



Alaska Seafood Marketing Institute

Alaska Seafood Marketing Institute
International Marketing Committee Meeting
October 26, 2016
Anchorage, Alaska
DRAFT MINUTES

INTRODUCTION

A regular meeting of the Alaska Seafood Marketing Institute (ASMI) International Marketing Committee (IMC) was called to order at 9:59 AM on October 26, 2016 at the Hotel Captain Cook in Anchorage, Alaska.

Roll Call

Committee members present:

Michael McGinley, Chairman
Lance Magnuson, Vice Chairman
Bob Janzing
Norman Aoyagi
Shigeki Okano
Merle Knapp
Julie Yeasting
Jeff Stephan
Tomi Marsh

Committee members absent:

Duncan Fields
Dean Pugh

Staff present:

Hannah Lindoff, International Marketing Director
Megan Rider, International Marketing Specialist
Nicole Stangeland, International Marketing Coordinator
Alexa Tonkovich, Executive Director
Susan Marks, Sustainability Director
Bruce Schactler, Global Food Aid Director

OMRs:

Maria Kraus, CEU
David McClellan, SEU
Robin Wang, China
Valerie Yeung, China
Ksenia Gorovaya, EEU
Rebecca Wilson, NEU
Akiko Yakata, Japan
Pierre-Hubert Meilhac, WEU
Jose Madeira, Brazil

Approval of Previous Meeting Minutes:

Stephan moved to approve the minutes from the previous IMC meeting. The motion was seconded by Magnuson and passed unanimously.

Announcements:

No announcements were made.

Introduction of Guests/Visitors:

Ron Risher, Icicle Seafoods
Pat Shanahan, GAPP
Frank O’Hara, O’Hara Corporation
Tony Luiken, State of Alaska - Ted Stevens International Airport
Kevin Larsen, Icicle Seafoods
Tom Enlow, Unisea
Ola Wietecha Press – *Undercurrent*

Public Comment:

McGinley asked for public comment. No comments were made.

REPORTS

Chairman’s Report:

McGinley stated that he appreciates the support from the committee in his role as chair of the IMC. He noted the various challenges affecting the industry this past year with regard to harvests of all species, specifically quality and production within the industry, as well as policy issues, but reminded the committee that ASMI’s focus is only on marketing. He highlighted the points made in the previous species committee presentations and further noted important opportunities to explore new markets and to explore a new target audience – young people. He highlighted the growing middle class in many countries and the exciting opportunity that this presents for the Alaska Seafood industry. Also noted was the importance of highlighting health attributes and sustainability across all markets.

McGinley explained the new IMC meeting format in which panel discussions will take place by species, having an industry expert provide the harvest update and the OMR's present their marketing activities on that species.

Program Director Report:

Lindoff stated her excitement about having a collaborative meeting with the IMC members and OMRs. She highlighted the value of having the OMRs together to meet and learn from each other and also thanked all IMC members and OMRs for being open to the new meeting format.

She mentioned that Stangeland, along with industry members and the China team, will be traveling to China for the China Fisheries and Seafood Expo in early November. She further mentioned that the international team will be traveling to Washington DC for the FAS conference and to meet with other USDA cooperators in mid-November. While there, she plans to get an update on the GBI to Southeast Asia and also speak to other cooperators about doing a joint U.S. reception at Seafood Expo Global in Brussels next year. More information will be provided after the conference. Lindoff was pleased to announce there has been strong interest in the Korea trade mission and currently has more applicants than ASMI can accommodate. She applauded the OMRs for their great effort with smaller budgets and noted the significant budgetary cut from last year.

Pollock panel:

Knapp provided an update on the pollock industry and emphasized the pollock industry is currently facing significant challenges. He noted the reoccurring discussion at All Hands surrounding pollock. He outlined the great collaborative efforts that ASMI, GAPP and the industry have made, but that the industry is facing severe challenges this year. The world is currently being flooded with pollock both from Alaska and Russia. He addressed the competition Alaska is facing from Russia, specifically with their increase in single frozen pollock fillets, pollock roe products and frozen-at-sea pollock surimi which is new for the Russian industry. Overall, Russia is advancing their quality and will be tough competitors moving forward.

Madeira presented Brazil's efforts for pollock.

Yakata presented Japan's marketing efforts for pollock.

Kraus presented Central Europe's marketing efforts for pollock.

Wilson presented Northern Europe's marketing efforts for pollock.

Gorovaya presented Eastern Europe's marketing activities for pollock.

Discussion:

Knapp stated that a potential opportunity is to perform more comparisons between single and double frozen pollock fillets. He stated the importance of differentiating the two and also noted the challenges that the NEU region is facing with the downturn in demand for frozen fish. Fresh fish is coming in as a replacement for frozen, but stated that marketing efforts can help educate consumers regarding fresh versus frozen. He noted that frozen is often better because of the

quality and logistics issues surrounding fresh product. He further noted the importance in building the value proposition in the minds of mothers and families.

Aoyagi asked whether ASMI or GAPP has sent a special team to inform and educate on the differences between Russia and Alaska pollock roe.

McGinley asked how the pollock industry is diversifying product forms to adapt to the changing market. What is the production industry doing to meet market demands? Knapp talked about the evolution of product forms for Alaska pollock. The transition to factory trawlers advanced the opportunities for new product forms. Knapp stated that the industry is currently looking into other product forms but tariffs create barriers. Changes in product forms increase tariffs, especially in the EU, and being so, Alaska pollock can't be competitive among other whitefish species in the market place.

Cod panel:

Yeasting stated that Trident is working towards full utilization of cod products into markets such as Korea and Southeast Asia. Magnuson introduced himself and stated that the cod market has turned a corner with an increase in global prices. The product is moving and selling into Japan, China, and Western Europe. The changes in the market have had a lot to do with currency (strength in Japan), as well as the fish size. Magnuson noted that the Barents Sea is producing much larger cod than Alaska which is more suitable for reprocessing. He also noted Brazil's economic and political situation and the challenges that presents for the Alaska cod industry. He noted that the industry has begun to differentiate Alaska cod in various markets and there has been growth in having the origin (Alaska) called out in countries like Spain and Italy. Japan has also started to label products with the origin, which is valuable. There is increased competition from Russia. Quota reduction to TAC in Alaska is inevitable and a concern for the industry. Norwegian fresh sales have been beneficial for moving their product and Alaska is following them in the fresh market with refreshed. Yeasting stated that Norway is moving to H&G which will be chilled (refreshed) and distributed in the off-season.

Kraus presented CEU efforts for Alaska cod.

McClellan presented SEU efforts for Alaska cod.

Madeira presented Brazil's marketing efforts for cod.

Yakata presented Japan's marketing efforts for cod.

Discussion: Magnuson stated that the younger audience wants to purchase salt cod and eat same day, they do not want to wait to de-salt the product. There is a movement to do more brine (lightly salted) cod which can be purchased and consumed same day, a current trend in the EU.

Flatfish panel:

O'Hara provided a fishery update on Alaska flatfish species including yellowfin sole, rock sole, flathead sole, and arrowtooth flounder. Flatfish is a stable product harvested year round. Years 2014/2015 saw a 50,000 MT decrease in catch due to Atka mackerel increase, fleet maximized

tie on catching Atka mackerel. In 2016 the industry saw a 16 ton increase in catch. For two years the industry has seen a lower supply by about 50,000 tons. Raw material demand is stable, however. Looking forward, four out of six amendment 80 companies are building new vessels which are larger and more efficient. Finished product prices are at record lows, end of 2013 prices took a nose dive including a 37% value drop in flatfish. The industry experienced low value and volume during that time. O'Hara noted that product forms for flatfish are mostly H&G 16-20 kg blocks, each block has 80-90 fish and has to be filleted by hand which is labor intensive. He further noted that the product is then sent to other countries where it is reprocessed. He estimates that 80-85% of flounder coming out of Alaska goes overseas to be reprocessed: 60% to the EU, 20% to US, and 20% to Japan.

Kraus presented CEU efforts for Alaska flatfish.

Wang presented China's marketing efforts for Alaska flatfish.

Gorovaya presented EEU's marketing efforts for flatfish.

McClellan presented SEU's marketing efforts for Alaska flatfish.

Discussion:

Yeasting asked Wang how much of an increase there has been for the flatfish products actually staying in China versus being reprocessed and redistributed. Wang stated that the increase has been significant - at least double. He further stated that people in China only knew of high-end Alaska products before, but are now more familiar with price-point flatfish species. He also noted that the Chinese consumers like the soft, oily meat texture that flatfish provides.

Salmon (sockeye, king and coho) panel:

Janzing provided a salmon harvest update and noted that Prince William Sound and upper Southeast had decent coho returns but all other areas were 40% below projections. The Bristol Bay sockeye run was a bright spot for the season and came in well above projections. Market – wise the industry benefited from lower 2015 prices and created a good market in Japan, specifically with sockeye. From the European market, the industry has benefited from the MSC certification of sockeye, specifically in Germany and France. Janzing further stated that sockeye fillets are doing well in the UK and he hopes to see as a successful refreshed program in other regions in Europe.

McClellan presented on sockeye, king and coho in the SEU market.

Meilhac presented on sockeye, king and coho in the WEU market.

Yakata presented on sockeye, king and coho in the Japan market.

Wilson presented on sockeye, king and coho in the NEU market.

Okano inquired about the fresh market in Western Europe and noted that the fresh market is growing in Europe. Janzing stated that he believes France to be a logical opportunity to expand the salmon refreshed program. Hubert informed the committee that there is interest in the refreshed program and they are working on promotions around it.

McClellan stated that retailers in Spain are trying to work towards value-added, prepackaged products and that the trend is moving towards microwavable, convenient methods for cooking.

McGinley asked whether any regions have seen restaurants featuring both wild Alaska and farmed salmon on their menus. McClellan stated that yes, he works with a sushi restaurant that menus and uses both. He further stated that many restaurants are taking salmon off the menu completely and that the focus is moving to whitefish. He is trying to encourage restaurants to get Alaska salmon on the menu with pride by highlighting the quality traits.

Salmon (pink and chum) panel:

McGinley provided an overview of the industry and addressed the poor pink salmon harvest this past season and the damaging effect to industry overhead numbers. He further noted the stable chum salmon market the industry has experienced the last few years. The canned industry is still important even in years of lower harvest, but the demand for the canned market is dying.

Wilson presented on pink and chum marketing in the NEU market.

Gorovaya presented on pink and chum marketing in the EEU market.

Yakata presented on pink and chum marketing in the Japan market.

Meilhac presented on pink and chum marketing in the WEU market.

McGinley asked whether the French frozen food store, Picard, is using once or twice frozen product. Magnuson stated that the company is using once frozen.

Crab/black cod panel:

Stephan provided a harvest update on black cod, stating that there was a downward turn in the Bering Sea and Gulf of Alaska harvest this year. The short supply has been on a downward trend but there is a high demand for black cod and prices are relatively high. Overall, there is an increased interest in the marketplace for the species. Stephan noted that the TAC will most likely go down next year due to bycatch and deprecation.

Stephan provided an update on the crab harvests across the state. He noted the Bering Sea crab season has started and will run through November. Overall, crab is in short supply but sees high prices and notable, China has been driving the crab price up.

Marsh spoke on the Southeast Dungeness harvest which is about two million pounds, noting solid management for both Dungeness and Southeast bairdi. Marsh noted that bitter crab disease is an issue in Southeast Alaska and that the red king crab season has been closed for the past five years in Southeast.

Yeung presented on crab in the China market.

Yakata presented on crab marketing in the Japan market.

Meilhac presented on crab marketing in the WEU market.

Magnuson stated that there is an opilio fishery being prosecuted on the Barents Sea side and that he was surprised to see live opilio crab harvested in Russian waters at the Seafood Expo Global show in Brussels last year.

McClellan noted his interest in having king crab available in the Spanish market as it is a great avenue to promote other species within the Alaska portfolio.

Herring and other small fisheries panel:

Okano provided a market update on herring and stated most product is currently going to Japan. Overall, the Alaska herring market is challenging.

Aoyagi provided a history on his experience with Alaska herring, noting that the African market is strong but transportation cost is very high. He further explained his desire to develop a Japanese market for herring fillets. He noted that size of Alaska herring is quite good and has potential to expand the herring fillet market.

Gorovaya presented on herring and small fisheries marketing in the EEU market.

Yakata presented on herring and small fisheries marketing in the Japan market.

Wang presented on herring and small fisheries marketing in the China market.

Janzing asked the China program whether the herring roe was being targeted to Japanese business men or for Chinese consumers. Wang answered that the product is going to local Chinese consumers.

Wang further stated that geoduck is quite popular in mainland China and Hong Kong. Consumers appreciate the Alaska product and demand Alaska origin. Alaska products including geoduck and sea cucumbers are popular and currently seeing growing demand. There is negativity about local Chinese farmed sea cucumbers among consumers, so the demand for Alaska product is soaring.

Yeasting provided an update on Alaska POP/rockfish. She stated that the majority is going to China in whole-round form and is sold in the domestic Chinese market. H&G frozen at sea has a lot of potential in Asia. Yeasting asked what materials are available in Japan and China for Alaska rockfish. Wang stated that China has very little, but that there is a need for more now that there is higher demand for the species. Japan also had very little rockfish marketing materials.

Action Item: ASMI staff and Japan and China programs will assess what is available and look at developing rockfish marketing material.

Okano provided information on sea cucumber stating that most of the harvest is going whole-cooked to China and that geoduck was being transported live.

Herring roe – Aoyagi stated that there has been a strong effort to promote herring roe for the past three years. Aoyagi discussed the price increase due to import costs and believes the industry can recover the herring roe business. Due to the currency situation, sushi restaurants are looking for cheaper alternatives.

Schactler encouraged additional resources for herring fillets and expressed his thoughts on the opportunity within the herring fillet market. Knapp asked what product form was introduced to Japan and Schactler stated that it is block frozen fillets as well as IQF fillets available in 25 lb. boxes.

McGinley asked whether herring fillets can be marketed and distributed as food grade because it is harvested primarily for the roe. Schactler noted that was inaccurate.

RFM Update:

Marks presented the new tools that the RFM program has launched, including a quick reference guide, new informational brochure and a FAQ page. Special emphasis was made on the creation of the relevant quick reference guide and additional information on RFM chain of custody. Additionally, the program has created a reference document on GSSI. Marks noted the webinar she conducted for ASMI staff and contractors and one for industry is being developed.

McGinley requested that the European OMRs provide the committee with a status on the progress of the RFM program in Europe. Kraus responded there is not much new to highlight but they are incorporating the program into their materials and newsletters.

Wilson stated that their team is working with ASDA who is currently supplying both MSC and RFM product.

Questions for Operational Committees:

Magnuson started a discussion about Brazil and the program's inability to address trade leads or activities outside of the country of Brazil (in other South American countries). Lindoff explained the technicalities behind the situation and how the MAP matching funds work. She noted that the ASMI Juneau office can facilitate shipping materials, trade servicing, etc., from Alaska but spending funds to attend a trade show outside of Brazil could disqualify ASMI for matching funds. Lindoff reminded the committee that the International program has a global line that could be used for a trade show in South America.

Knapp requested that trade leads and any follow up communication be passed to the ASMI Juneau office.

Lindoff stated that using the global line would be the most efficient use for addressing other South American countries while not spreading small budgets thin.

Magnuson and Knapp agreed there is a need and opportunity to explore other potential markets in South America as the region presents opportunity for the Alaska seafood industry.

Lindoff stated that ASMI can support these countries without active programs by sending marketing materials, images, etc. via the Juneau headquarters.

Knapp asked Madeira what he feels would be the most effective use for beginning to work with other South American countries and Madeira stated the first step needed is an agreement stating their agency can work with traders outside of Brazil.

Discussion was made surrounding a potential market for high-end salmon species in Chile due to their growing GDP.

Yeasting stated that with the limited funds it is important to focus on markets where Alaska product is already going and further noted that having a strategic plan is vital to the program.

Janzing emphasized the strategic point and asked the program be intentional in the activities we are funding and species we are promoting.

Action Item: Knapp requested that discussion about the South America market be added to the next IMC meeting agenda.

Operational Committee questions were discussed and agreed upon:

1. What major challenges do you see the ASMI program you guide facing in the coming years (short-term and long-term)? Please specify by market, species, or general programmatic concern.
 - UK Brexit issue, currency and potential recession
 - Brazil is getting requests from FAS and customers to our entry into other South America markets
 - State of Alaska budget cuts
 - Pollock industry crisis
 - Eastern Europe political instability
2. What strengths or opportunities have you identified in the ASMI program you guide?
 - Flexible
 - Proactive in new markets
 - Collaboration or cross pollination between OMRs
3. Taking into account comments from the species committees, are there any changes you would suggest be made in the ASMI program you guide? (Species committee comments and recommendations will be provided in writing at the conclusion of their respective meetings.)
 - We continue to promote sockeye and keta refresh items in all markets (as well as other species)

- POP / Rockfish – more POS materials are needed
 - Whitefish- like the idea of promotions to younger generations
4. Are there any specific questions pertaining to your program you would like the ASMI Board to address?
5. Are there any specific actions pertaining to your program you would like the ASMI Board to consider?
- No more cuts to the International Program
 - More specific guidelines on in-kind contributions that are required to help industry's accounting departments submit reports

Next meeting date: Magnuson proposed January for the next meeting date, prior to the Korea trade mission. The date of January 10, 2017 was unanimously agreed.

Janzing moved to adjourn at 4:25 PM, Yeasting seconded. The motion passed unanimously.