



Alaska Seafood Marketing Institute

Alaska Seafood Marketing Institute
International Marketing Committee Meeting
August 20, 2018
Courtyard Marriott
Seattle, WA

INTRODUCTION

A regular meeting of the Alaska Seafood Marketing Institute (ASMI) International Marketing Committee (IMC) was called to order at 9AM on August 20, 2018, at the Courtyard Marriott in Seattle, Washington.

Roll Call

Committee members present:

Lance Magnuson, Chairman
Julie Yeasting, Vice Chair
Michael McGinley
Bob Janzing
Norman Aoyagi
Shigeki Okano
Phil Young
Rasmus Soerensen
Tomi Marsh (Telephonic)
Jeff Stephan (Telephonic)

Committee members not present:

Duncan Fields
Merle Knapp
Dean Pugh

Staff present:

Hannah Lindoff, International Marketing Director
Monica George, International Marketing Coordinator
Alice Ottoson-McKeen, Assistant International Program Coordinator
Ashley Heimbigner, International Marketing Coordinator
Alexa Tonkovich, Executive Director
Jeremy Woodrow, Communications Director
Susan Marks, Sustainability / Certification Advisor

Guests:

Kathy Lee, Clipper Seafoods
Lisa Kjeldsen, American
Ron Risher, Icicle Seafoods
Tosha Clark, USDA
Jeff Otness, Ocean Beauty

Approval of Previous Meeting Minutes:

McGinley moved to approve the minutes from the International Marketing Committee meeting on January 18, 2018; Janzing seconded. The motion passed unanimously.

Chairman Report:

Lance Magnuson, who was elected as Chairman at the previous meeting, introduced himself to the committee and guests. He recognized the “feast and famine” salmon season and recent Chinese tariffs on Alaska seafood products as topics everyone would be eager to discuss. He expressed his hope that the group could come up with a plan for how to respond to these pressing issues.

Vice Chair Report:

Yeasting agreed that the China tariffs were a main concern and commented that the situation had highlighted Alaska Seafood’s dependence on China. Yeasting encouraged the group to look to other markets and to utilize the advice and expertise of ASMI’s Overseas Marketing Representatives, as well as their colleagues in business.

International Program Director Report:

Lindoff thanked the industry for their tremendous support of ASMI’s multiple 2018 inbound missions and congratulated the International Coordinators on organizing successful trips, particularly Heimbigner for her work arranging a two week inbound mission from the Ukraine.

Lindoff introduced Tosha Clark, ASMI’s new marketing specialist for the USDA’s Market Access Program.

Lindoff announced that Akiko Yakata would be joining the ASMI team in Japan and working on trade matters, sustainability and outreach. Additionally, Yakata will be available to help in the Korean and Southeast Asian markets. McGinley commended ASMI on the recruiting for the summer inbound trade missions. He called out the Ukraine mission in particular for its productive mix of importers and retailers.

Tariff update and Discussion:

Tonkovich gave an overview of the tariffs, explaining that China imposed a 25% tariff on Alaska seafood products staying in China and that there was an additional tariff proposed for products coming from China into the US, which would affect Alaska products that were reprocessed in China.

McGinley asked what the difference was between tariffs on seafood products going into China versus those coming back into the U.S. Yeasting replied that it depended on the HS code and that the new tariffs were on top of existing tariffs. She explained that the proposed tariffs would get rid of a duty free loophole on Alaska products reprocessed in China coming back to the U.S.

McGinley noted that before the increase, China already had a 12% tariff on products sold domestically which he described as prohibitive. He asked if there was hope that the tariff conversation could ultimately end up reducing that 12% rate.

Tonkovich stated that before the trade disruption, the seafood industry was making progress on reducing tariffs into China, but once the tariff increase was announced, business into China went down.

Tonkovich clarified that the 25% tariff on Alaska seafood products staying in the domestic Chinese market was in effect, but that the additional tariff, which would be 10 to 25% on products coming back into the U.S. from China, had not yet been imposed and was open for public comment until September 6.

Tonkovich informed the group that ASMI was drafting a letter with input from the industry requesting the Alaska seafood HS codes be removed from the proposed list of tariffed items, and that the letter would be made available to other companies and trade groups once it was finalized. Tonkovich encouraged the industry to submit comments. She noted that longer term, ASMI would be a resource if product began being redirected from China into other markets, and said at some point ASMI may have to re-allocate funding. Tonkovich requested the industry keep ASMI informed as to where they were sending product.

Okano asked if Russian fish coming to the U.S. from China would be tariffed. Soerensen responded that the origin of the product did not matter. He explained that reprocessing continues to be tariff free, but products would be subject to tariffs once they arrived in the U.S.

Yeasting explained that each HS code had a specific duty assigned to it. She stated there was raw material coming from many different countries into China for reprocessing which made it hard to track country of origin.

McGinley stated his main question was what the duty rates were for products before the tariffs. McGinley reiterated that the trade situation prior to the tariffs was unfair because many Chinese products were brought into the U.S. duty free, while U.S. products going into China were tariffed. He expressed his hope that the entire discussion would ultimately result in lower tariffs for U.S products going into China.

Yeasting stated that much of the H&G pollock sent to China was staying in the domestic market. Soerensen added that block and surimi had also been doing increasingly well domestically. Yeasting stated that Trident had been investing substantially in the Chinese domestic market to build their presence.

Lindoff informed the committee that ASMI was continually contacted by press and outside agencies about the tariff's effect on Alaska seafood and reporters often asked for a comment from the industry. She said if anyone wanted to be a spokesperson or make a comment publicly, to let her know.

Lee requested clarification on ASMI's public comment about the tariffs and whether it would include all Alaska seafood products. Tonkovich replied it would include all HS codes that could include Alaska seafood and were on the list of proposed tariffed products

Soerensen commented that the tariffs were an opportunity to promote once frozen Alaska seafood in the domestic U.S. market, which is higher quality than product reprocessed in China. He asked how the industry can embrace the opportunity.

Magnuson said the industry might have to look at other locations for reprocessing and that he sensed people were looking at Thailand and Vietnam, even though labor costs were higher. He expressed his gratitude that Akiko was once again on the ASMI team and could help. Yeasting added that South Korea could also be a reprocessing location.

Magnuson agreed that the tariffs were an opportunity to sell more product domestically. He noted that the reason fish goes off shore is because that is where the money is.

Woodrow noted that typically, higher-end product stays domestically and lower-end goes to China. He asked whether the processors would consider keeping the lower-end product in the U.S. Yeasting stated different decisions have to be made at the source about what to produce and where to ship.

Woodrow asked if processors had the capacity to shift. Yeasting and Soerensen replied there was a capacity issue. McGinley agreed there were hurdles due to capacity, but also said he knew several companies who had increased their domestic sales and were doing reprocessing in the U.S.

China Presentation and Discussion

Heimbigner gave a presentation on ASMI's strategy in the China Market.

While going over the import numbers, McGinley asked for data on what product stays in China versus what is reprocessed for export. Lindoff explained the exact number was difficult to determine and that the OMR in China reported 40% of product was staying in China, while ASMI's economic consultant the McDowell Group put the number closer to 20%.

Risher stated it was possible to look at individual species and guess, but that was not always right and that even things like Dungeness and snow crab were shipped over to China and then the meat was extracted and reprocessed.

Heimbigner read a comment from Roger Zhang, ASMI's OMR for China, about the proposed tariffs and ASMI's strategy for the China market going forward, which urged ASMI to stay the course and continue marketing activities in China as planned.

Soerensen affirmed ASMI's strategy, encouraging ASMI not take the foot off the pedal in terms of marketing in China and described it as a huge market opportunity. He encouraged a long-term view for China. Yeasting agreed.

Magnuson asked if the tariff was applied to U.S. seafood going into Hong Kong. Heimbigner told him it was not. Soerensen suggested looking into an increased presence in Hong Kong.

Magnuson described years past when product would be sold into Hong Kong and then end up in China. Tonkovich reported she had heard those channels would be closely monitored, but asked the industry to share what they were hearing on the ground. Soerensen stated President Xi had cracked down on illegal imports. He explained one reason duties were decreasing before the tariffs was to encourage importing the legal way, and expressed his doubt that the Chinese government would not be keeping an eye on back channels.

McGinley agreed with the plan to continue the focus on China. He predicted cooler heads would prevail and in a year the trade war would be resolved. He reemphasized that the duty situation with China was unfair before the trade dispute and reiterated his hope that the U.S. would come out of the conversation with lower duty rates. He also added that he had not seen a downtick in reprocessing purchases.

Risher described a different experience, saying the proposed tariffs had hurt his business in China and that companies processing for the U.S. market were diverting raw materials into other countries, including South America. He stated business in China had come to a “screeching halt” while everyone waited to see what happened with the tariffs.

Janzing asked when the new tariffs were scheduled to be implemented. Tonkovich responded the date was a moving target. Janzing stated that many Chinese buyers were backing away because of the uncertainty and said he hoped that by the All Hands meeting things would be more clear. Lee described a similar situation with buyers backing off because of uncertainty about whether the tariffs would apply to reprocessing. Yeasting added that they were also redirecting finished products to other markets outside the U.S.

Okano asked if people in China were eating more salmon and if it was wild salmon. Heimbigner responded that domestic consumption was growing and that wild salmon imports were up, but what was consumed in the market was unknown.

McGinley asked what the farmed salmon duty rate was. The exact number was unknown, but Heimbigner said it was going down. Tonkovich noted that China now has more free trade agreements than the U.S.

McGinley asked how different countries were favoring farmed fish over wild Alaska seafood in terms of duties. Tonkovich replied it depended on the country. Soerensen described an increasingly friendly trade relationship between China and Norway and said on a recent visit to China he had seen salmon in every supermarket.

Lindoff asked what information the committee would like to see at All Hands.

ACTION ITEM: McGinley requested to see the China import numbers excluding reprocessing, the duty rates for seafood coming in to the US, and the duty rates for product going into China before and after the tariffs. Yeasting also wanted to see the import numbers and what was staying domestically, as well as the duty rates for Chinese products that were coming into the US, specifically those that were produced in China and consumed in the U.S. market. McGinley gave shrimp and tilapia as examples.

CEU Presentation and Discussion

Monica George presented on ASMI’s marketing strategy for the Central European market.

George asked for input from the committee on the timing of a proposed trade mission to Poland in 2019. McGinley suggested planning it for the week either before or after the Brussels seafood show. Janzing voiced his support for the week after. McGinley also requested the trip include meetings with reprocessors and importers as those are the types of companies that buy directly from Alaska. Lee agreed with McGinley and expressed interest in the trip depending on whom the industry would be meeting with.

ACTION ITEM: Poland mission to be planned for week following Brussels.

Magnuson asked how the pollock industry felt about the marketing efforts around FAO 67. George responded they had been successful and that it would continue to be a strategy.

McGinley stated that Europe was shifting away from buying reprocessed product from China, and favoring product reprocessed in Poland. He said it would be trendsetting to go there on a trade mission.

Soerensen expressed his support for the CEU program, stating that the CEU OMR Maria Kraus was very present in the market.

Soerensen brought up flatfish as an opportunity for Alaska seafood in Europe. He said the Dutch were controlling their catches of plaice tightly, which meant opportunity for Alaska flatfish.

Okano commented that people were buying more and more sockeye and that pollock block prices had gone up. He said the market for sockeye had increased rapidly.

Young expanded, saying that the sockeye market took a hit when the fishery lost MSC, but had regained the certification and was finally recovering. Soerensen added the demand was also driven by high prices for farmed salmon and European importers realizing wild species will be in short demand in the future.

Norman Aoyagi joined the meeting.

Yeasting asked what everyone was seeing with Pacific cod in Europe. Lee responded that there were issues with price.

Magnuson called for a break at 10:40am. The meeting was called back to order at 10:55am

WEU Presentation and Discussion

George presented ASMI's marketing strategy in Western Europe.

Soerensen asked what ASMI was going to do about the eat local trend in France.

Lindoff replied that one strategy was to promote seafood processed in France that has the made in France label, and another was to focus on locale versus local and present Alaska family fishermen.

McGinley noted he had seen many retailers in Western Europe buying salmon portions and asked if those were produced in Alaska, China or Europe. George said she would follow up.

Magnuson asked if the artisanal smoking strategy would be for France specifically or if it would be used throughout Europe. Lindoff replied the idea was to use it in many markets, with the targets being France and Germany as well as the domestic market. She described a promotion the ASMI domestic program conducted called "event in a box," where they sent a kit of promotional materials to any university interested in promoting Alaska seafood. She said the international program was looking at something similar for artisanal smokers who attended farmer's markets.

George informed the committee about the potential for space constraints at this year's Seafood Expo Global and asked for their opinions on building a second level on the Alaska seafood pavilion. Soerensen expressed his support for a second level. Yeasting agreed, saying it was nice to have an upstairs space because it was more private. Okano commented the second level was nice because it was quiet. McGinley asked if it would be tables or a lounge upstairs. Lindoff responded it could be both, and that there would probably be a conference room downstairs.

When asked for general feedback from the Brussels show, Lee requested four chairs for each table and Soerensen complimented the food truck as a great PR piece.

EEU Presentation and Discussion

Heimbigner presented on ASMI's marketing strategy in Eastern Europe.

At the end of the presentation, the option to add Belarus to the Eastern Europe program was presented to the committee. Lindoff explained that the EEU OMR had begun receiving requests from the trade there.

Soerensen asked if there would be an increase in EEU funding. The answer was no, but Janzing noted that the committee had increased the EEU budget at the last meeting.

Yeasting asked if there was any downside to adding Belarus. Lindoff stated she did not see a downside aside from possibly diverting a small amount of funds away from the other Eastern Europe countries.

McGinley commented that Belarus had the same consumption patterns as Russia and the Ukraine, but was just not as wealthy.

Motion: Soerensen moved to add Belarus to the Eastern Europe portfolio. The motion passed unanimously.

NEU Presentation and Discussion

George presented on ASMI's marketing strategy in Northern Europe

Young commented that while pop-top cans had been growing, in recent years retailers were going back to traditional cans, partially because salmon pop tops are much more difficult to open than tuna. Young stated shelf life had not been an issue and noted that part of the reason consumers preferred the traditional cans was because it was still an older market.

George asked the group for feedback on whether ASMI should be involved at all in the Groundfish forum, and if so in what way. Lee thought a presentation from ASMI could be nice. Lindoff passed along comments from Merle Knapp, who did not think a reception would be the appropriate activity for Groundfish.

Soerensen stated he did not think Groundfish was the right venue for ASMI because of its exclusive nature. Janzing expressed doubt there would be time for an ASMI event because the forum was so structured.

Lindoff extended the invitation for anyone who would be in London for the forum to meet with an OMR and see what ASMI was doing in the region.

Magnuson expressed his concern that ASMI was missing marketing opportunities in countries that exported Alaska seafood to the rest of Europe, such as Denmark and the Netherlands.

Yeasting commented that there were opportunities for sole in the Netherlands and that Denmark had a lot of cod going in for reprocessing. She felt the facilities in those countries deserved some attention.

Tonkovich noted that the NEU OMR used to have a subcontractor in the Netherlands, but when their budget was decreased, part of the response was to cut the subcontract.

Lindoff asked what sort of attention would be useful.

Magnuson thought there could be opportunities to help with packaging or how the product was identified. He encouraged collaboration between the different European programs and specifically mentioned the SEU program providing assistance to Italian distributors, which has happened, and then the Northern Europe program working with the processors. He hoped the ASMI programs could connect the distributors and the processors to figure out things like how to best identify the product.

Soerensen stated it would be helpful for the OMRS to understand how product flows in the EU and worth informing the team in the UK that the processors in their region are processing Alaska product and sending it to the rest of the US.

Lindoff suggested using Karen Galloway to reach out to the industry. Yeasting requested Galloway's information be sent out again.

ACTION ITEM: ASMI will send out Karen Galloway's contact information to the IMC.

McGinley asked when ASMI did a promotion, if it restricted to Alaska production and how ASMI looked at the supply chain. Lindoff stated there were different ways promotions came about but in general, there would be a trade agreement undertaken to understand who all the suppliers of the product were. She stated it was ASMI's preference to promote the highest value, once-frozen products that would help build the brand, but that reprocessed product would not necessarily be excluded.

McGinley asked if ASMI was fully aware of the chain of supply when a promotion occurred and where ASMI put preference. Lindoff stated the preference was for people buying based on Alaska-made rather than price, which lent itself to people who were buying directly from Alaska. However, ASMI did not exclude reprocessed product.

Magnuson called for a break for lunch at 12pm. Magnuson called the meeting back to order at 1:00pm

Japan Presentation and Discussion

Heimbigner presented the ASMI strategy for Japan.

Soerensen described a movement in the surimi industry to call out Alaska more and promote their products based on their origin. He said the industry was interested in doing this, but did not know how.

Magnuson commented that five years ago Akiko had travelled with himself and Yeasting to meet with groundfish processors. He recommended circling back again to achieve that base level of introduction and working with processors to get the ASMI logo on their material. He stated there was very little Alaska advertising at the retail level in Japan.

Janzing stated that black cod had been on the decline for the last five years, but was starting to rise. Yeasting noted that the decline was largely due to price.

Okano stated that this year more people were asking about MSC certifications and that because of the Olympic Games, there were sustainability activities going on everywhere in Japan.

Lindoff informed everyone that Akiko would be attending a seafood show in Busan and then the Tokyo Sustainability Symposium and would not be attending All Hands. She noted that Akiko could be utilized for any follow up from the Southeast Asia GBI.

McGinley asked about the team dynamic in Japan with the addition of Akiko. Lindoff said things were going well. Akiko and Aviareps were working closely together, and that Akiko was helping to train Aviareps newer members. McGinley expressed his support for programs having less staff rather than more, and gave the SEU program as an example of the staff model he preferred.

SEU Presentation and Discussion

Ottoson-McKeen presented the Alaska seafood marketing strategy for Southern Europe.

Yeasting asked whether refreshed salmon sold at retailers was refreshed and/or cut at the store. McGinley and Young thought it was likely purchased in fillet form.

Soerensen asked why ASMI sold the food truck, Lindoff explained it did not belong to ASMI.

Lance asked whether the food truck would be at Conxemar. Ottoson-McKeen replied that it would not due to space limitations thanks to more participating companies than ever. Magnuson asked whether there would be room for Chef Angel to cook at the booth as this was a big draw in previous years.

Multiple committee members expressed support for some sort of Alaska seafood samples being distributed at the show, even though the food truck would not be present.

Julie asked about the layout of the booth this year. Lindoff explained that it would be a similar set up but that a podium would be added to the front of the tables.

Brazil Presentation and Discussion

Lindoff presented ASMI's strategy in the Brazil market.

Lindoff asked if the committee was interested in an "opportunities in South America" report and if so what the focus should be.

ACTION ITEM: Yeasting and Soerensen suggested the report focus on pollock. Soerensen stated that because cod supply was short globally and prices were rising on other products, there was an opportunity for pollock.

McGinley asked what countries the report would focus on. Lindoff replied Uruguay, Argentina, Chile, Columbia and Peru seemed to be where the Brazil program thought there was potential but for the report, the committee would ask for whatever analysis they thought would be most helpful.

McGinley said it was always good to see what economies were up and where protein purchases were up, he also stated he liked the idea of exploring reprocessing in Argentina. **Yeasting suggested looking into places that are more friendly, regulations wise and asked for information about regulations to be included in the report.**

Species Updates

POLLOCK

Soerensen reported considerable improvement in the pollock market compared to the year prior. He said the market had shifted suddenly from being over supplied to under supplied and prices were moving in the right direction. He predicted the current market conditions would remain for the foreseeable future. He expressed his hope that companies would have the opportunity to invest back into plants, talent and vessels in Alaska. He commended ASMI on their good work promoting pollock and the industry for creating new markets and new product formats, especially Trident.

He said the focus continues to be on traditional customers in traditional markets as well as opportunities, particularly in China and Southeast Asia. He stated that the tariff situation might stall projects in China, but that the current plan was to push forward with development.

Soerensen stated that traditional markets were growing, and reported increasing awareness in Europe that wild seafood is a finite resource.

For pollock roe, Soerensen explained the market was small and defined – mainly Japan and Korea. He reported an increase in demand as well as price. He stated there was a dire need to develop new markets for roe.

SALMON

Janzing reported the demand for frozen sockeye was very strong both internationally and domestically, and that most of it was going to the smoking market. He stated the situation for pinks and chums was not as positive because of low supply, noting the demand was there but there was not enough product to satisfy it.

Aoyagi commented that the Hokkaido fishery was a disaster last year and that salmon roe prices are high in Japan. Aoyagi also reported strong salmon runs in Kamchatka and said Russians were asking a very high price for their product.

Aoyagi further stated that in general the demand for salmon has been strong the last three years because of high prices for farmed salmon and low supply from Alaska. He affirmed that the MSC certifications were important, but expressed uncertainty that the concept of sustainability had reached the consumer level.

PACIFIC COD

Lee stated Pacific cod prices were stable. She noted that the reduction in quota has effected some players and the tariffs have effected many of the sales discussions. She predicted the market would remain relatively strong through the year and expressed interest to see if the quota would be reduced again at the start of 2019.

Lee reported Russia was selling cod at 15% the Alaska asking price. Magnuson asked if there was a way ASMI could help. Lee responded that ASMI should continue to promote cod in all areas of the world. She said ready made meals were increasingly popular everywhere and more and more Japanese customers were looking for MSC. She stated customers in Japan were also looking for Alaska photos and videos.

AMENDMENT 80

Yeasting report that the sole market was strong and said she had heard from processors in Dalian that they continue to have strong demand, despite the tariffs. She noted that during her most recent trip to China, she had encountered confusion about the tariffs and the speed of implementation. Buyers did not understand if and when the proposed tariffs would be implemented.

Yeasting stated there was interest in other areas for reprocessing H&G sole such as Holland, which has a high price for their sole, as well as Thailand and Vietnam. She noted that social responsibility issues come in to play.

Yeasting reported that the Pacific Ocean perch duty was at 10% in China prior to the tariffs while Iceland and Norway were at zero, but Alaska Pacific Ocean perch was still gaining traction due to a demand in the Chinese consumer market. She explained rockfish was led by the H&G fleet in the Aleutians and when it came to frozen at sea H&G, there was a lot of carry over inventory.

Yeasting recognized opportunities for underutilized species in Japan such as POP, atka mackerel, and pollock.

Yeasting stated the rock sole fishery had decreased because of the reductions in cod quota. Early in the rock sole season, cod is hard to avoid which caused many fishermen to avoid the rock sole fishery all together.

CANNED SALMON

Young stated canned sockeye prices had been trailing down, but were way up and the industry was working to get them back to H&G prices. Young described a tough year for canned pinks because of the low supply. He stated there would barely be any product, and an especially low amount of pink halves.

McGinley asked if the prices were matching previous years. Young responded that for sockeye, they were, but the pricing for pinks would not be determined until the season was over.

Lindoff asked if the UK program should shift the way they presented canned salmon, and promote it as more of a luxury product. Young recommended continuing to promote it as a great product, but said there would be fewer cans at retail this year.

BLACK COD

McGinley stated prices for black cod had fallen slightly.

Janzing reported the quota was going to increase for black cod. Magnuson described how in the past the committee had urged ASMI not to worry about black cod, but said now that was shifting. Yeasting stated there was an opportunity to promote black cod overseas.

Woodrow asked if the oil content was lower on smaller fish. Magnuson replied there was less oil content. Lindoff asked if ASMI should produce black cod cooking materials based on fish size. Magnuson encouraged just generic promotions of the species as opposed to activities specifically related to size.

CRAB

Yeasting said the quota was the driving factor for the crab market. She reported high prices and lots of interest, especially for live crab in China. Overall, she said, the situation was good for crab.

HALIBUT

Tonkovich stated ASMI was promoting halibut in the domestic market including through a summer retail push, recipe development and videos for foodservice. She explained Alaska halibut was losing market share to Atlantic halibut.

McGinley stated selling halibut was difficult if you did not sell into the fresh market, and said frozen halibut needed more promotion than fresh. Tonkovich requested in the future the industry inform ASMI who they were selling frozen halibut to so ASMI could try to help with promotions.

Closing Comments:

Yeasting thanked ASMI staff for their presentations and asked that they be made available to the IMC.

McGinley moved to adjourn. Yeasting seconded. Motion passed unanimously. The meeting adjourned at 3:03pm.