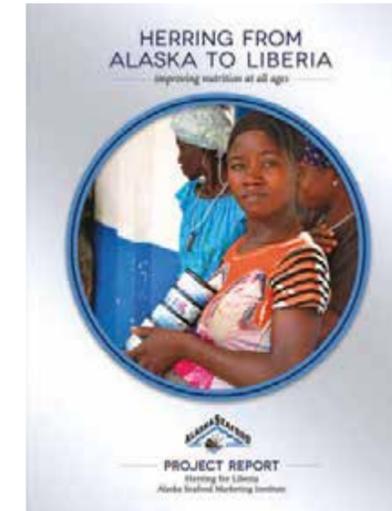
ASMI international monitors trends across the globe and has made strides in e-commerce in markets like China, Japan and the U.K., resulting in millions of dollars of Alaska seafood products sold online.

Emerging markets offer an opportunity for ASMI to increase the overall value of the Alaska seafood resource by growing worldwide demand. In 2015 ASMI was awarded an Emerging Markets Program grant to host a trade mission to Southeast Asia, targeting Thailand, Vietnam, Indonesia, Malaysia and the Philippines. In 2017, ASMI led a trade mission to South Korea. While not a new market, there is great interest in “rediscovering” Korea as market trends shift. Ten different companies sent representatives on the mission.

Alaska Seafood overseas marketing activities receive substantial support from the federal government through the United States Department of Agriculture. ASMI applies annually for funds from the Foreign Agricultural Service through the Market Access Program. The amount of these funds awarded to ASMI, and the timing of their receipt, are subject to annual congressional budget appropriation. The in-depth research that ASMI conducts each year in target overseas markets and the high level of involvement by the Alaska seafood industry through the ASMI committee process both contribute to the international program’s continued successful application for federal funding.

Through the Foreign Agriculture Service ASMI partners with other U.S. cooperators on global based initiatives focusing on sustainability in Europe and the upcoming initiative for U.S. seafood in Southeast Asia.





GLOBAL FOOD AID

The Alaska global food aid program was created in 2005 by Alaska salmon fishermen to help feed the world's food-insecure the same nutritious canned salmon available in the United States from food banks to school lunches. Since 2008, ASMI has spearheaded this unique humanitarian initiative. The Alaska global food aid program links Alaska fishing communities with populations around the globe to fill the nutrition gap while they develop self-reliance, food security and economic well-being. Canned salmon and herring are increasingly adopted by private voluntary organizations, the World Food Program and other non-governmental organizations in food aid programs.

SEAFOOD TECHNICAL SUPPORT

The technical program supports the mission of ASMI in all matters of seafood science, safety, quality, nutrition and labeling as well as environmental issues such as fisheries sustainability and seafood purity. The program provides educational resources to consumers and industry members to assure safe, quality seafood is harvested and processed from Alaska's waters. The technical program works to ensure Alaska is a premium wild, natural and sustainable seafood source providing the highest quality of seafood.

ALASKA RESPONSIBLE FISHERIES MANAGEMENT CERTIFICATION



The Alaska Responsible Fisheries Management program was developed in 2010 to offer seafood buyers and sellers a credible, cost effective choice in seafood certification. It is a comprehensive certification program founded on the strongest and most widely acknowledged international standards and practices. Based on the United Nations Food and Agriculture Organization criteria, it is one of the few programs accredited under the International Organization for Standardization code. Alaska Responsible Fisheries Management was the first certification program to achieve recognition by the Global Sustainable Seafood Initiative's Global Benchmark Tool. The Global Sustainable Seafood Initiative publicly recognizes seafood certification schemes that meet the essential components grounded in the Food and Agriculture Organization Code of Conduct for Responsible Fisheries and Guidelines for Seafood Certification and Ecolabelling.



ALASKA SEAFOOD IN THE GLOBAL MARKETPLACE

ECONOMIC AND MARKET CONDITIONS

Variable harvest cycles and dynamic global market forces affect both the fishing industry and ASMI.

- » As of December 2016, the U.S. Dollar Index was 8.5 percent stronger (greater) than January 2015, and is up 30 percent since January 2012.
- » Currencies of major competitors such as Russia, Norway and Chile have been especially weak, and the euro is currently at its weakest point versus the dollar since 2003, making Alaska seafood relatively more expensive to foreign buyers and greatly improving the position of foreign competitors.
- » Salmon runs outside of Bristol Bay were generally well below forecast volumes in 2016. Pink salmon harvests were especially low.
- » Harvests either fell or remained historically low for high-value species: halibut, black cod and crab. These species accounted for a quarter of ex-vessel value in 2014/2015.
- » Terrorist attacks led to lower industry participation and resulting sales at the Seafood Expo Global in Brussels, Belgium, one of the world's largest international seafood trade shows.
- » Seafood consumption continues to decline in Japan, a key export market for Alaska.
- » The Russian embargo continues to negatively impact Alaska through increased competition from farmed salmon suppliers, such as Norway, in important global markets and restricts key market access for Alaska pink salmon roe.
- » Russia posted a large pink and chum salmon harvest in 2016 and increased pollock production.
- » The highest Gulf of Alaska pollock harvest since 1985 resulted in oversupplied pollock markets, particularly for roe in Japan and fillets in Europe.

- » Surimi values remained high, buoyed by less supply pressure from tropical surimi producers.
- » Americans increased their seafood consumption to 15.5 pounds of fish and shellfish per person in 2015, up nearly a pound from the previous year. This is the biggest increase in seafood consumption in the U.S. in 20 years.
- » After years of higher growth, farmed salmon production declined in 2016, contributing to increasing salmon prices during Alaska's 2016 season.
- » Bristol Bay posted the second-largest sockeye harvest since 1995 and the average base ex-vessel price increased to \$0.76 per pound after falling to \$0.50 per pound in 2015.
- » Lower crab production in Alaska and elsewhere has led to record high crab prices, somewhat offsetting the lower total allowable catch levels.
- » There is a growing groundfish biomass in the Bering Sea; however, harvests are limited by the two million metric ton harvest cap. Fishery managers estimate the region could sustainably harvest 3.2 million metric tons.
- » Despite an increase in total allowable catch, halibut prices increased in 2016.
- » Exports to Japan increased 15 percent in 2015, partly due to a stronger yen.
- » Spain, the fourth largest importer of all seafood in the world, is officially out of its long recession.

ALASKA SEAFOOD EXPORTS TO THE WORLD

Alaska Seafood Exports By Country, 2015

ASMI PROGRAM AREAS	Export Volume (in MT)	Export Value (in \$M)
China*	384,140	\$879
Japan	215,733	\$768
Europe	211,430	\$667
» Central Europe	95,219	\$287.5
» Northern Europe	71,353	\$245
» Western Europe	24,356	\$72
» Southern Europe	16,676	\$49
» Eastern Europe	3,826	\$13.5
Canada* †	51,235	\$295
Brazil	1,047	\$3
TOTAL	863,585	\$2,612

NON-ASMI PROGRAM AREAS	Export Volume (in MT)	Export Value (in \$M)
South Korea*	161,367.5	\$451
Thailand	22,361	\$63
Other Countries	13,742	\$46
Australia	6,910	\$32
Lithuania	7,505	\$26
Taiwan	9,184	\$15
Indonesia	1,104	\$10
Vietnam	2,429.5	\$9
Israel	797.5	\$5
Singapore	896.5	\$5
Norway	921	\$3
TOTAL	227,218	\$665

* Major re-export country.

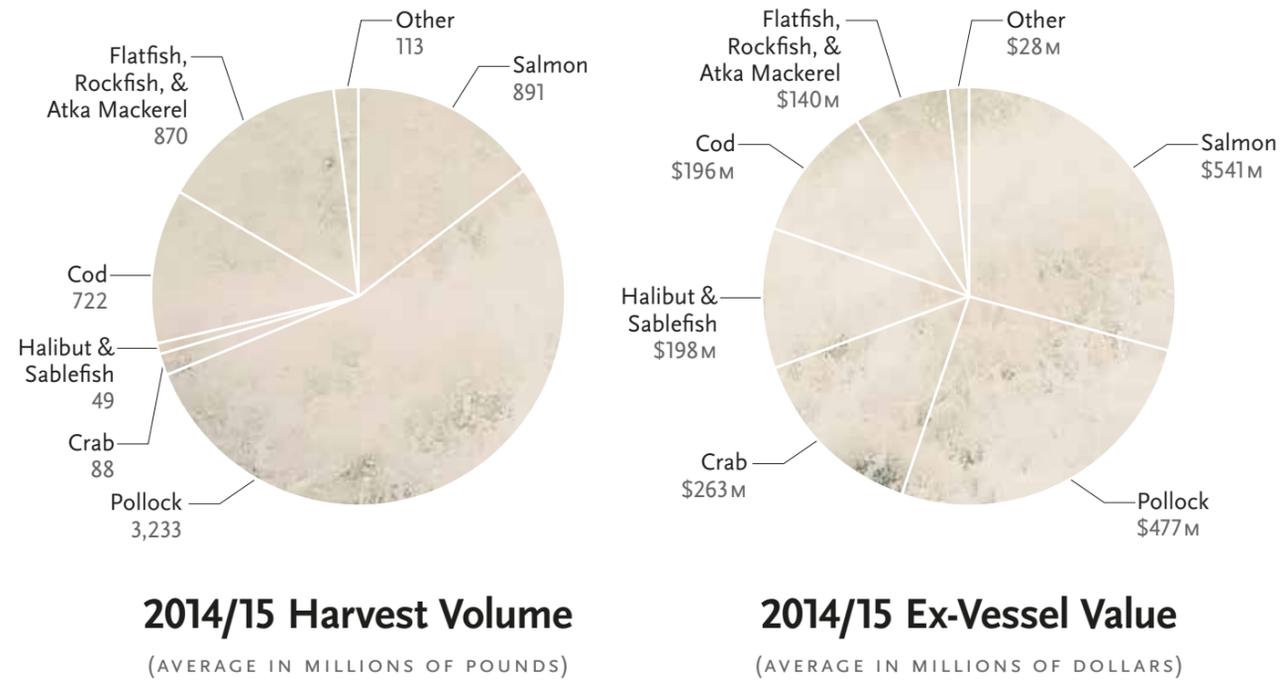
† Canada was included in the Domestic Marketing Program in 2016.

Source: National Marine Fisheries Service Foreign Trade Data, compiled by McDowell Group for Alaska Seafood Marketing Institute.

Data reflects direct exports only, product is not necessarily consumed in the country shown.



ALASKA SEAFOOD INDUSTRY SNAPSHOT



Seafood is Alaska's most valuable renewable resource and accounted for 62% of U.S. commercial fishery harvest volume in 2015.

PARTICIPATION BY THE NUMBERS

Vessels 8,600

Shore Plants 176

Fishermen 31,800

Processors 26,200

Alaska Residents 26,700 (*direct only: fishermen, processors and mgmt/other*)

The seafood industry directly employs approximately 60,000 workers each year—more than any other private sector industry—and contributes \$2.1 billion in labor income (including multiplier effects). It is the second largest basic sector job creator in Alaska after the oil-and-gas industry (including secondary impacts).

Alaska's seafood industry contributes roughly \$138.6M in taxes, fees and self-assessments which help fund state, local and federal governments.

Arctic-Yukon-Kuskokwim
 Direct Workers 4,600
 Total FTE Jobs 860
 Total Output \$54M

Bristol Bay
 Direct Workers 8,400
 Total FTE Jobs 4,650
 Total Output \$455M

Bering Sea/Aleutian Islands
 Direct Workers 13,600
 Total FTE Jobs 10,300
 Total Output \$2,484M

Industry labor by region

Alaska Total
 Direct Workers 59,500
 Total FTE Jobs 41,200
 Total Output \$5.92B

Southcentral
 Direct Workers 10,400
 Total FTE Jobs 7,000
 Total Output \$991M

A third of Alaska's resident commercial fishermen live in Southcentral, more than any other region.

Kodiak
 Direct Workers 6,000
 Total FTE Jobs 8,350
 Total Output \$932M

Southeast Alaska
 Direct Workers 12,100
 Total FTE Jobs 9,950
 Total Output \$988M

- » Direct workers refers to number of industry workers.
- » FTE = full time employees.
- » Total output figures include multiplier effects.

ALASKA SEAFOOD VALUE METRICS

Q: WHY HAS THE VALUE OF ALASKA SEAFOOD DECLINED?

A: Stronger U.S. Dollar and Changing Species Value

Alaska seafood competes in a global marketplace. Exchange rates can have a large impact on the value of Alaska seafood. When the U.S. dollar gets stronger (i.e. the dollar index goes up), foreign buyers must pay more of their own currency to achieve the same price in dollars. Foreign competitors are also able to accept lower prices in dollars but retain the same value denominated in their own currency. A strong U.S. dollar, as seen in recent years, generally results in lower seafood values for Alaska producers. Given that the U.S. dollar gained 27% on foreign currencies between 2011 and 2015, a decline of 17% in ex-vessel value is more understandable.

Foreign currencies lost 27% of their value between 2011 and 2015, yet the ex-vessel value of Alaska seafood fell only 17%.

IMPACT OF THE U.S. DOLLAR ON ALASKA SEAFOOD VALUE

■ Inflation-Adj. Ex-Vessel Value ● U.S. Dollar Index



Higher Index
=
BAD FOR AK
↑
Lower Index
=
GOOD FOR AK

EXCHANGE RATE CHANGES (2011 vs. 2015)

Euro	-20%
Yen	-34%
Canadian\$	-23%
Kroner	-27%
Ruble	-52%
Chilean Peso	-26%

The purchasing power of foreign currencies for U.S. goods declined by the corresponding percentages between 2011 and 2015.

Source: Oanda average exchange rates.



ASMI RESPONDS TO DECLINING VALUES

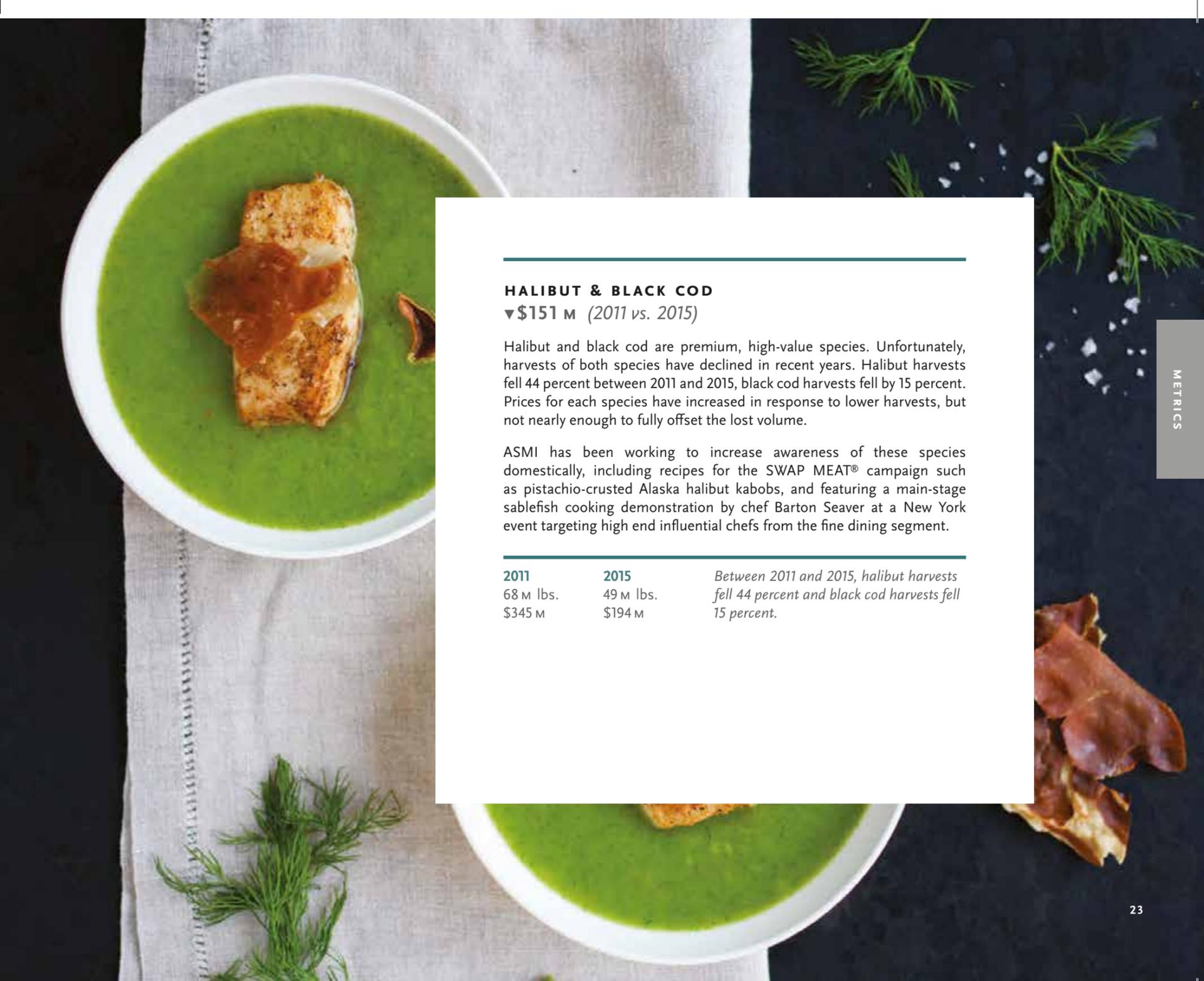
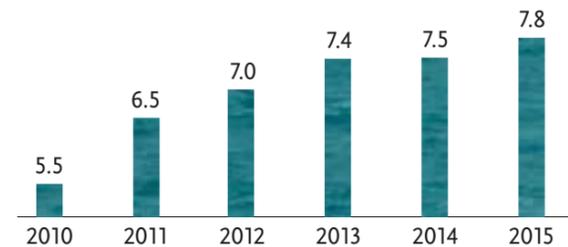
SALMON

▼\$149 M (2011 vs. 2015)

Alaska salmon values have suffered as a result of the strong U.S. dollar, increasing competition and the Russian embargo—which closed a prominent pink roe market. Global salmon production increased by more than two billion pounds between 2010 and 2015. Alaska posted the second largest harvest volume ever in 2015, but the timing for a large run was unfortunate. The market was already well supplied, particularly for canned product, and the U.S. dollar had strengthened dramatically leading to sharp declines in dock prices.

The good news is prices rebounded in 2016 and competing farmed production is expected to grow slowly between 2016 and 2019. Salmon values could have fallen farther if not for the efforts of ASMI to coordinate in-store sockeye demos at over 5,000 stores in 2015/2016 and \$77 million worth of canned salmon sales to U.S. food aid programs. These marketing programs increased demand for Alaska salmon and helped move inventory through the supply chain during a critical time.

GLOBAL SALMON SUPPLY (BILLIONS LBS.)



HALIBUT & BLACK COD

▼\$151 M (2011 vs. 2015)

Halibut and black cod are premium, high-value species. Unfortunately, harvests of both species have declined in recent years. Halibut harvests fell 44 percent between 2011 and 2015, black cod harvests fell by 15 percent. Prices for each species have increased in response to lower harvests, but not nearly enough to fully offset the lost volume.

ASMI has been working to increase awareness of these species domestically, including recipes for the SWAP MEAT® campaign such as pistachio-crust Alaska halibut kabobs, and featuring a main-stage sablefish cooking demonstration by chef Barton Seaver at a New York event targeting high end influential chefs from the fine dining segment.

2011	2015	Between 2011 and 2015, halibut harvests fell 44 percent and black cod harvests fell 15 percent.
68 M lbs. \$345 M	49 M lbs. \$194 M	



GROUND FISH

(pollock, cod, sole/flounder, rockfish and Atka mackerel)

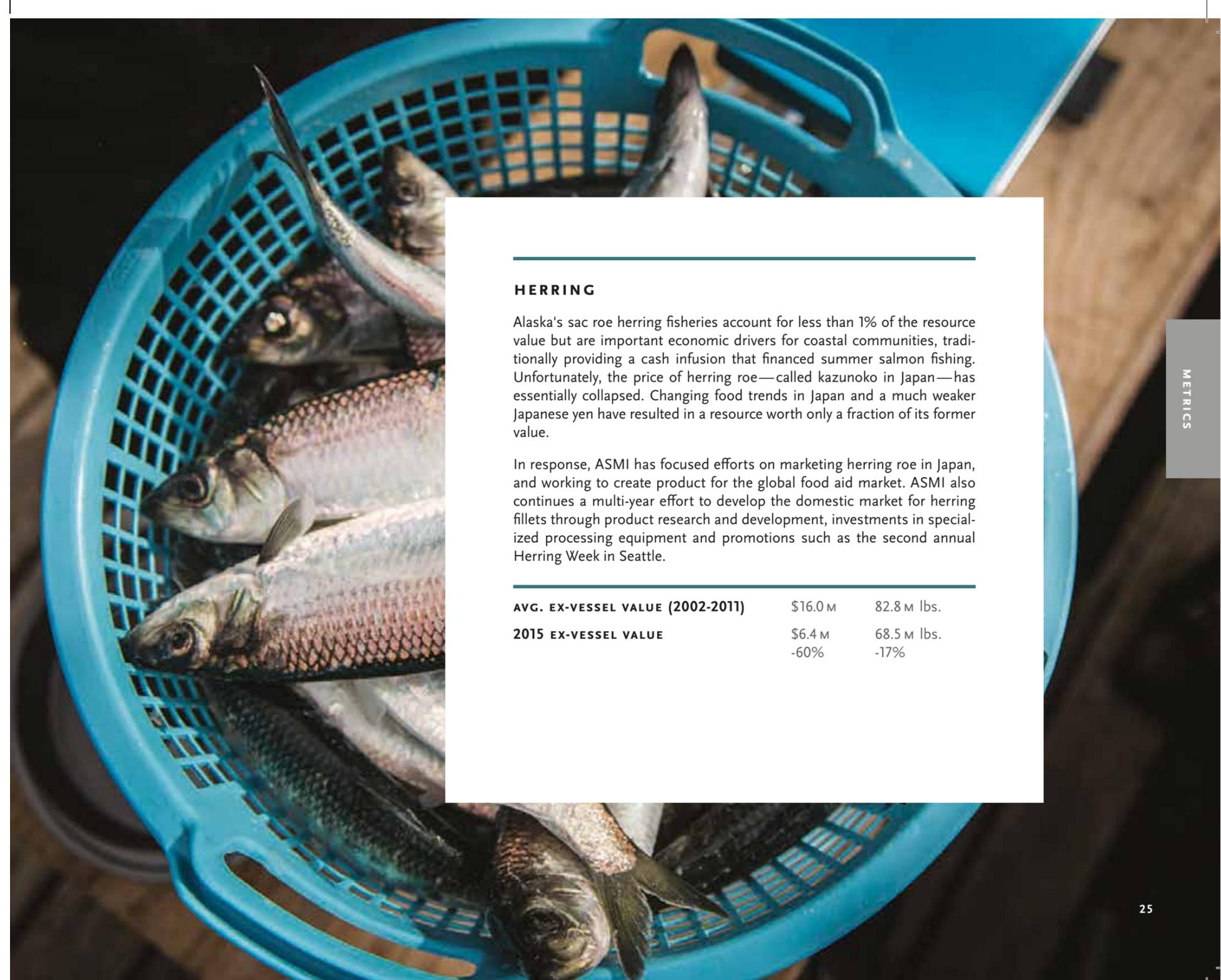
Groundfish harvests steadily increased between 2011 and 2015; however, the overall resource value declined due to lower prices. Like other species, Alaska's groundfish producers have faced extraordinary circumstances in recent years. The Marine Stewardship Council certification of Russian pollock in 2013 roughly doubled the volume of competing product in Europe, Alaska's largest pollock fillet market. Russian producers have also benefitted tremendously from a weaker currency, allowing them to accept lower prices while still realizing price gains in rubles. Cod prices have fallen under pressure from the strong U.S. dollar and increasing Atlantic cod harvests (which are up 58% since 2008). Flatfish values have suffered from rising processing costs in China and lower whitefish prices in general.

ASMI has responded with promotions targeted at whitefish, including COOK IT FROZEN!® in-store whitefish cooking demos at retail outlets across the U.S., and a fish taco co-promotion with Alaskan Brewing offering rebates for purchases of Alaska whitefish varieties. Foodservice efforts have included sampling pollock tacos at industry trade shows and conferences, collaborating with broadline distributors and culinary trade groups to implement school dining programs, partnering with foodservice operators promoting cod, pollock and salmon and sampling Alaska surimi seafood, cod and pollock during a global conference of food innovators. ASMI's international marketing programs have increased efforts to market pollock, cod and flatfish across major markets such as Europe, Japan, China and Brazil.

VALUE: -8% *(First wholesale value)*

HARVEST: +8%

Groundfish harvests steadily increased between 2011 and 2015; however, the overall resource value declined due to lower prices.



HERRING

Alaska's sac roe herring fisheries account for less than 1% of the resource value but are important economic drivers for coastal communities, traditionally providing a cash infusion that financed summer salmon fishing. Unfortunately, the price of herring roe—called kazunoko in Japan—has essentially collapsed. Changing food trends in Japan and a much weaker Japanese yen have resulted in a resource worth only a fraction of its former value.

In response, ASMI has focused efforts on marketing herring roe in Japan, and working to create product for the global food aid market. ASMI also continues a multi-year effort to develop the domestic market for herring fillets through product research and development, investments in specialized processing equipment and promotions such as the second annual Herring Week in Seattle.

AVG. EX-VESSEL VALUE (2002-2011)	\$16.0 M	82.8 M lbs.
2015 EX-VESSEL VALUE	\$6.4 M	68.5 M lbs.
	-60%	-17%

ALASKA SEAFOOD ACCOMPLISHMENTS IN BRIEF

Alaska Seafood is now, for the first time, the #1 most commonly named protein on U.S. menus.

- » Alaska seafood is now, for the first time, the #1 most commonly named protein brand called out on restaurant menus, surpassing Angus Beef. New ASMI research demonstrates that 94% of consumers are more likely to order a fish or seafood dish when the word “Alaska” is used on the menu.
- » America’s increased seafood consumption can be partially attributed to federal food assistance programs distributing surplus canned salmon to food banks nationwide. ASMI helped coordinate the sale of \$77 million worth of canned salmon to federal food aid programs between 2014 and 2015, helping the industry manage canned salmon inventories after record pink and sockeye salmon harvests.
- » ASMI expanded domestic market channels for Alaska sockeye, including partnerships with Sam’s Club, Walmart and Red Lobster, thus avoiding significant carryover inventory of frozen sockeye heading into 2016, which could have lowered prices for the 2016 harvest.
- » Alaska seafood exports to ASMI program destinations maintained value at approximately the same level as the prior year, despite a strong U.S. dollar and the Russian embargo.

- » Participation in Alaska salmon fisheries remains robust, with 7,791 salmon fishermen (not including crew) making landings in 2015, the third highest total in the past 15 years.
- » With U.S. Department of Agriculture Market Access Program support, ASMI coordinated sales of over 120 tons of seafood through five online promotions in China.
- » A trade mission to Thailand and Vietnam in February 2016, coordinated by ASMI with funds from the U.S. Department of Agriculture Foreign Agriculture Service Emerging Markets Program, resulted in \$760,000 in Alaska seafood sales.
- » In response to the import ban in Russia, ASMI expanded the Eastern Europe program to include Romania, Kazakhstan, Moldova, Azerbaijan, Georgia and Armenia in addition to Ukraine.
- » Alaska Responsible Fisheries Management became the first program worldwide to gain Global Sustainable Seafood Initiative recognition in July 2016. This recognition will be useful to provide markets and customers assurance that Responsible Fisheries Management Certification is a credible and relevant seafood certification program.
- » The Alaska Seafood brand attracted over one billion consumer impressions through ongoing domestic public relations program activities, including a strategic mix of print, online, social channels and press events.
- » ASMI hosted fishermen town hall meetings in Bristol Bay, Juneau, Cordova, Petersburg, Anchorage and Seattle, providing an opportunity for the fleet to learn about ASMI’s programs and how the organization improves the value of commercial fisheries.

KEY CHALLENGES

The strong U.S. dollar makes Alaska products more expensive relative to foreign competitors.

- » The strong U.S. dollar makes Alaska products more expensive relative to foreign competitors. Despite lower ex-vessel values resulting from the strong dollar and other factors, the 2015 preliminary ex-vessel value was still 19 percent higher than the inflation-adjusted 2003 value (the last year when the U.S. dollar was this strong).
- » Due to the Russian embargo, large volumes of farmed Norwegian salmon have been redirected to other markets and has created more competition for Alaska salmon. Russia was the largest importer of Norwegian salmon prior to the embargo, which began in mid-2014.
- » Nine Alaska co-exhibitors withdrew from Seafood Expo Global in Brussels, Belgium, following the November 2015 terrorist attack in Paris and the March 2016 bombing of the Brussels airport. Projected show sales were down nearly 50% compared to the previous year, from \$500 million to \$249.2 million.
- » Alaska salmon harvests have been increasingly volatile in recent years, putting more pressure on ASMI and the industry to expand sales of species with larger harvests and retain value for species with lower harvests.
- » Russian crab competes with Alaska crab and generally sells for a lower price. Encouraging consumers to demand Alaska crab at a higher price remains a major challenge, though Alaska crab does receive a premium in most cases.
- » Crab quotas declined significantly during the 2016-2017 season. Retaining value for these products will be a difficult challenge, especially given the favorable currency position of Alaska’s competitors in Canada and Russia.
- » Despite the recent increase in per capita seafood consumption in the U.S., seafood consumption has generally trended down in the U.S., Europe and Japan over the past decade. With lower grain prices, prices of competing proteins like beef, pork, and chicken are also generally trending lower in the U.S.
- » Despite the great strides made by the Global Sustainable Seafood Initiative benchmark in leveling the ‘pay-to-play’ eco-label playing field, the strength of the initiative is directly related to the number of certification programs that can be successfully benchmarked. Recognition of Global Sustainable Seafood Initiative is still limited.

GOALS AND MEASUREMENT

Alaska Seafood Marketing Institute is tasked with increasing the ex-vessel value of Alaska's fisheries by promoting the Alaska Seafood brand all over the world. We measure our success by the following standards.

Goal 1: Food Brand Ranking— We are #1

Alaska seafood is now the #1 brand among proteins on U.S. menus

After years of competing for the top spot among other brands, Alaska Seafood is now the #1 ranked most popular brand of proteins on U.S. menus among the top 500 restaurant chains.

ASMI educates chefs, restaurant operators, grocery retailers, foodservice distributors, seafood buyers and consumers about Alaska seafood. ASMI activities spread key messages about Alaska Seafood: wild, natural, unparalleled flavor, superior quality, sustainability, versatility, ease of preparation and healthfulness. This brand equity can be leveraged by all Alaska seafood suppliers.

As a result of foodservice promotions, a wide variety of consumers have a positive impression of the Alaska Seafood brand.

- 87% of consumers are more likely to order a fish/seafood dish if the Alaska Seafood logo is on the menu.
- 94% of consumers are more likely to order a fish/seafood dish when the word "Alaska" is used on the menu.

Source: Datassential for ASMI, 2016.



Goal 2: Increase the first wholesale value of selected Alaska salmon products by 0.5 percent annually

RESULTS: ASMI has overseen a steady increase of ex-vessel value of Alaska salmon over the years.

- The average first wholesale value in 2014 and 2015 was \$1,333 million, compared to \$793 million in 2005/2006 (10 years prior). This produces a compound annual growth rate of 5.9 percent over the past decade.
- The average ex-vessel value in 2014 and 2015 was \$541 million, compared to a \$332 million average in 2005/2006 (10 years prior). This produces a compound annual growth rate of 5.6 percent.
- The compound annual growth rate of ex-vessel value and first wholesale value over the past 10 years is well above the 0.5 percent annual goal.

Ex-vessel value refers to the value of payments made to fishermen by processors for delivering fish. First wholesale value is the revenue received by processors when they sell processed seafood resources outside of their network. ASMI strives to increase the wholesale value of all Alaska seafood products including salmon. ASMI cannot influence the price paid to fishermen by processors. However, historical data confirms that fishermen receive a larger percentage of the wholesale resource value when prices are high. Increasing the wholesale value of Alaska seafood increases the amount retained by fishermen, allows processing companies to grow and innovate, spurs economic growth in Alaska communities and creates larger tax revenues for state and local government.

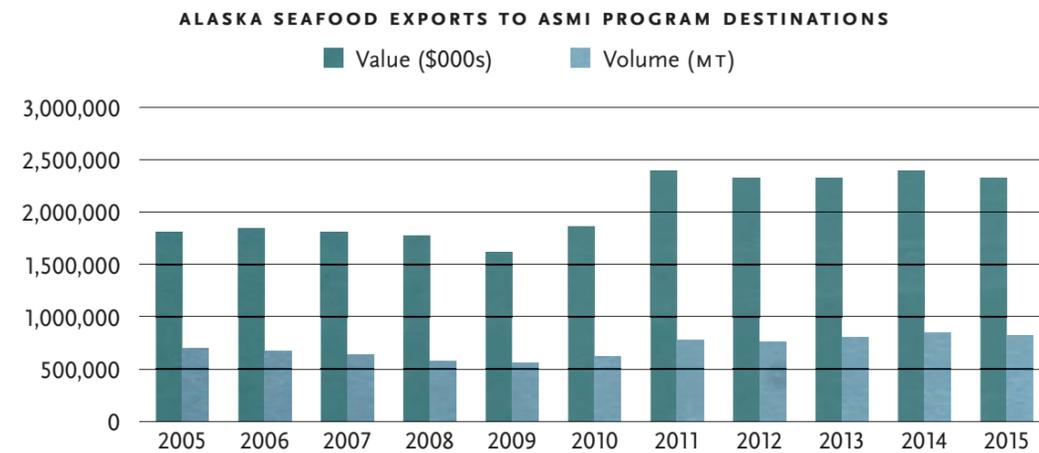
With the exception of the 2016 salmon season, when harvests of non-sockeye species were unexpectedly poor, Alaska waters have produced historically large salmon harvests in recent years. The 2013 salmon harvest was the largest ever recorded, due to a record pink salmon run. The 2015 harvest was the second-largest salmon harvest (in terms of fish caught). In addition, the 2014 and 2015 seasons produced the largest back-to-back sockeye harvests since the mid-1990s. This dramatic increase in supply led to growing inventories, supply shocks and ultimately lower prices for Alaska processors and fishermen in recent years. Although larger harvests make it difficult to maintain the price per pound, it presents opportunities to increase demand and value in the long term by expanding consumption and developing new markets for Alaska salmon products.

Data Sources: Alaska Department of Fish and Game, Commercial Operators Annual Report (Ex-Vessel Value) and Alaska Department of Revenue (First Wholesale Value), compiled by McDowell Group.

Goal 3: Increase the aggregate value of Alaska seafood exports to ASMI program destination countries by 0.5 percent annually

Note: Historical estimates have been revised due to minor changes in how “Alaska” product is identified and counted.

ANALYSIS OF RESULTS AND CHALLENGES: Export markets are critical to Alaska’s seafood industry. Foreign markets typically account for 60 to 70 percent of first wholesale value. The chart depicts exports made directly to ASMI program countries, but does not include product which may have been stored or re-processed in other countries before being sent to a program country.



Total export values to ASMI program countries have been flat since 2011, but the industry’s ex-vessel value (for key species) is down 19 percent (\$410m) since then. The reason for the difference is largely due to changes in harvest composition. The past five years produced larger pollock harvests. Alaska pollock is the world’s largest food fishery, accounting for more than half of Alaska’s total catch. The vast majority of pollock products are exported and pollock has a low ratio of ex-vessel to first wholesale price. Therefore exports of pollock products have generally increased, but resulted in small ex-vessel changes. Larger pink salmon harvests have had a similar effect. Meanwhile, the ex-vessel value of halibut, a domestic market product, is down \$105m (51 percent) since 2011.



EXPORT RESULTS ARE AS FOLLOWS:

- Exports to program countries decreased 2.8 percent by value and 4.1 percent by volume in 2015.
- Exports to program countries have been relatively consistent in recent years but can change significantly from year to year—mostly due to changes in harvest volumes. As a result of this inherent variability, it is instructive to view growth over a longer period. The compound average growth rate in export value is 2.6 percent over the past 10 years—well above the 0.5 percent annual growth goal.
- Total 2015 export unit value, that is export value per metric ton, was similar to 2007 and has been fairly steady over the past decade. Part of the reason unit values held steady and trended down slightly in recent years is that Alaska is producing and exporting more ancillary products. Products such as fish meal and fish oil are made from fish parts which would otherwise be discarded.
- In 2014, the Russian government placed an embargo on seafood products from the U.S. and several other countries. This action, along with political conflict and fiscal instability in the Ukraine, led to a decline of nearly \$75 million in Alaska seafood exports to these two eastern European countries during 2015. These are important salmon roe markets. The ban is not expected to be lifted any time soon, and embargoed nations continue to import Russian seafood into the U.S.
- Exports to Japan increased 15 percent in 2015, partly due to a stronger yen. However, the Russian ruble remains weak versus the yen putting Russian producers in a favorable selling position. Fortunately Russia’s domestic market has increased its consumption of Russian seafood, thereby providing more competition for Japanese buyers.
- Exports to China, Alaska’s largest seafood trading partner, have remained steady after increasing substantially in 2011. It is estimated that 80 to 90 percent of Alaska seafood exported to China undergoes secondary processing and is re-exported to other countries. However, operating costs in China continue to increase faster than the price of the products produced there. This could have significant ramifications for Alaska producers in coming years.

Methodology: National Marine Fisheries Service trade data, compiled by ASMI staff, McDowell Group.

Goal 4: Increase the ex-vessel value of key species in Alaska's commercial harvest by 0.5 percent annually

ANALYSIS OF RESULTS AND CHALLENGES: The harvest (ex-vessel) value of Alaska's commercial seafood resource represents payments from processors to commercial fishermen plus an estimated ex-vessel value of product caught by catcher-processors. Increasing the harvest value has a beneficial impact on Alaska communities and revenues for local and state governments.

The collective ex-vessel value of key commercial seafood species totaled \$1.76 billion in 2015, representing a decline of 7.9 percent from the prior year. The total harvest volume of key species increased 5.5 percent in 2015 and the value per pound declined by 12.7 percent. Part of the decline was due to relatively larger harvests of lower priced species, such as pollock and pink salmon; however, much of the decline was simply due to lower prices of many key species largely because of the strong U.S. dollar.

Despite the lower value of Alaska seafood in 2015, the industry and ASMI's performance over the past 10 years is still above the growth target. The compound annual growth rate of key Alaska commercial seafood species between 2006 and 2015 is 2.2 percent, above the 0.5 percent target. Harvest volumes and values fluctuate from year to year depending on environmental and market conditions, so it is instructive to view results over the long term rather than focusing solely on year-to-year changes. Over the past 10 years (2006–2015), the ex-vessel value of Alaska seafood increased 22 percent (approximately \$320 million).

Lower ex-vessel values during the past year are primarily due to lower total values for salmon and sole/flounder. The total value of these three species declined 20.6 percent (\$144 million) in 2015 versus the prior year. Harvest volumes of pink and sockeye salmon increased, but prices for these key species fell considerably.

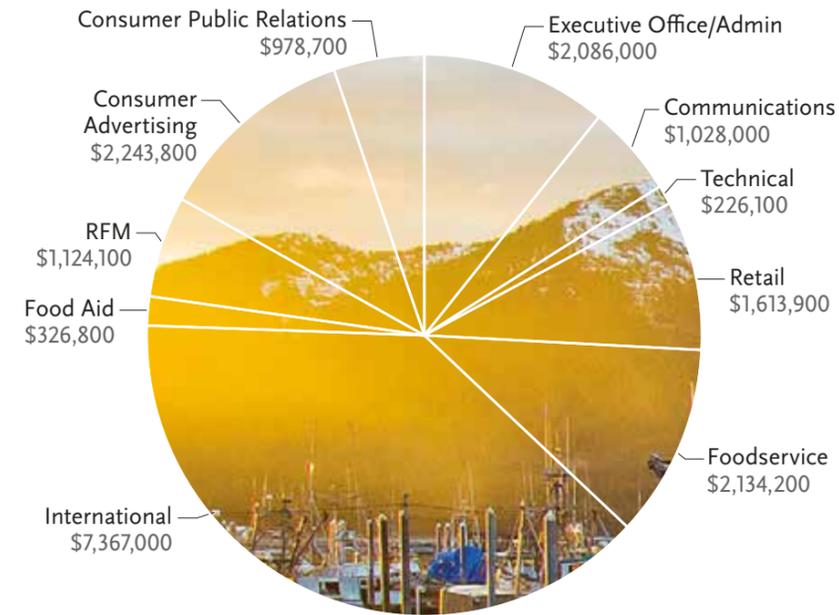


CHALLENGES

- The strong U.S. dollar, explained in greater detail on page 20, significantly impacts the value of almost all of Alaska's commercial seafood species. Overall, 60 to 70 percent of Alaska seafood is sold to export markets. Exchange rates had a significant impact on prices for salmon, pollock, Pacific cod, crab, sablefish, flatfish, rockfish, herring and Atka mackerel in 2015.
- In addition to currency pressures, the European whitefish market is more competitive since the late-2013 Marine Stewardship Council certification of Russia's largest pollock fishery. This more than doubled the supply of pollock filets available to "Marine Stewardship Council-only" buyers in Europe and led to lower prices for Alaska pollock filets. This has also had an impact on the value of Alaska sole. Once-frozen pollock filets accounted for 13 percent of the industry's total first wholesale value in 2014.
- Consumer and buyer education remains a key challenge, as well as an opportunity. Alaska seafood is a uniquely valuable protein, but the diversity and remote nature of the industry make it difficult to succinctly message the benefits of its products and tell the industry's story. One of ASMI's key functions is to create positive awareness of the state's seafood products and address misinformation, which invariably surfaces from time to time.
- Market access and market development are ongoing challenges which must be addressed in order to continue fulfilling ASMI's mission. Consolidation and changing product management practices in the food industry weakens Alaska's ability to market its products. Opening new markets and finding ways to partner with major buyers will continue to be key strategies if Alaska is to retain and grow the value of its seafood products. These issues are particularly relevant for pink salmon, sockeye salmon and high volume whitefish species such as pollock, Pacific cod and flatfish.
- Continuing to improve communications with industry and other Alaska stakeholders will improve ASMI's ability to create positive awareness of the industry and add value to the Alaska seafood brand.

Data Sources: Alaska Department of Fish and Game Commercial Operators Annual Report, Commercial Fisheries Entry Commission, National Marine Fisheries Service, and McDowell Group estimates.

ASMI EXPENDITURES

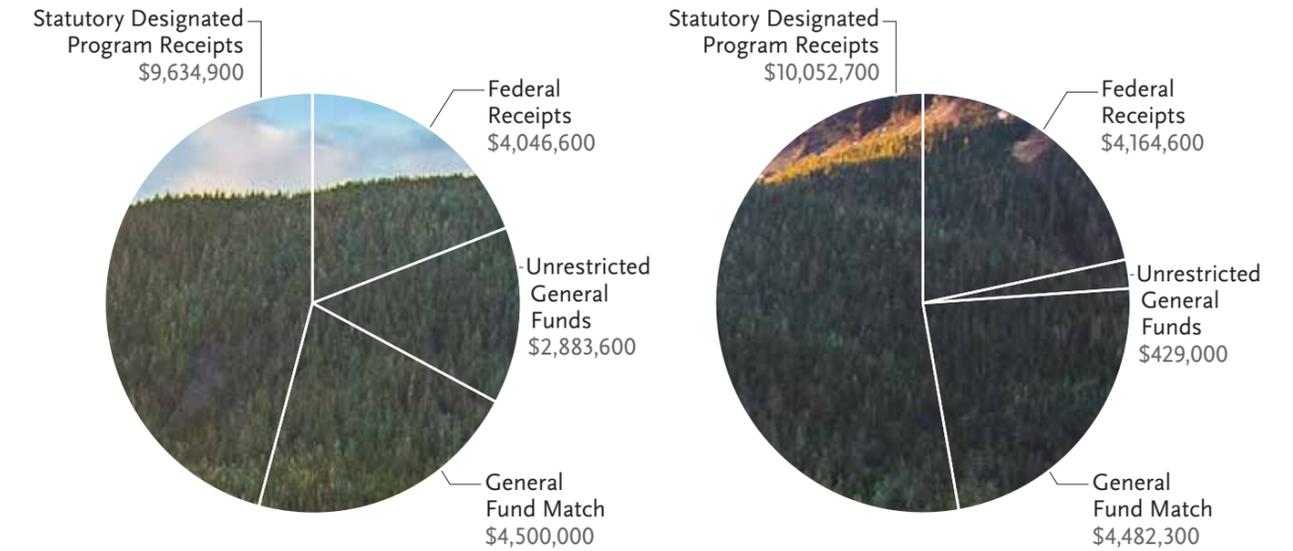


FY2016 Expenditures

Total FY2016 Expenditures: \$19,128,600

Full Time Employees: 20

ASMI REVENUES



FY2015 Revenues

Total FY2015 Revenues: \$21,065,100

FY2016 Revenues

Total FY2016 Revenues: \$19,128,600



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