

Alaska Seafood Marketing Institute
Salmon Committee Meeting
November 28, 2012
Seattle, Washington – All Hands Meeting
Draft Minutes

Present: Tom Sunderland, Ocean Beauty
Steve Chartier, Peter Pan Seafoods
Matt Christensen, Trident Seafoods
Rick Speed, Icicle Seafoods
Bonny Millard
Julianne Curry
Edna Crawford
Jennifer Castle
Ron Jolin

Absent: Thea Thomas
Izetta Chambers

Guests: Steve Schiedermaier, S&A
Kevin Adams
Randy Rice
Joe Jacobson
Bruce Wallace
Tyson Fick
Vito (Global Trust)
Andy Wink, McDowell Group
Jeff Stephen
Others: Tom Jansing, Phil Lansing, Bob Tcactz, Greg Smith

Meeting called to order by Tom Sunderland at 3:02pm. Roll Call; quorum.

Minutes from the prior meeting were reviewed. Steve Chartier moved; Rick Speed seconded; minutes approved as presented.

Old Business: None

Can Size Initiative: Although largely unofficial, Jennifer and Tom worked together on a proposal re: a feasibility study to see if the can size could be reviewed. Memo was issued putting forth the idea of rather than turn this into an ASMI project, put in place funding mechanisms that industry could avail themselves to if they choose: AIDA long-term loan program to help the processors. A meeting of the canners was held; Susan Bell (DCCED) attended; was receptive to the idea. Agreement that the legislature should be approached on the idea.

Steve: Meeting was positively received; have seen examples of a smaller can that some are looking at. Seems to be progressing.

Tom: Several customers have submitted letters endorsing the concept.

Tom pointed out that this is not an ASMI project (no ASMI budget; no staff assigned). Several years in the process.

Eric asked about the dollar amount. Unknown at this time. Tom: everyone will have different costs, so the idea is to just have a fund available.

Jennifer: Every cannery will have costs unique to their operation; hopefully these programs will be developed so that processors can access the funds. Jennifer hoped the canners are looking within their organization to figure out what the project would look like.

Steve: A 5 oz can is being looked at (diameter the same as standard half) but whether it is practical will differ from cannery to cannery. There is pressure from customers to reduce the can size but it is unclear if it will turn out to be feasible.

Ron: The discussion will be based on pricepoint to consumer. With sockeye prices expected to continue to rise there will be additional pressure.

Steve: May hold prices rather than continue to rise.

Tom: This was not just an issue of price re: our product; most all canned proteins have moved to smaller can size.

MSC/Alaska Salmon:

Matt: WalMart and SAM's Clubs are now willing to accept alternative certifications.

Steve: Shots from MSC have quieted; getting reports that several major retailers have changed their language to open the door to alternative certifications.

Tom: Whole Foods has reported that they will no longer hold the MSC requirement to their fresh case. They will, however, for their frozen product. Noted that several retailers are not specifying chain of custody -- so they may look for MSC product but are not stipulating chain of custody for their stores.

Rick asked about others not onboard with the FAO-based Certification.

Randy Rice: A few retailers in Germany; no one domestically. We take what WalMart said as a positive sign -- especially since they said they were not going to require any labels. Randy added that it is not clear how this will work (salmon) next summer since there will be some MSC fish in the pipeline. Only suppliers that helped pay for the fishery certification and shared

in the cost of the certification can, in theory, access the MSC fishery certification. However, if the chain of custody falls down on its legs, then the certification is moot.

Tom: At Brussels last year, most customers said they would still buy Alaska salmon.

Eric: Commented that it was the surprise, the seeming suddenness that created the controversy.

Randy Rice: Things have clarified a lot; the letter from the processors about who was in and who was not has helped move things along. We are seeing an uptake in companies undergoing chain of custody certification and things have calmed down.

Arni Thomson asked that ASMI consider what is happening in Russia (Russian hatchery issue vs. Alaska hatcheries; IUU). Waldrop also forwarded a letter asking Committee to consider a Sockeye promotion; feels it is still important for next year.

Rick: Quota will be down 20%; need to look at last year's promotion costs and consider what further action is necessary.

Tom: The issue is what should we be pushing for salmon, not the promotion cost.

Bonny: Have seen quality improvements in the past 20 years but am still concerned about the quality of our salmon. Need to have more consistent quality, particularly concerning gillnetting.

Tom clarified that this committee does not have a budget (so no need to worry about that). Put forth suggestions based on need.

Bonny: RSW and ice are key -- is there some way to get more ice/insulated fish holds.

Joe Jacobson: ASMI could advocate for quality improvements to the legislature.

Bruce: Salmon is a pretty good business to be in. If there is an issue, it seems to be with Chum (Keta) meat. Increase in farmed production has affected sales/pricing for Keta.

Steve: Sockeye has gone okay; but Keta prices are down and there may be pressure on pinks, too.

Edna asked for more detail on Sockeye (supply down, more canned). Chums have been hit much harder.

Steve Schiedermayer reminded the group that this is the first time in years that you will have consumer advertising program in place. Have not been able to promote during the summer in the past; there will be advertising in the marketplace during the summer season.

Ron: Making inroads in quality every year...It is not that we're falling down on our quality issue but we may never get to the bar that we want, especially since the fish come so fast and with the availability of air freight, etc.

Rick: Icicle does quite a bit of Bristol Bay Sockeye -- quality has come up so that customers do ask for it now. As we evaluate what took place last year, I do not see that Atlantics had any impact on price (more coming next year). Atlantics landed in Miami are about \$3.20/pound trimmed fillets. Can Ketas compete? Maybe we should put a push on keta fillets. Some retailers (like Kroger) can really move a lot of keta but have not really been able to make the numbers work last year.

Eric: The gap between farmed fish and wild fish may get to the point where the consumer will not pay the difference. Suggest we need to keep promoting...If you withdraw you lose that connection to the market.

Tom: Alaska's sockeye fishery is the largest in the world -- suggest we need to promote both species: sockeye and keta. (Tom said you cannot legally call it Keta in Washington state.)

Steve: Maybe we just promote Alaska salmon -- not by any particular species.

Phil Lansing (Bristol Bay fisherman): Wonders why we didn't have a price drop with Sockeye last year? Demand? Lower supply? Thinking about that could lead to direction for the future.

Steve: Probably a combination of factors. Sockeye used to go almost exclusively to Japan. When Japan stopped buying all of the harvest we developed a domestic market for sockeye sides. Did see declines in price for H&G sockeye going to Japan. Because of that, many packers pushed product into other forms: canned, more sides. That may have left sockeye in short supply and held prices.

Tom: When we were completely dependent on Japan, it left us in a bad position. We had to diversify. We have done a good job on that.

Steve Schiedermayer: So many things about sockeye are unique and give us a huge communication advantage (color, form, etc).

Ron: You can see sockeye gaining a real foothold in the domestic market; not sure we will ever have enough production to fill supply here.

Rick: In Japan, you have different eating habits and farmed coho in the supply line. Suggest continuing to promote sockeye but add keta, too.

Joe Jacobson suggested having partners that are working with sockeye add keta too.

Steve: A lot of the lower cost salmon products have gone to China and then on to other countries (EU?) -- There is a buildup in China of keta now, which is creating price pressures.

Bruce Wallace suggested have the RSDAs take on the Sockeye promotion so that ASMI could better fund keta promotion. We gave Morey's a huge amount of AFMB funds since they were the first company to put keta fillets into the marketplace. It would not really be hard to go back to that.

Rick: The keta effort paid off -- those products are still viable.

Tom then asked Andy Wink to speak to salmon research, particularly in regard to can size.
Andy: Wholesale prices for H&G sockeye were down although the retail price for sides held. This is encouraging but does not mean it will continue. There are two different consumers in the US marketplace: those who will buy sockeye and those who will buy farmed.

Jennifer: Quality is crucial for positive pricing. Could we encourage the state to make grant funds available for RSW? Bruce Wallace feels the program is still there. Bruce Schactler said no; part of the Salmon Revitalization Program under Frank Murkowski.

Discussion with Bruce Wallace and the committee about why sockeye price did not go down.
Jennifer: have equity in what we have done for sockeye for years; build on that.

Greg Smith, AK General, spoke to what happened in Canada. This is the time of year when our product (canned sockeye) is consumed. Will be better able to access effect of higher prices in a few months. Learning from the tuna industry in the US -- the big three tuna producers joined forces for a big marketing effort. Wink reported canned tuna price up. So maybe the answer is keep programs in place. A push here and there every few years is not enough to see sustained pricing.

Andy Wink said that quite a lot of salmon that goes to China comes back, but the species /origin is not identified: labeled "Pacific Salmon." Packaging is not as good, either.

DIRECTION TO THE OPERATING COMMITTEES:

Ask Retail, Foodservice and International committees to develop a promotional push for keta salmon. Continue to promote Alaska sockeye salmon.

Quality initiatives have been good and have had a distinct impact on value; keep pushing wherever possible.

Vito, from Global Trust, gave a brief update on certification status by species. Steve Chartier asked if GT will continue to announce companies that have acquired Chain of Custody.

NEW BUSINESS:

We have some new committee members; they were asked to speak briefly as introduction.

Julianne Curry: Petersburg fisherman; former ED of Petersburg Assn.; now ED of UFA.

Bonny: Born and raised in Juneau, fished 34 years.

Arni Thomson asked that the committee be conscious of issues in Russia. Julianne said she spoke with Arni and has seen more net-marked fish from IUU fishing. Is there a way to investigate IUU fishing out of Russia? Make the Board aware that this is an issue. Tom volunteered to bring it to the Technical Committee.

COMMITTEE ELECTIONS:

Need to vote on a new chair...Tom asked to review Committee roster re: term limits. Matt, Izetta, Ron, Rick -- all want to stay. Determined that everyone is eligible.

Ron nominated Steve Chartier. Steve suggested Tom take another term; he agreed.

Vote: Tom voted into another term.

Vice-Chair: Steve Chartier. Julianne moved to close nominations; seconded by Edna. Motion carries.

NEXT MEETING: After Brussels; before salmon season begins. First week in May? Friday, 5/3/2013 at 9:00am; Matt volunteered to host @ Trident.

Steve moved the meeting be adjourned; Ron Jolin 2nd; motion passed.

Meeting adjourned.