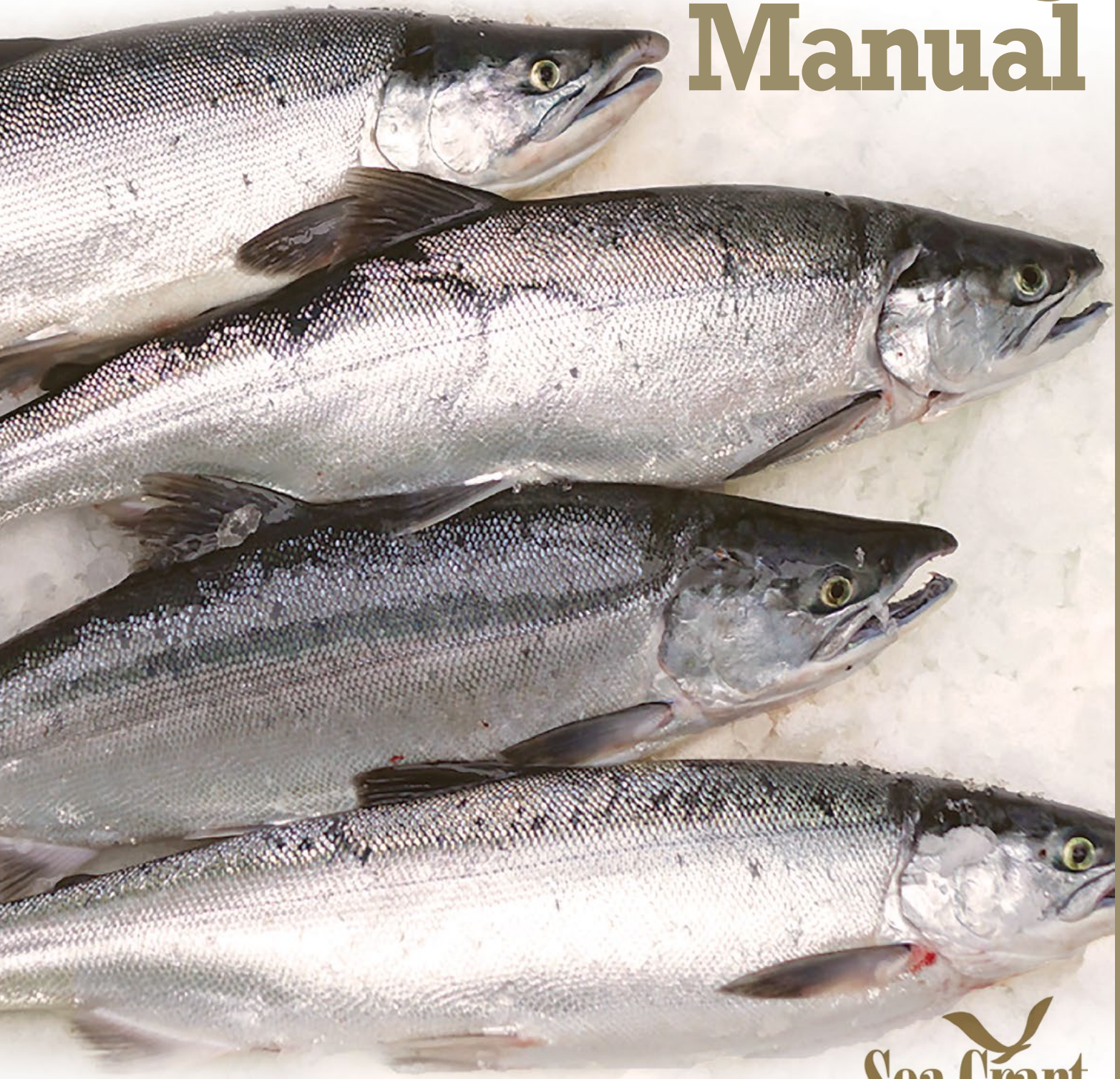
5th edition

Fishermen's Direct Marketing Manual



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Alaska
Washington

5th edition

Fishermen's Direct Marketing Manual

TERRY JOHNSON, EDITOR, ALASKA SEA GRANT MARINE ADVISORY PROGRAM

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FOREWORD

Welcome to the fifth edition of the Fishermen's Direct Marketing Manual.

Since the mid-1990s commercial fishermen have used earlier editions of this publication to think through the issues involved in selling their catches through a nontraditional distribution system. This is commonly called direct marketing or alternative marketing.

Hundreds of fishermen have used the manual and many have said they found it helpful. Some readers have suggested improvements and we've attempted to incorporate those suggestions into this edition. We have invited new contributors and incorporated insights from working direct marketers. We have included new material on branding, products, product placement, promotion, and use of social media, among other topics.

The fifth edition has new sections on accounting, e-commerce, working with custom processors, insurance, and more. The state and federal permits and regulations sections have been updated.

In addition to the contributors listed on the title page we would like to thank the direct marketers who offered ideas that have been incorporated into the text, including but not limited to Paula Cullenberg, Nelly Hand, Rick Oltman, Tollef Monson, and Adelia Myrick. We also wish to acknowledge our partners at Oregon Sea Grant and Washington Sea Grant for their generous contributions, as well as California Sea Grant for useful links and references in their online marketing manual, *Market Your Catch*.

Terry Johnson, Editor

Alaska Sea Grant Marine Advisory Program

Chapter 1

WHAT IS DIRECT MARKETING?

Times are changing in the fishing and seafood industries. Demand for seafood is increasing.

A strong dollar is making American seafood more expensive abroad. Fuel prices are down, at least for now, but other costs are up.

Technology is making fish harvesting, processing and distribution more efficient and more competitive.

Online purchasing and social media are changing the ways people find and purchase goods. Ocean climate change is altering patterns of resource abundance, distribution and behaviors.

People want to feel more of a connection with their food and know its source. Competition in the marketplace among food choices is increasing.

Change brings **threats** and **opportunities**. One way a fishing business can respond to both is to get more money for the product it sells.

"Direct marketing" means selling the catch at some point further up the distribution or "value-adding" chain from the usual destination—the local seafood processing plant.

A direct marketer can sell directly to the consumer, or to a buyer at any other level in the system. It means getting paid for the value of the raw product but also any value that is accrued as it is processed, packaged, transported and sold to the final user or consumer.

This is often called "bypassing the middleman" but really it is "**becoming the middleman**." It means doing jobs, incurring the expenses and taking the risks of all those middlemen and, hopefully, getting paid what each of those links of the chain otherwise would reap individually.

WHAT A DIRECT MARKETER DOES

- Obtains licenses, permits, bonds and fills out reporting forms
- Develops product identification and specifications
- Conducts market research and defines market niche
- Specifies services provided and determines pricing
- Designs, places and purchases advertising
- Sells the product(s)
- Purchases boxes, gel ice, banding and labels, and assembles the shipping box units
- Arranges shipping and delivery

WHAT ELSE A DIRECT MARKETER DOES

- Gills, guts, slimes, washes and chills fish on board
- Re-chills, packages, boxes, bands, labels and prepares product for shipping
- Delivers product to shipper
- Follows up to assure product was delivered in good order
- Collects payment
- Handles problems, complaints if any
- Completes bookkeeping, pays taxes and bills, submits reports

MARKETING VS. SELLING

The words "marketing" and "selling" sometimes are used interchangeably, but marketing involves much more than making a sale. It may include doing:

- A situation analysis of the intended market or market segment
- Market research
- Competitive analysis
- Promotion—public relations, image advertising
- Product advertising

The sales component of marketing may include making calls, servicing accounts, taking orders, billing and more.

KINDS OF DIRECT MARKETING

Alaska and Washington issue several kinds of direct marketing permits, each with specific provisions and limitations. In Alaska those include:

Catcher/Seller. Sells his or her own catch unprocessed and unpackaged, at the dock, directly to the consumer or a foodservice establishment with a DEC Seafood Processing Waiver (Department of Environmental Conservation).

Catcher/Processor. Catches, processes and sells process seafood products as:

1. **Direct Marketer, vessel 65 feet or less in length**. Only processing own catch
2. **Catcher/Floating Processor, over 65 feet**. Can buy or process, but cannot buy to process and sell
3. **Roe Recovery Only**. Recovers roe for sale as human food

Exporter. (means transport out of Alaska and Washington to another state or country)

1. **Catcher/Exporter**. Catches and transports unprocessed fish out of state to a licensed processor
2. **Buyer/Exporter**. Buys unprocessed fish for transport out of state to a licensed processor.

The state licenses other forms of seafood processing, transporting and marketing businesses but only those above are addressed in this manual. See Appendix I for a complete list of seafood business categories and a summary of pertinent State of Alaska regulations and Appendix K for regulations in Washington State. Keep in mind that states regulate seafood processing and sales differently, and local counties or municipalities may impose their own regulations. See the appendices for regulations imposed by the state government of Oregon.

SOME WAYS TO MARKET FISH AND SEAFOOD PRODUCTS

- Over the side or dockside sales direct to consumers
- Farmers markets
- Community supported fisheries (CFS)
- Restaurant supported fisheries (RSF)
- Online sales
- Food clubs, buying clubs
- Boat to institution (schools, prisons) sales
- Boat to foodservice (restaurants) or retail market sales
- Seafood brokers, distributors or wholesalers

PRODUCTS

In Alaska anything done to a raw fish beyond gilling, gutting, sliming and chilling constitutes processing. Freezing is processing. For Washington, refer to Appendix K.

Processing requires an approved facility, additional permits and specified procedures. Standards for processing may be difficult, expensive, or even impossible to meet on board a small vessel or at a remote location.

Many direct marketers conduct value-added processing aboard their permitted vessels or at their own permitted facilities, or they contract a licensed facility to process their product for them. Some purchase processed products from a licensed facility for resale.

When contemplating product forms, direct marketers should consider perishability, shelf life, shipping costs, cultural familiarity, visual appeal, consumer convenience and price.

(Note: this manual does not directly address seafood processing. For information on how to set up a small fish processing plant see the publication *Village Fish Processing Plant: Yes or No? https://seagrant.uaf.edu/bookstore/pubs/M-89.html*)

Products offered by direct marketers include:

- Whole dressed (head on or head off)
- Fillets
- Steaks
- Portions
- Burgers
- Ground
- Canned (straight or flavored)
- Smoked and cured (flavored or spiced)
- Jerky
- Lox
- Fish heads or bones
- Roe
- Samplers
- Dog snacks

BENEFITS AND CHALLENGES

Direct marketing can provide several benefits to the successful operator.

Benefits

- Receive a higher price-per-pound than local processors usually pay
- Product can be sold in small and/or large quantities
- Customers provide feedback about products, potentially leading to ideas for new products
- Opportunities to connect with and develop loyalty among customers
- Diversifies markets, reducing market risk
- Control of where and when product is sold

Challenges

- May take time away from fishing
- Requires greater time commitment, both during the season and the rest of the year
- Catch may not match demand and may not meet consumers' needs
- May not be possible to provide desired products
- Socially demanding (taking time away from families, friends)
- May put relationship with traditional buyers at risk
- Requires additional bookkeeping and business management skills and practices
- Less flexibility to take advantage of good fishing days due to scheduled marketing activities

SEAFOOD BUSINESS

Direct marketing has its own business practices, its own vocabulary (see Appendix M, Glossary of Seafood Business Terms), its own information sources and its own rewards. As a fisherman if you make the decision to divert some or all of your catch from your normal processor to a new set of buyers at some point further up the distribution chain, you are changing your fundamental business model. You're no longer in the fishing business; you're in the seafood business.

Before starting a direct marketing business, read Appendix A—Is Direct Marketing for Me? It lays out some of the realities of the business and provides a decision matrix to help you decide if you have the motivation and resources to be successful.

A DIRECT MARKETING STARTUP CHECKLIST

You understand what direct marketing is and have decided that you have what it takes. Here are ten steps toward starting your business.

1. Decide **what product or product forms** you want to sell. If you plan to use any custom processing (that is, sell any product form except chilled headed and gutted), identify a processor with needed capabilities and get firm prices for the processing and handling services they provide.
2. Decide on a **business structure**—corporation, limited liability corporation, partnership or sole proprietorship.
3. Decide **where or what parts of the country** you will focus your marketing.
4. Apply for the **permits and licenses** you require from the State of Alaska. (See Appendix I)
5. Register with the **FDA** (Food and Drug Administration) if shipping out of state, and apply for permits for the states and locales where you plan to sell. If a HACCP plan is required, sign up for a HACCP class. (See Appendix D)
6. Determine your **modes of transport**. Get schedules, rates and at least tentative assurance from shippers that they will accommodate you on your schedule. Locate refrigerated or frozen storage facilities that can hold the product.
7. Design your **packaging and labeling**. Make sure they are compatible with the shipper's requirements, and with regulatory authorities in states where you will be selling your product. (See Chapter 10)
8. Get **insurance** for your marketing operation, including product liability.
9. Develop a **marketing plan**. (Chapters 6, 7 and 8)
10. Draft a simple **business plan**. (Chapter 2, Appendix L)

Keep in mind that there may be considerable lead time for some of those steps, particularly business incorporation, getting any required certification such as HACCP, and getting permits and licenses. Start the process early.

Notes

Chapter 2

BUSINESS PLANNING TIPS

No one plans to fail, but many fail to plan.

Nearly 75 percent of all startup businesses fold within their first five years, and seafood businesses are no exception.

A detailed **business plan** is a blueprint of your objectives, the steps in meeting those objectives and the necessary financial requirements for both a startup as well as an existing business. You could hire someone to write your plan but you are the person best qualified to answer the questions raised in the business planning process. The plan should be reviewed annually and updated as changes occur.

Several federal and state agencies, as well as private consultants, can help develop a business plan. **Appendix L of this document is a generic business plan outline** you can adapt to your operation.

TIPS FOR SUCCESSFUL DIRECT MARKETING BUSINESS PLANNING

Consult with a variety of marketing authorities. Read books and articles. Successful direct marketers commonly share practical information with others in the business. Go to one of the nonprofit business development assistance programs for free or low-cost advice.

Do market research and understand your potential customers. When possible, talk to prospective buyers and consumers in person.

Define a target consumer population, both geographically and demographically. Develop a list of products in seasonal demand in your target population.

Locate buyers who are your philosophical allies. Seek customers who understand the limitations of a small operator and are willing to work with you, and at the same time to pay more for premium quality fish. Favor buyers who honor good product appearance, nutritional benefits, and sustainable resource and fishing culture.

Differentiate your product from the competition. Why should a potential customer buy from you rather than from someone else—better quality, a better price, superior service?

Try to **maintain a relationship with your current processor**, who may be willing to help you or at least take you back if things don't work out. You may be able to avoid burning bridges by continuing to deliver part of your catch to your processors, so long as they don't think you're high-grading. Some processors may be willing to custom-process for you or sell back your own catch.

Carefully **assess your costs**. Profit is only what's left after paying all your costs. Remember permits, bonding, taxes, packaging, transportation, insurance, cold storage, distribution and additional boat operating costs. Home phone bills, fuel and wear-and-tear on your truck, special clothing and equipment are all costs of doing business and should be included when projecting profitability.

Diversify your markets. Try not to send all of your product to a single buyer or market area. Develop markets in several broad regions. As prices in one market area begin to decline because of oversupply, promote your products in the next.

Plan for growth of your business and for your clients' growth.

OPERATING TIPS

Prepare to change the way you fish. You may have to sacrifice volume to meet the needs of your customers. You may have to shift the species or change your timing for catching them to optimize quality and meet buyer demands. Your objective is not to fill your boat, it's to meet your customers' needs.

Expect to become more self-sufficient. If you stop delivering to a packer, you may lose access to fuel and groceries, ice, use of a port engineer, dock space, boat storage and other company services.

Separate the fishing and marketing functions. It is difficult to run catching and sales operations at the same time. Many rely on a spouse, partner or employee to do the marketing, or they use a broker or sales agent. Some have formed small marketing cooperatives to ensure enough volume to support hiring a marketing person. (See Chapter 9)

Take good care of your catch at every step of the process. Quality cannot be overemphasized. No one can improve your fish, so it's up to you to sustain the quality it had when it came out of the water. Bled and chilled is virtually assumed.

Establish communication. Buyers want you in regular communication with them, and they want to be able to reach you if need be. Provide cell or satellite phone numbers as well as fax and email. Some buyers will want to talk to you daily while you are fishing; if yours are expecting to hear from you, be sure to call or be available to take their call.

Respond quickly to customer schedules and specifications. "If you are going to keep 'em, you will need to please 'em." Maintain proper attitude.

Remember to be civil, no matter what kind of day you are having. Project a positive, optimistic image to your customers, regardless of what is currently happening.

- **Be consistent in terms of product quality**, delivery timing and price.
- **Keep it simple. Your time is not unlimited**. Project complexity increases the risk and makes business capital more difficult to acquire.

POTENTIAL CAUSES OF FAILURE

Inadequate business planning. A business plan needs to be more than a brief diagram scribbled on a napkin.

Inadequate capitalization. A business needs enough capital to purchase equipment, supplies and raw material, and also enough to pay wages and other operating costs for one or more years until sufficient cash flow is established.

Failing to cope with new realities. Changing market realities, such as lower wholesale prices or higher ex-vessel prices, can radically alter profitability.

Accounting failures. Proper accounting practices are necessary for meeting legal requirements as well as for successful business management.

Underestimation of personal energy required. A lot of time is required to deal with customers, air carriers, seafood regulators and others. Consider hiring competent assistants on the beach. Beware of creeping exhaustion.

Insufficient credit control. If possible, do not sell your product on credit. Arrange to take credit cards or irrevocable letters of credit if customers do not have cash. If credit is the only option, use a credit service to assess the credit worthiness of your would-be customer. Remember, "It's not a sale until the check clears."

Ineffective cost control. Learn to control costs in all parts of your operation.

Excessive risk. Investigate all areas of risk in the business and find ways to minimize risk.

THINGS TO KEEP IN MIND ABOUT DIRECT MARKETING

Buyers get frustrated working with fishermen. They say that fishermen too often do not understand the seafood business. Study the wholesalers, retailers and foodservice businesses to understand their needs.

Retailers and foodservice businesses purchase from multiple sources. They may buy most of their fish from a volume distributor to minimize risk and keep the price down, but may still have a place for your offerings.

You have to do everything yourself. The tasks and risks that someone else previously assumed are now yours alone. Many of them are very different from fishing and take a great deal of time and energy to address.

You can't be in two places at once. Unless you're selling right off the boat, you probably will have to hire or contract someone to meet the plane or truck at the other end and deliver your product to the storage facility or buyer. Nobody (other than relatives, possibly) does anything for free. You will need to get the tariff (rate) sheets for the companies whose services you plan to use, calculate all the costs involved and contract with them well in advance.

You have to get rid of it all. You have to sell all of your catch, including any inferior species, any #2s and #3s, as well as any quantity in excess of what your buyers want. It is illegal to discard commercially caught fish, even if you can't find a buyer. You may have to sell the excess or less desirable catch at a price below what it costs to box and ship them.

Develop backup market options. If a buyer refuses a shipment, cancels an order, reneges on a price agreement or you simply find that you've caught more than expected, have backup markets that are just a phone call away. Relationships with brokers and traders come in handy at times like these. Some people just put the catch in a freezer and hope they can unload it later.

Middlemen and end-users normally do not buy roe. Part of the value of your salmon is in the roe, which you may find difficult to sell, and may have to market separately. (See Appendix E)

There will be no retros. Salmon fishermen often get a 10 to 30 percent "bump" after the season. When you direct-market, what you get is what you get.

If you succeed, expect to attract competitors. Nothing is static in the business and an exclusive arrangement with a buyer can vanish if another supplier comes along with better quality or a lower price. Develop a strategy for dealing with competition bent on taking your market share.

Chapter 3

THE SEAFOOD DISTRIBUTION SYSTEM

The distribution system in the United States is complex, with many different entities taking cuts of the product's retail value. In some other countries it's even more complex.

There are reasons that the seafood industry trades fish the way it does. The system ensures adequate supply, minimizes waste, ensures convenience and accountability, and minimizes risk at each level of the chain.

THE AMERICAN SEAFOOD DISTRIBUTION CHAIN

The word "chain" is commonly used to describe the seafood distribution system, though "web" is more accurate because there are multiple routes that a fish or fish product can take from boat to consumer. For simplicity, chain is used in this manual.

After a fish comes out of the water, it goes to the **processor**, who sorts, weighs, grades, slimes and washes the fish; does primary processing such as heading and gutting; and either preserves the product by freezing or canning or retards spoilage by chilling. The processor may also do secondary processing such as steaking, filleting or portioning. Some processors also do additional value-added processing such as smoking, battering and breading, vacuum packaging and gift boxing.

Processors, also known in the trade as **packers**, usually sell to traders or distributors (described later in this section). In some instances, primary processors sell to specialty or custom processors who do the value-added processing. In any case, processors take a raw material—dead fish—and convert it into products that can be used by the consumer at home, the supermarket seafood department, the chef in a restaurant or someone else.

Some processors have their own in-house sales staffs, who are paid salaries to make the calls, fill the orders and ensure that the company's entire pack is sold at the best possible price. Other processors use the services of a **broker**—an individual or firm that sells products on a commission. A broker may work out of a small office with little more than a telephone, fax and a computer and spends most of the day on the phone. Brokers normally work specific geographical territories, such as the Upper Midwest or New England. (See Chapter 12)

Sometimes the first buyer to take product from a broker is a **trader**. The trader's role is to match the flow of product to the demand by "sourcing" from numerous suppliers and trying to supply each customer what he or she needs. They may sell to wholesalers (described below) or directly to retail and foodservice outlets.

Distributors, also called wholesalers, deliver product to retail or foodservice users. Distributors may have fleets of refrigerated trucks that do door-to-door delivery of products to restaurants and supermarkets or to central warehouses owned by or serving those restaurants and supermarkets.

Most restaurants use relatively small quantities of fish, no more than a few hundred pounds a week of all species, and individual supermarkets don't sell much more than that. The wholesaler's job is to provide a slow, steady flow of product to meet the buyers' daily needs.

In most cases, distributors service the geographic regions where they are located. They buy from processors, from customer processors, from fishermen and even from one another. They prefer to buy small quantities to minimize risk and resell quickly. The distributor's stock-in-trade is its relationship with each customer, who must trust the distributor to supply consistent quality and in volumes meeting customer needs and nothing more. Distributors buy in large volume, so they can add small profit margins to their costs and still sell to their customers at competitive prices.

Small distributors, also known as **jobbers**, run one or two trucks. Large companies, some with annual sales of tens of millions of dollars, are called **broadline distributors**, and they distribute many kinds of products besides seafood, including meats and fresh produce. They may have fleets of refrigerated trucks. Some distributors specialize in selling to retail outlets or foodservices, and some do both.

Foodservice refers to businesses that serve meals, such as restaurants, kiosks and street vendors, schools, prisons, hospitals, airline catering services, corporate cafeterias or mess halls, entertainment venues such as sports stadiums, and special facilities such as cruise ships and lodges. Foodservice operators usually buy from distributors, although some restaurants are willing to buy directly from fishermen.

The other endpoint of the distribution web is the retailer, including supermarkets, fish markets, health food stores, gift shops and even certain upscale department stores. Most supermarkets in America are members of chains; they buy in volume from a number of different processors and distributors. Many chains own warehouses in large cities and operate fleets of delivery trucks.

Supermarkets (and some other retailers) have high **overhead** costs—building and space rental or purchase, maintenance, staff, advertising, etc., and they experience **shrinkage**—product value lost to in-house cutting and trimming, declining quality during storage or from exposure to air. So retailers have to mark up their products by 30 to 40 percent or more. Retail markup is the largest single component of the increase in fish price between the catcher and the consumer.

DISTRIBUTING SEAFOOD

Other retailers market product at the dock or from a truck beside the road, via mail order, over the internet, by subscription and through direct home deliveries. Others in the distribution chain include:

- Delivery services, such as Federal Express and the U.S. Postal Service
- Trucking and air freight companies
- Cold storage companies, which provide services like flash freezing, holding in frozen storage, retrieving, sorting, boxing and, in some cases custom processing
- Drayage firms, which pick up products at the airport and deliver them to a buyer, or vice versa

Many people are eager to get their hands on your fish in hopes of making a few percent or a few cents per pound by processing, handling, sorting, transporting, delivering, preparing and selling the product.

Notes

Chapter 4

ACCOUNTING FOR YOUR FISH BUSINESS

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Accounting is a strategic resource that enables an owner to run a small business effectively. A good accounting system performs two essential functions.

It provides invaluable information on the performance of a business, hence the nickname, "the language of business." Timely feedback is crucial for identifying and correcting problems and inefficiencies that may arise.

Accounting also assists in meeting the numerous federal, state and local tax reporting requirements. Whether it concerns taxes on profits, payroll taxes or sales taxes collected on receipts, accounting is key to meeting these obligations. The benefits of accounting are contingent on the system being set up correctly and kept current.

BASIC ACCOUNTING REPORTS

There Are Three Primary Statements:

The **income statement**, or profit and loss statement, provides information about sales and expenses of a business. It's a scorecard for the business, wherein sales are compared to their related expenses or product costs, and other operating expenses incurred are presented. Sales information should be identified by source (such as major products and services) and matched with related product costs. This difference between them is called gross profit or margin.

Margins represent the profit available to cover other operating costs and, hopefully, business profit. Other operating costs not directly associated with products include advertising, insurance, depreciation on equipment and buildings, and interest paid.

1. The **income statement** covers a discrete period, usually a month, quarter or year. This is somewhat arbitrary, because the operating cycle varies from one business to another. By using reasonable estimates you can produce reliable accounting reports. The income statement provides information on the profits of a business and the source or sources of these profits.

2. The **balance sheet** of a business, or statement of financial position, has a different role. It presents a longer-term financial picture of a business. It lists the assets, liabilities or amounts owed to outsiders and the owner's net worth at a point in time, usually month-end or year-end.

Assets are simply resources controlled by the business that provide current or future benefits in terms of cash flow. Liabilities, or obligations of the business, represent unpaid bills and borrowings. These usually consist of short-term trade credit or amounts owed to suppliers, as well as long-term financing arrangements—for example, a mortgage or line of credit.

Owner's equity, or net worth, represents the owner's residual claim to the business, above and beyond the amounts owed. This amount usually represents the owner's initial investment plus the undistributed profits of the business.

The balance sheet is a snapshot of a financial picture, or health, of a business at a given point in time.

3. The **cash flow statement** is a report on the cash flows of a business segregated into three categories: operations, investing and financing. This statement provides useful information about where a business gets money and where it spends it. Like the income statement, it reports on activities over a period of time. For example, if the business borrowed money to buy new equipment, both of these transactions would be shown on the cash flow statement—the former as a source, the latter as a use.

The statements work together as a package, with each contributing something the others can't. Only by examining each and integrating the information can the reader understand the how and why.

Underlying these reports is a key assumption that the activities of the business can be separated from those of the owners. In other words, the financial statements represent the activities, resources and obligations of just the business. This can be a challenge in small operations, where the owner's funds are sometimes commingled, or mixed, with those of the business. Great pains must be taken to separate the activities of the business, because mixing them can blur the picture of the business presented in financial statements.

MANUAL VERSUS COMPUTERIZED ACCOUNTING SYSTEMS

Only the smallest businesses are better off using a manual accounting system. There are many excellent, inexpensive accounting programs available for small and medium businesses. Quicken, QuickBooks and Peachtree are just a few. They do not require specialized accounting training. They are all similar programs, so your choice should be based on availability and local support. QuickBooks is probably the best-supported and most widely used accounting program in the world.

Some web-based programs can be accessed via desktop, tablets, or smartphones. These provide convenient access to your system from almost anywhere and offer the full menu of features and functionality.

Most instruction manuals and third-party guides for these programs recommend you round up the following basic information before you start installing the program on your computer:

- Copy of recent business tax return, if available
- Federal tax identification number
- Owner names and addresses
- Banking information, including account numbers and balances
- Information on major customers and suppliers
- List of products and prices

All the programs use a "setup wizard" to prompt you for information about your company. This routine can take from one to four hours or more, depending on how extensive you want to set everything up initially. It will ask you questions about your company's products and whether you make things, perform services or do both. The purpose of this questioning is to assist the program in setting up a chart of accounts for you.

The **chart of accounts** is the key part of collecting and categorizing transactions, enabling you to produce useful reports. You can make changes to it later but it is much faster and easier if you can do it right the first time. The initial chart should include accounts for each of your products, both sales and their costs accounts.

For many folks, the first big barrier to setting up their system is **establishing a starting point**. To get the most benefit from your new accounting system, it is best to start recording transactions at the beginning of the year, even if that date was 11 months ago. This means that you'll have to input sales and payments going back to the beginning of the year. But it will be worth it, because you'll be able to use all of your program's capabilities and reports.

Sooner or later everyone has a problem or question and if you know someone who is using one of these programs, it is likely that they can help you.

ADDING OR CHANGING ACCOUNTS

No matter how carefully and completely you answered the setup wizard's questions, you will need to create additional accounts. To do this, check your program's specific instructions on how to add new accounts.

Consider using sub-accounts. They will allow you to produce reports, using either the summary for a group of accounts or for individual accounts. For example, if you sell several varieties of smoked fish, you can create a smoked fish sales account and then create sub-accounts for each type of smoked fish you sell. Sales of each product will be kept separately in individual accounts so that you can generate reports for each product line and analyze the success of your efforts to market and manage each. Most users will find setting up accounts to track separate product lines invaluable for accessing the performance of each line.

At some point during setup, the program will ask you for information on your **accounts receivable and payables**, or money owed to and by your business. Skip entering any existing balances for your customers or suppliers. Most small businesses are on a cash basis, which means it doesn't count as income or expense for tax purposes until the money changes hands. It is easier to skip entering balances at the start of the year or whenever you are setting up your accounting program. Instead, record the amounts owed or due when you actually receive or pay money, then record the appropriate income or expense.

USING YOUR ACCOUNTING SYSTEM

Most accounting program user interfaces are very intuitive and organized around common business activities such as banking, customers, suppliers/vendors and reports. This makes it easy to perform tasks such as making deposits, invoicing customers, paying bills and generating reports.

For example, to pay a supplier's bill, all you have to do is open the banking menu and then click on "write checks." The program will prompt you for the necessary information and then post the necessary debts and credits to your accounts.

Since accounting programs differ from one another it is difficult to go into all the details for these features here. There are a number of **third party user manuals** that are a good investment for getting the most out of your accounting program. Many of these are better written and easier to follow than the user documentation provided with the software program.

Most programs have advanced features that allow you to manage cash flows by tracking outstanding sales invoices and purchase payables. Budgets are another tool to help manage your business and are supported by most accounting programs. Finally, most programs interface with online banking, which makes bank reconciliations easy.

PAYROLL TASKS

Employee payroll reporting requirements are very demanding. Late reports and tax deposits carry stiff penalties. It is essential that payroll expenses are computed and recorded accurately and that all necessary reports are assembled and transmitted on time. Accounting software can help. Many small businesses, on the other hand, outsource these tasks to their accountants.

QuickBooks offers a unique sliding scale of assistance for users of its program. At one end of the scale, the business can provide a listing of employees and their hours and the software computes payroll costs, sends electronic checks for printing, maintains payroll information, makes the payroll deposits and files the required reports with both federal and state agencies. At the other end of the scale, a business submits the employee time and the program sends back electronically the amounts for checks and payroll deposits. The user writes checks and files deposits. QuickBooks will provide detailed reports for you or your accountant to file with the required payroll tax reports or, for additional fees, will file these reports and make the required deposits right from your bank account.

BACKING UP AND SECURING FILES

Backing up files is vitally important to protect your accounting system and its data files from misuse and loss. This requires some careful planning and adherence to a backup schedule. Limit system access to only those people who have a need for it.

QuickBooks and comparable programs support limiting user access to only certain tasks. Set up and use this feature to prevent unauthorized changes and transactions. The frequency of your backup schedule depends on how often you update your system. Implement a weekly backup schedule, usually on Fridays, where a complete copy of your files is written to a portable memory device, such as a jump drive, or to cloud-based storage. If you use a physical device it should be stored off-site until needed for making a new backup.

Notes

Chapter 5

CONSIDERING QUALITY

Stephen T. Grabacki, FP-C Certified Fisheries Professional
GRAYSTAR Pacific Seafood Ltd.

There are two ways to view seafood quality: intrinsic characteristics—taste, texture, color and appearance—that are biologically determined, and extrinsic characteristics such as bruising, blood spotting, gaping, softness and general degradation that appear after harvest.

Consumers expect all of the positive **intrinsic** attributes and they dislike any negative **extrinsic** characteristics. In other words, we cannot improve the quality of our products but can only retard the loss of quality until the seafood reaches the ultimate consumers. The old maxim for retaining fish quality holds true: "Keep it clean, keep it cold, keep it moving, handle it gently."

Shelf life is a measure of how long a fish can remain wholesome and flavorful from its capture to consumption. The longer the shelf life the higher the value. Delay or deterioration on the production end (catching, holding, processing, storing, shipping or receiving) decreases the shelf life, and product value. Shelf life of non-frozen high-fat fish (salmon, herring, sablefish) can be as long as 10 days; the shelf life of non-frozen low fat fish (halibut, cod, pollock, rockfish) can be as long as 14 days. But these maximums assume immediate and constant chilling (32°F) and perfect handling. Actual shelf life normally is less, so you must do everything you can to avoid reducing this time.

HOW QUALITY IS LOST

Fish and shellfish tissues are delicate and easily degraded. Fish flesh contains catabolic enzymes that start breaking it down as soon as the fish dies. Poor handling, warm temperatures or slow transit decrease the value by diminishing its appearance, taste, odor, texture and shelf life.

Quality loss begins before a fish is landed. A salmon trapped in a gillnet gets squeezed and abraded by the mesh. Further damage can occur as the fish is brought aboard the boat, removed from the gear and stored in the hold. Common mistakes include lifting or pulling the fish by the tail and dropping or squeezing the fish, which result in bruises and blood spots in the meat. Bruises can occur in dead fish as well as live ones. Rough handling very often causes internal defects that are not visible until the product reaches the customer.

Bacteria are present everywhere, including on and inside fish. When a fish dies, bacteria start digesting the flesh and producing chemicals that destroy the texture and create odors. The higher the temperature, the faster the bacteria multiply and the faster the fish spoils.

Fish have **enzymes** in their guts and their muscles. Catabolic enzymes degrade the flesh from the inside out (a condition known as "belly burn"). Like bacterial action, enzyme activity also increases with temperature.

When fish flesh is exposed to air it undergoes **dehydration** and **oxidation**. Dehydration toughens and discolors the meat. Oxidation is caused by the chemical reaction of fish oils with oxygen and causes unpleasant odors and flavors. Dehydration and oxidation are prevented through good temperature control, proper packaging, rapid transit of non-frozen fish and correct glazing of frozen fish.

EXTENDING SHELF LIFE AND PRESERVING QUALITY

The four-part mantra, "Keep it clean, keep it cold, keep it moving, handle it gently," applies to all three links of the seafood chain:

- **Pre-process**. Handle the fish gently on the boat and on the way to processing. Chill it well and promptly. Prevent contamination of any kind.
- **In-process**. Process promptly. Hold the unprocessed fish and the processed products at 32°F. Keep holding times to a minimum.
- **Post-process**. Package the products properly, with careful attention to insulation and chilling. Use plenty of gel ice packs. Ship the products as soon as possible. Monitor the shipments until they reach the customers.

Your job as a seafood provider does not end until the products arrive at the customer's location and the customer accepts the shipment.

IMPORTANT

The ideal temperature for non-frozen fish is 32°F, from the time of capture. Any temperature higher than 32°F will accelerate the deterioration of your products.

PRACTICES, GRADES, SPECIFICATIONS

A good primer on seafood quality is John Doyle's *Care and Handling of Salmon: The Key to Quality*, available from Alaska Sea Grant and from the Alaska Seafood Marketing Institute (ASMI). It presents more details on the causes of quality problems, and offers excellent recommendations on practices for chilling, on-board handling, cleaning and sanitation. Other manuals (listed at the end of this chapter) cover handling of halibut, rockfish and ocean whitefish.

ASMI and the Alaska Sea Grant Marine Advisory Program have produced several other useful publications on practices of handling, chilling, packaging, shipping, butchering and filleting of salmon, halibut and other species. (See the list at the end of this chapter)

You can inform your customers about your quality practices to assure them that you are doing your best to produce and deliver top-quality seafood products. In fact, that's one important tool in your "marketing toolbox."

Grades

The seafood industry uses a system of grades to indicate the quality of the product. They're based on extrinsic factors and indicate freshness and handling. ASMI's Seafood Technical Program offers an excellent matrix of quality grades for salmon, including Premium, A, B and C. These grades reflect the important characteristics of quality:

- Handling—bled vs. un-bled; chilling; amount of defects, including skin cuts, bruising and scale loss
- Odor—ranging from "fresh" to "slight, not offensive"
- Eyes—ranging from "bright, clear" to "milky or cloudy"
- Gills—ranging from "bright red" to "pink to buff"
- Skin—clarity of slime, net marks, scars, damage to fins and tail
- Belly Cavity—internal color, degree of belly burn, thoroughness of cleaning

ASMI's Seafood Technical Program has produced several other useful tools for grading your products:

- Skin Color Guides for sockeye, coho, chum and pink salmon
- Meat Color Guides for sockeye, coho, chum and pink salmon
- Premium Quality Specifications for king crab, snow crab, Dungeness crab and frozen whitefish fillets

ASMI can provide its documents, procedures and grades free-of-charge. See the ASMI salmon quality specifications in Appendix H of this manual for examples.

Specifications

Specifications are slightly different from grades. Grades are standard measurements that can be applied to all products and accepted by all customers, while specifications are tailored to the individual preferences of each specific customer. Specifications might include:

- Product—headed and gutted, fillets, fletches, steaks, loins, etc.
- Size—of whole fish or of portions
- Skin—on or off
- Bones—in or out
- Trim—for example, collar on or off, belly flaps on or off, fillet trim style
- Packing—net weight per box or carton, plastic sleeves, glazing, etc.
- Quantity—number of fish or portions, or number of pounds
- Shipping—all the way to the customer, or just to the nearest airport
- Time—arrival of the shipment on the day the customer desires

ASMI's *Seafood Buyer's Guide* is an excellent source of basic information on seafood product specifications. It is important to remember that each of your customers will likely have their own preferred specifications, so you must take special care to understand and deliver what each customer expects.

Grades are standard measurements that can be applied to all products and accepted by all customers, while specifications are tailored to the individual preferences of each specific customer.

Writing specifications is easy. Keep them simple, clear and easy to read. Make them known to each person in the distribution chain, from you and your crew to the customers and their staff. Each customer will expect to receive products that conform to their specified species, grade, skin color, meat color and product specifications.

Grades and specifications are critical to the success of your direct marketing business. They are the basis for the sale (and purchase) of your products, and by minimizing mistakes and misunderstandings they allow clear communication between sellers and buyers. Without grades and clearly understood and mutually accepted specifications, you risk the loss of future sales through customer uncertainty.

CUSTOMER ASSURANCE

The marketplace values and rewards reliable, consistent quality. There are several ways in which you can assure your customers of the consistent quality of your products:

- Handling Practices—Inform your customers about the quality handling practices that you follow, on the boat, during processing and during shipment.
- Product Grades—Ensure that your products are of the grade that your customer expects. Inform your customers about the grading system you use.
- Product Specifications—Clearly understand and consistently deliver products that meet the customers' specifications.
- Third-Party Verification—Some customers prefer that their seafood is produced in inspected facilities, and/or that the products meet their grades and specifications before shipment. This type of service is available through NOAA Fisheries and private sector seafood inspectors. Some buyers may want chain-of-custody or responsible fisheries management certification, both of which are available through ASMI's Responsible Fisheries Management (RFM) Certification Program.

Seafood will continue to be valued for its intrinsic qualities: taste, appearance, nutrition and purity. As you produce and market your products, please keep in mind that your competitors have gained market share by delivering products of consistently high quality. Quality has never been more important.

FURTHER INFORMATION ON SEAFOOD QUALITY PRACTICES, GRADES AND SPECIFICATIONS

NOAA Fisheries Office of International Affairs and Seafood Inspection

http://www.seafood.nmfs.noaa.gov/pdfs/servicesbrochure.pdf

Alaska Seafood Marketing Institute

Seafood Technical Program

311 North Franklin St, Suite 200

Juneau, Alaska 99801

907.465.5560

www.AlaskaSeafood.org

Alaska Salmon Quality Specifications and Grades: Fresh and Frozen, *http://www.alaskaseafood.org/wp-content/uploads/2015/10/Alaska-Salmon-Quality-Specifications-and-Grades1.pdf*

Recommended Salmon Quality Guidelines for Fishing, Tendering and Processing Operation, *http://www.alaskaseafood.org/wp-content/uploads/2015/10/Recommended-Salmon-Quality-Guidelines-For-Fishing-Tendering-and-Processing.pdf*

Whitefish Premium Quality Specifications, *http://www.alaskaseafood.org/wp-content/uploads/2015/10/WhitefishPreminumQualitySpecs.pdf*

Whitefish Quality Guidelines, *https://www.alaskaseafood.org/wp-content/uploads/2015/10/WhitefishPreminumQualitySpecs.pdf*

Dungeness Crab Quality Specifications, *http://www.alaskaseafood.org/wp-content/uploads/2015/10/DungenessCrabQualitySpecs.pdf*

King Crab Premium Quality Specifications, *http://www.alaskaseafood.org/wp-content/uploads/2015/10/KingCrabPremiumQualitySpecs.pdf*

Snow Crab Premium Quality Specifications, *http://www.alaskaseafood.org/wp-content/uploads/2015/10/SnowCrabPremiumQualitySpecs.pdf*

Alaska Seafood Quality and Handling Training Program, *http://www.alaskaseafood.org/training/main.html*

A Retail Seafood Quality Primer, *http://www.alaskaseafood.org/wp-content/uploads/2015/10/Handle-With-Care_A-Retail-Seafood-Quality-Primer.pdf*

The Alaska Shipper's Guide to Seafood Quality, *http://www.alaskaseafood.org/wp-content/uploads/2015/10/Handle-With-Care_The-Alaska-Shippers-Guide-To-Seafood-Quality.pdf*

A Foodservice Guide to Seafood Quality: Basic tips on handling fresh and frozen Alaska Seafood, *http://www.alaskaseafood.org/wp-content/uploads/2015/10/A-Foodservice-Guide-To-Seafood-Quality.pdf*

Alaska Sea Grant Marine Advisory Program

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The following publications for handling North Pacific fish are available at *AlaskaSeaGrant.org*:

Care and Handling of Salmon: The Key to Quality by John Doyle, *https://seagrant.uaf.edu/bookstore/pubs/MAB-45.html*

Handbook on White Fish Handling Aboard Fishing Vessels by John Doyle and Charles Jensen, *https://seagrant.uaf.edu/bookstore/pubs/MAB-36.html*

Quality Handling of Hook-Caught Rockfish by Brian Paust and John Svensson, *https://seagrant.uaf.edu/bookstore/pubs/MAB-20.html*

Care of Halibut Aboard the Fishing Vessel by D. Kramer and B. Paust, *http://nsgd.gso.uri.edu/aku/akuh85002.pdf*

Chapter 6

MARKETING CONCEPTS

Each business needs a marketing plan, and this chapter is intended to help you think through what it should cover.

Marketing is a suite of activities intended to create and identify customer articulate their needs, develop a plan for meeting them, and promote the product in a way that satisfies them. Here are some marketing concepts:

Market research tells you who buys your products and why, who buys competing products and why, what consumers are looking for and how they make their buying decisions, how much they will pay, and so on.

Market research will help you determine **product placement**, which means getting your product before the right audience. You may want to sell directly to the consumer or you may want to sell to foodservices or regional distributors.

A part of market research is consumer **demographics**—who buys what kind of seafood, where they live, how much they make and spend, etc.

Another part is **competitive analysis**—that is, understanding who the competition is, what they offer, why people go to them and what you can do to get some of that business.

Pricing is deciding how much to charge for your product. You can either decide how much you want to make per unit (such as pound of fish) and then calculate your costs and add the two, or you can find out what others are charging for similar products and then charge the same, more, or less, depending on your reasoning.

Promotion means getting your business name and product before potential customers. It can include publicity, public relations, and social media. Here are some other tools of promotion.

- Press releases to newspapers, magazines, radio stations; sponsorship of community events, public radio, conservation groups, etc.
- Promotional items such as pens, mugs or clothing with your company logo
- Public speaking engagements and slide shows
- Brochures, business cards and rack cards
- Magnetic signs on the sides of your truck
- Exhibiting in trade shows
- Cooking demonstrations

Guerilla marketing is the art of getting inexpensive or free promotion or advertising, and is described as "an unconventional way of performing promotional activities on a very low budget." Here are some approaches to guerilla marketing:

- Use your friends, relatives, community and job connections to spread the word.
- Guest-write or ghost-write newspaper or magazine food columns or articles.
- Use the VIP concept and reward past customers with price discounts, special treatment or gifts, such as hats and tee shirts, with your logo.
- Send bulk-mail fliers to people in the industry.
- Trade internet website links.
- Offer cash finders' fees or other awards to people who refer customers to you.

Advertising is paid promotion in print (newspaper and magazine, flyers) or broadcast media (radio and TV, internet).

Advertising is expensive, and can be difficult to do effectively. If you consider buying advertising, determine a measure of **return on investment (ROI)**. If you spend $1,000 on an ad campaign and you can trace $5,000 worth of sales to that campaign, then you have an ROI of $5 per dollar invested. Remember, that's not profit; you still have the other costs of producing your product.

To determine ROI, you need to track the sources of your customers. You can use devices, such as coded email or mailing addresses to indicate where the prospect (prospective client) got your contact information.

It is often cost effective to buy small print ads designed to direct traffic to your website and social media sites. The ad needs little more than a catchy phrase, an attractive photo or logo and the site addresses.

Sales is anything that directly results in exchange of product for money. Making cold calls, servicing accounts, taking and filling orders, billing, and collecting payment are all part of sales.

SALES TIPS

If you're lucky, all your marketing efforts to this point will result in some people actually buying your product.

This can occur in several ways, and it's important to treat this step as carefully as all the others:

Be specific – Make sure to clearly spell out what you are providing (species, quantity, weight, type of processing, packaging, delivery and schedule).

Specify type of payment and terms – Provide clear instructions for reaching you in case of any problems with the order.

Be businesslike – The way you take people's money can tell a lot about your personality, professionalism and the quality of your business. Be businesslike but don't appear greedy, and, at all times, be gracious, polite and appreciative.

THE MARKETING PLAN

The marketing plan helps you decide how to reach and sell to your customers, and much more. It helps you define and position your business, think about your competition and how to distinguish your product from theirs, and set your pricing. It helps you develop an image or identity that guides your operations. It need not be an elaborate written document but should at least be a paragraph or two in your overall business plan.

PRICING

In general, pricing is not a good way to compete in the seafood business, for two reasons:

1. *By charging a lower price than a competitor you may create the impression that your product is not as good.*
2. *If competing businesses start lowering prices to lure customers, they can quickly get into a price war and drive down the price to the point that no one makes a profit. Experienced seafood marketers advise that you set your price at a level where you can make your profit goal and then stick with it. Compete instead on the basis of quality and service.*

Notes

Chapter 7

FINDING CUSTOMERS

How you find and attract customers depends on what you plan to sell and where you expect to sell it.

DEFINING YOUR PRODUCT

To find customers, clearly define your product. To do that you need to know what the market wants. **Market research** can involve sophisticated socioeconomic analysis or simply making a few calls and asking people what they want. Simple or complex, it's essential that you do it. You might have the right species and right grade, but the fish also must be the right size, dressed or processed to the buyers' specifications, available in the right quantities for delivery at the right frequency. In other words, you need to determine that what the buyers want is what you can provide.

Direct marketers often have little choice in the species, grade, form and quantity they can supply because those factors largely are determined by nature. Custom processing, preserving, packaging and storage may afford some control over their offerings. The same fish that may be impossible to sell headed and gutted (h&g) might go like hotcakes as a smoked-side or an entrée in a microwaveable retort pouch.

Sometimes the easiest and most profitable thing to do is to pull the catch one-by-one out of the iced hold and sell it as is, directly to the customers at the dock. But catcher–seller direct sale only works where fishermen have access to suitable dock sites, large enough consumer populations and the time to do it. Everyone else has to go looking for customers.

PICKING A GEOGRAPHIC MARKET AREA

Unless you're planning to sell fresh fish from your boat or pickup truck, you need to choose a geographic market.

In general consumers in large urban areas across the United States now have a pretty good selection of quality fish from which to choose, but those in smaller cities and rural areas still are hungry for more seafood.

If you're thinking of shipping your fish outside the region where you catch them, think about what advantages you have regarding other regions. Are you from, or do you have relatives in, another part of the country? The best way to sell fish in another region is to live there. If not, do you have friends who could put you up while you're there scouting markets? Does the airline that services the region where you land your fish have direct flights to the region where you want to sell? Is there express trucking service? This takes you back to your personal resources inventory (described in Appendix A): do you have any advantages in a particular location that favor it over others?

WHICH LINK IN THE CHAIN?

To which link on the distribution chain do you want to sell? If you have large volumes of product, it may be best just to engage a broker or to sell to a distributor. If you have small amounts of product, you may want to sell to individual restaurants or small retailers. Some people get the greatest satisfaction (and greatest financial return) by selling directly to consumers. Keep in mind these general principles:

- The further up the chain you go, the greater the potential return, but also the greater the risk.
- Consumers have precise needs in terms of volume, quality, grade, etc. Generally, they buy to provide a meal for a person, a couple or a family and may want a particular item, such as a steak or filet.
- Retailers and foodservice are also pretty choosy, but they use more per day or week, and they may be able to trim imperfections, cut h&g fish into steaks or fillets and hold excess product for a few days.
- Distributors and traders buy larger quantities and may be able to use different species and grades.
- Brokers work for pennies per pound, so they deal in volume.
- The further up the chain you go (with the exception of selling off the boat or out of your pickup), the more services and handling are involved. If you let a broker handle the deal, or if you sell to a trader, either person will arrange some of those services.

If you're looking for a broker, trader or distributor, you might want to look in one of the **seafood industry directories** for that type of business in your target geographic region. Some agencies, such as the Alaska Seafood Marketing Institute, publish directories of brokers, traders and other kinds of buyers and list producers, such as yourself. Be sure your business gets listed in the next edition, along with the products and product forms you plan to sell.

You can also find restaurants, supermarkets and retail fish markets in some industry directories, or you can use the internet or the Yellow Pages of your local telephone directory.

ATTRACTING CUSTOMERS

If you plan to do **retail sales** you need to **advertise**. Paid print and broadcast advertising can be "black holes" of cash flow, with no guarantee of success. It usually doesn't pay to buy a single ad; develop an ad campaign that includes a message, plans for size and frequency, and a means to measure effectiveness. Contract an advertising consultant or sit down with an ad sales rep from the newspaper or radio station where you plan to advertise and get them to lay out an ad campaign. You're under no obligation to buy, but you want to know if the ad people really have a strategy for selling your product.

Some kinds of promotion are less expensive than print and broadcast ads. You may be able to get **free publicity** by attracting a reporter, photographer or film crew to your site to do a story. Press releases can be effective at getting your ink on the printed page. Get a local or national celebrity to talk about your product to the news media. Sometimes one will do it simply because he or she believes strongly in your product, or you may have to pay a substantial amount for a celebrity's **product endorsement**.

You can print **brochures or flyers** and distribute them by hand or by mail or by posting them on bulletin boards. You can make up **promotional items** like tee shirts and ball caps with your product name and logo. If you're selling from your boat or truck, you may need nothing more than a large **sign board** that you hoist in your rigging or place by the side of the road. Just be sure that such advertising is legal in the jurisdiction where you intend to operate, and that it looks professional and conveys a sense of quality. A sign board works even better with a little paid newspaper or radio advertising.

Advertising draws customers to your site, but it is still **up to you to sell the product**. To be effective you should have a neat and clean appearance, keep a tidy site, and be well organized with appropriate boxes, bags, receipts and change for cash purchases. Above all, you must be outgoing, cheerful and polite and present a welcoming image to would-be purchasers.

MAKING SALES

Geographic familiarity. Locate suitable markets and determine how to transport your products efficiently. Study the geography of the region, including the available transport infrastructure present in the area. Learn everything about your potential customers before making the first call. Understand the whole distribution network in your region, who the players are and where the potential customer fits into that network.

Know the customer's operation and needs. Find out who in the company does the actual purchasing and arrange to talk to that person.

Be sure to know what price the market will bear. Base prices are driven by major processors who have lower unit production costs and can get breaks on packaging and freight rates. Some buyers expect to pay fishermen less than the going rate because dealing with fishermen entails greater effort and risk. Have a strategy for responding when a competitor comes in with a lower price.

Call ahead for an appointment and go prepared for an interview. Dress appropriately. (Don't try to impress buyers by dressing like a fisherman fresh off the boat; dress like a businessman with a product to sell.) Take product samples to the interview. Provide a photo album or a brochure that describes the attributes of your product. Be prepared to tell the story of how you catch and handle your fish.

Make a proposal and ask for a commitment to purchase. Write down details like volume, delivery schedule and product specifications.

Under-promise and over-deliver is the key to good business.

Don't promise more than you can deliver. Under-promise and over-deliver is the key to good business.

Try to get everything in writing, especially quantities, sizes and grades, quality standards, delivery schedules, prices and payment terms. Use fax or email to confirm any verbal agreements.

BE SURE YOU GET PAID

If possible, **do a credit check** on your customer and check out the company's reputation. Some companies have been known to cheat small and remote suppliers who can't afford the time and costs involved in collection.

Start small. Avoid delivering large quantities of product to anyone until they've established a track record of paying promptly and in full. A common scam is to pay for two or three small shipments and then default on a large volume purchase, so build your relationship carefully.

Set realistic payment schedules. Most corporate buyers expect to pay anywhere from 14 to 30 days, or more, after taking delivery of your fish. If you can't live with this, specify cash only, but understand that it can greatly limit your potential market. Find out what payment schedule is normal in your market segment, then insist that your customers adhere to it.

Establish a system for verifying the quality of the product when it arrives at its destination. Use recording thermometers or contract an independent agent to examine each shipment and verify that your product arrived in good condition, especially if the buyer has a reputation for rejecting shipments or not paying.

Protect yourself with insurance. Most seafood products are highly perishable and a brief delay in delivery will make them worthless. Furthermore, many seafood products can spoil and cause sickness, posing a liability threat. Cover these risks with product insurance and product liability insurance. You can find companies providing this insurance in business directories (such as the *Business Resource Guide for Alaska Fishermen*, published by Alaska Sea Grant, *https://seagrant.uaf.edu/bookstore/pubs/MAB-57.html*).

INSURANCE

Direct marketers can mitigate some business risks with insurance. Insurance brokerages that write policies for a broad range of business types may offer insurance products useful to a seafood direct marketing operation. Some classes of coverage to consider:

General Liability is a class of coverage that can cover "slip & fall" risks at a facility, personal injury, advertising injury and other forms of business liability risk. Some general liability policies cover product liability on unprocessed seafood.

Product Liability covers the producer or marketer in the event that a person consuming the product becomes sick (or claims to become sick) as a result. Foodborne pathogens like *Listeria, Salmonella, Vibrio parahaemolyticus* and *E. coli* can be present in even properly handled fish and shellfish.

Business Income can cover losses incurred during resolution of a product liability dispute.

Auto Liability covers vehicles used in the business.

Property and Equipment Breakdown as the name implies.

Business Income Insurance can provide continued income should a covered disaster cause suspension of operations.

Workers Compensation coverage is required in most states to pay medical bills and wages for employees injured at work.

Advertising Injury, Cyber Liability, Employee Dishonesty and Employment Practices Liability policies can provide compensation for losses due to business practices that are found to be injurious to a customer or competitor.

"Umbrella" policies raise the liability limit to an agreed amount greater than the standard $1 million for other liability policies.

A **"business owners package"** or BOP could include general liability, property and machinery, non-owned and hired auto and employee liability (which in some states is purchased in place of workers compensation insurance). A BOP may or may not include product spoilage, and may be written to include cyber liability.

Premiums for most of these classes of policy are based on a percentage of the dollar value of sales, but even the smallest producers can expect to pay upwards of $1,000 per year for a basic general liability package.

Most policies likely would not cover losses due to customers not paying for their purchases and losses incurred onboard the catcher boat or during transport or storage of the product. Product loss during transport or storage should be covered by the shipper or storage facility's insurance but it is up to the seafood business to ensure that is the case. Product loss while aboard the producer's own vessel should be included in the general marine or inland marine policy that the fisherman or boat owner maintains.

It is possible to buy insurance against almost any risk but the price can seem disproportionately high. Check with marine, food or general business insurance agencies to see if there is a policy that covers your risks at an affordable price.

Thanks to Sea-Mountain Insurance, Associated Insurance Services and Shorepoint Insurance Services for assistance.*—Editor*

ALASKA

Chapter 8

E-COMMERCE AND SOCIAL MEDIA

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E-COMMERCE

The internet revolutionized small-business marketing and leveled the playing field for small businesses by lowering promotional costs while expanding the businesses' reach. It has allowed the bypassing of middlemen and expensive distribution networks. Few companies can ignore the internet as a marketing tool.

Increasingly, e-commerce also encompasses a variety of business functions, including "front office" tasks like promotion and marketing as well as "back office" tasks such as order fulfillment, inventory management and accounting tasks.

E-commerce and web presence in Alaska are different from those in the Lower 48, as many Alaska organizations use Facebook as a free web presence tool and traditional website replacement. The seafood industry can produce dynamic **social media** content via pictures and short videos on Facebook, Instagram, Snapchat and other social media platforms to generate interest in Alaska seafood.

The chief e-marketing application is the **website**. It can be a simple electronic brochure, or a fully interactive site that dynamically adapts itself to the needs and preferences of individual customers, and supports direct order fulfillment by customers.

Beyond having a website, businesses often attract customers through channels such as email promotion, social media and YouTube. Email promotion directed at a specific target market can be effective, as thousands of LISTSERVs link to internet communities with some shared interest or cause. Since LISTSERV membership is voluntary, members receive email and can view postings and announcements by other members or outsiders. These emails can be augmented with valuable content to increase readership and response rates. Coined "content marketing," these emails provide information of value to your target audience, like preparation techniques, recipes or unique knowledge.

CREATING A WEB PRESENCE

Give careful thought to meeting your marketing strategy goals with e-commerce. For example, if you have targeted direct sales to consumers of your fish products, your site should be rich with product information, including recipes and themes with fishing content.

If your target market is regional distributors and wholesalers, your website needs different content and should handle inventory queries, order processing and shipment tracking. Include advertising and promotional materials that distributors and wholesalers can incorporate into regional or local advertising. A well-designed website, even with significant upfront costs, can function like a finely tuned sales force that works for peanuts for many years.

MAKE OR BUY?

Carefully consider whether developing your own website is the best use of your time and talents. The principal advantage of doing it yourself is saving money by not having to pay someone else. But an in-house site could be problem-ridden, or worse, ranked low by major search engines. A key factor is search engine optimization (SEO). Websites that use descriptive titles and keywords and are rich in relevant content generally score higher in SEO rankings. You can pay a digital media consultant to improve your in-house web ranking and incorporate good site design.

Irrespective of whether you make your own or hire out, give careful thought to the following characteristics:

- **Mobile Compliant** – Your site must be compatible with popular devices besides desktops and laptop computers. Increasingly, customers will access your website via smartphone or tablet. Use a consistent format throughout your site.
- **Accessibility** – Plug-ins and player components enhance the experience for some folks but may discourage others within your target audience. Use them strategically.
- **Navigation** – Ensure that it is easy to move around in your website. Frequent and consistent use of buttons and other navigation prompts is important. Keep them the same size, color and position on all pages within your site so that users can find them easily.
- **Content** – Websites full of informative content achieve higher ranks by search engines. Personalized digital content is easier than ever to develop and always preferred to copied or cloned content from other sites. YouTube is a great way to include media without requiring a lot of storage space. Linking or embedding video content is easy, and will attract customers from YouTube as well.

- **Advertising** – Any advertising housed on your website should relate directly to your products. Advertising can slow down the site performance, overpower your content and distract potential customers. However, links to other sites can actually boost your search engine ranking but should be appropriate, topical and of interest to your customers.
- **Speed** – Speed is probably the most important website consideration after content. Effective use of other media platforms, embedded within your website, will support vivid media without slow speed and high storage costs. Try not to host rich media in-house; embed media housed on external platforms when possible.
- **Updates** – Update your content frequently. Be sure that all the links are current and work well.

Many tools are readily available to help make your site function. Most web host providers offer extensive support for site development, like shopping carts and check-out processing, and they are available as part of the subscription or at a nominal cost.

SELECTING A WEB HOST

Your website's performance and cost will be influenced by where your site is located and the host server computer's capacity and speed. Performance will depend on **bandwidth** available, the reliability of the server and the host's **broadband**. Increasingly sites are hosted by cloud-based providers that provide high speed and reliability. Your website can be located anywhere in the world and, with the right connection and host server, it can perform as if it were in the next room. Performance should take priority over cost in deciding where to host your website.

Some key points when selecting a web host: server space, data transfer allowance, tech support up-time guarantee, email accounts and reputation. The quality of a host's **technical support** is an important consideration, depending on your expertise. Judge technical support by its availability and results; it should be staffed 24/7 by knowledgeable folks and accessible by toll-free telephone numbers with short waiting queues.

Up-time guarantee is a statement about the host's confidence in their server's reliability. A strong guarantee suggests reliable, well-managed equipment. Check on the reputation of prospective web host providers by using online forums and rankings.

Pay-per-click is a sometimes expensive and sometimes effective way to advertise. Advertisers bid on key words that they believe their target market will plug into search engines to shop for products. A business might buy several keywords. When the keywords are entered into the search engine, the advertiser's website link is displayed with the search results; when the shopper clicks on the advertiser's link, that advertiser is charged the amount bid.

Other approaches may be effective for marketing on the web, including **reciprocal link advertising** and **social media.**

The goal of **affiliate and reciprocal link advertising** is to generate website traffic that attracts customers to your business. You can use an affiliate, which basically pays other websites to steer traffic your way. You enter into an agreement with another website consistent with your target audience's interests. Every time the affiliate sends a customer your way through a banner ad link or "click through" it generates revenue for the referring site.

Newer agreements base banner advertising fees on sales generated and not just the number of referrals.

You can generate supplemental income from your website by displaying banner ads from other sites. This is known as reciprocal advertising. Direct marketers might find a cooking recipe website a good affiliate or reciprocal advertising partner. You could have several banners advertising your website and displaying pictures of your products on the recipe pages for seafood or salmon or complementary dishes.

Social Media are high commitment, low cost marketing channels for many businesses. Social media can reach an international audience with the only cost being internal time resources. Most leading social media platforms give businesses free access for promotion.

Facebook is currently the largest social media platform in the United States, with 1.86 billion active users at the end of 2016, and contains the option to purchase promotional ad placement within its text, picture, and video experience. Instagram is a picture and short video only (with captions) social media platform that closed 2016 with 400 million daily active users and accounts for 20percent of all daily internet users. Snapchat had 160 million active daily users at the start of 2017 and claims self-deleting "posts" as its primary purpose. Snapchat is a platform where more informal and "goofy" posts are expected, and it allows consumers to get a 10-second "inside look" at their favorite organizations via self-deleting pictures or short-videos. It is important to remember that nothing is ever permanently deleted on the internet.

Social media users tend to "follow" individuals (friends, family, celebrities, etc.) rather than organizations but when social media users follow a business, they often create a strong bond and show increased brand loyalty. They may expect that the organizations they "follow" will make one high quality contribution ("post") per day. However, social media users do not want to be "bombarded" with content and desire quality over quantity.

A social media presence for your business presents an opportunity to collect impactful reviews from customers by being "tagged" (automatically linked to the customer's "post" on the social media platform). These comments, compliments and reviews are seen as more trustworthy than traditional comments left on a company's website or various web outlets.

To use social media for small business promotion, choose your most engaged social media employee for account management and posting content. Avoid the common pitfall of accidentally posting private content under the organizational account. Obtain a second mobile device for all business content and do not allow employees to log in to that account on their personal devices.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

It is cheaper to keep a customer than to find a new one. Keeping customers requires keeping customers happy by communicating with them to understand their needs and how to improve your products and services. Emails, surveys and buying habit analysis are a few examples of CRM that help you to know your customers so that you can serve them better. Analyze your product sales to see if you can identify trends, and use this information to prepare promotion strategies, emerging trends and opportunities for new products.

THE INTERNET

The web has fundamentally changed marketing. Many small businesses now devote most of their ad budgets to website design, optimization and maintenance. The web is the great business equalizer.

Advantages

- Can be accessed by virtually any computer and mobile device in the world
- Relatively low cost to set up
- Continues to do its job indefinitely rather than for a single day or month
- Can include large quantities of copy, photos and video
- Can be made interactive and can be used to take bookings
- Can link and be linked to other websites.

Disadvantages

- Immense competition on the web
- Most users only look at the first few sites that show up on a search
- Viewers scan quickly so they may miss important information
- Searchers must use the correct keywords to find your site
- Websites must be maintained, and must be supplemented with other kinds of advertising to be effective.

Effective web advertising is a mix of art and science. Unless you have experience with developing effective websites you may want to hire a pro to build and optimize your site

Here are some factors that make productive websites:

1. **Good Site Design**. Get your most important information up front, since people spend only a few seconds looking at a site unless it really grabs their interest. Ensure easy site navigation.
2. **Search Engine Optimization.** Websites work because prospective customers use search engines, so your site has to be built and include the right keywords and links to make it rank highly with the main search engines. The search engines change their ranking criteria from time to time, so the optimization must be renewed periodically. Use links to other sites but learn to use them correctly.
3. **Web Analytics**. You can use services to analyze your site and tell you how many "hits" your site is getting, where (what search engines) they are coming from, what keywords are drawing the hits and so on.
4. **Effective Copy**. Define your product, its qualities and your service. Use simple, clear language and leave out buzzwords. Develop a personality or theme in the site and speak directly to the prospective customer. Include a call to action ("buy now"). Tell the reader how to reach you by email, regular mail, phone, text and fax.

Internet Advertising Tips

- Don't try to do it all yourself, unless you're sure you have both the skills and available time. Hire a professional website designer to build and optimize your site.
- Change the content periodically, and whenever your offerings or prices change.
- You'll probably have to pay to join web malls or to be listed with certain search engines. Talk to others in the business or get advice on which malls and search engines produce good value for your money.
- Go to a major search engine site and type in some keywords that relate to your products, then open the sites that come up. You'll get some good ideas about site design and prevailing prices for similar products, plus you'll see who your competition is.

Chapter 9

FORMING A SEAFOOD DIRECT MARKETING COOPERATIVE

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Every marketing activity requires time and specific expertise, and not everyone has enough. What's more, time spent performing marketing activities reduces the time available for fishing. An alternative to working independently is to collaborate with like-minded fishermen. Collaboration can be anything from employing a manager to plan and execute specific marketing activities, to creating a complete wraparound marketing business that has full responsibility for selling your fish. One way to formally collaborate is to form a cooperative.

WHY A COOPERATIVE?

A co-op is a type of corporation that can provide services, like marketing, to its owners. Producer cooperatives have a long history in the agricultural and seafood industries. Cooperatives function like other fish companies, with one major exception—profits accrue to the members rather than to often-distant shareholders. Usually the members who sell their catch through a co-op end up with more money than those who sell to a corporate-owned processing company. At the same time, they share in the decision-making rather than living with the decisions made by corporate owners, though those decisions have to assure survival and profitability for the enterprise.

Advantages of working collectively include:

- Upfront capital costs can be shared.
- The enterprise can enjoy economies of scale, which decreases the costs per participant for essentials like packaging materials and shipping.
- Multiple producers can ensure a steady and robust supply of product. Higher, more consistent volume can open some marketing channels like regional distributors that might be impossible for a single fisherman to service adequately.
- Several fishermen providing product spreads the risk that weather or variable fish returns will interrupt the supply of product necessary to satisfy a distributor or market.

There are several ways to organize a marketing cooperative, but a simple fee-based membership would fill the need to collect startup funds and engage in marketing activities.

ORGANIZING A COOPERATIVE

The first step in forming a cooperative is to locate others interested in direct marketing as a group. Then the participants need to agree on what the business will do, and estimate how much money it takes to do it. Next, you need to raise the money and develop a plan of operations. Usually a group of owners will need more time to make these decisions than you would if you did it all yourself. After agreeing to form a cooperative the next steps are to formally organize:

- Filing articles of incorporation with the state
- Adopting bylaws
- Obtaining a tax identification number
- Opening a bank account

Often it is best to engage an attorney to help with the legal steps.

Once you have an organization in place, your group needs to calculate costs the cooperative will incur to operate. How many people will you hire and at what cost? If you are going to use volunteers, how much time will you expect them to contribute? What other expenses will the co-op have? A good cost estimate gives you a target of how much money your members will have to raise.

FINANCING A COOPERATIVE

With that estimate the co-op can develop a financing plan. There are many ways to raise money to start a co-op but one of the simplest is to charge an annual membership fee, based on the co-op's operating plan for the coming year. Co-ops can also raise capital by requiring an equity investment, charging a fee per pound of fish sold, or through member loan programs. The mix your co-op uses will depend on how much money you need and how much your members are able to invest.

ROUTINE OPERATIONS

Once you have a plan and capital the cooperative should function like any other marketing business. In the off-season someone will have to conduct back office activities like paying bills, planning the next year's activities, evaluating its financial performance, and preparing financial statements, including the required tax reports. Like any other legal entity cooperatives are required to file tax returns annually.

Outline of key activities:

1. Determine whether there is an interest in forming.
2. Agree to an outline of what the cooperative will do and how it will do it.
3. Gather information and estimate costs.
4. Formally create the co-op, with a charter and bylaws.
5. Plan specific activities short and long term.
6. Develop budget and plan for financing the business.
7. Collect fees from members.
8. Execute the marketing plan and conduct operations.
9. Review performance and plan for the next season.

Cooperative organizations are an effective way to collaborate with other fishermen to overcome the financial hurdles of direct marketing fish products. Recognition that there are significant economies of scale regarding the activities and the need to ensure sufficient fish product for entry into most markets provides strong incentives to work with other fishermen to achieve the goal of direct marketing and placement of fish product.

Notes

Chapter 10

PACKAGING AND SHIPPING SEAFOOD PRODUCTS

Cynthia Wallesz
CAW Consulting

Proper shipping and handling can determine success or failure for direct marketers. Your product needs to arrive in the fine condition and timeframe you promised or you may be finding a new customer to replace the disappointed one.

In many areas, shipping is not easy and is one of the biggest direct marketing expenses. Shipping is where you may have the least amount of control. To get your products smoothly to market, assess the risk of each potential shipping option, choose the appropriate option for your situation and carefully plan every step in the shipping process. Even the best of practices won't guarantee the safe arrival of your products, but it will increase your chances of shipping and business success.

Some things to consider when analyzing options:

- How are you going to get your product(s) off the boat?
- If your product is not on the boat anymore (such as at a cold storage), exactly how will you transport it from there to the carrier?
- How many types of carriers do you need to get your product to your customer? What are the options for each one and how much do they cost?
- Do the carriers offer assurances that they will deliver your shipments on time and in great condition?
- Look for coolers and freezers along the way; sometimes they are available only if you ask.
- Is it safer to ship frozen or fresh with a given carrier?
- Be organized and carry with you the contact information of each carrier and customer.

RISK ASSESSMENT

If your research reveals that the best shipping options are too risky or expensive, find another customer, product and/or shipping method. The chart below illustrates how to analyze options. Make up your own chart for each product form and customer. Based on this example, which options would you choose to get your product to Dallas and then to Fae's?

PACKAGING MATERIALS FOR SHIPPING

- Appropriate boxes to fit the items
- Plastic liners
- Insulated foil liners
- Gel packs and/or dry ice, if needed
- Certified scale
- Box stapler and staples
- Packing tape
- Rubber bands
- Permanent marker or computer labels
- Strapping system
- Truck or other means to deliver each shipment to the freight carrier

Product form and amount: Headed and gutted fresh salmon, 100 pounds

Customer: Fae's Fish Feed in Dallas, TX

	From where to where	Timeframe	Cost	Assurances	Notes
Boat to truck/highway/ airport/barge	From boat to truck to airport	25 minutes	$2	No	Use personal truck to airport
Carrier #1 XYZ Air	Local airport to Dallas airport	2 options: 9am-3pm the next day (30 hours); 6pm-9am (17 hours)	Both are $2.05 per pound	Very limited	Helpful staff; cooler in Dallas
Carrier #2 ABC Airline	Local airport to Dallas airport	8pm-9am (13 hours)	$2.98	No	New airline
Carrier #A Tilly's Taxi	Dallas airport to Fae's	45-60 minutes	$25	No	Doesn't have refer truck
Carrier #B Precious Cargo	Dallas airport to Fae's	60-75 minutes	$45	Yes	Refer truck

Proper packaging is necessary to maintain product quality. It prevents physical damage and temperature stress. Containers must not leak because fluids can damage transport vehicles and aircraft.

Many types of containers are available for shipping. Use the one that best suits the type of product (fresh, frozen or live), the amount (poundage), size (such as small fillets or large headed and gutted) and any carrier requirements. Use boxes you can physically manage and keep everything clean throughout the process to ensure a high-quality end product.

Understand any restrictions your carriers may have for box sizes and/or weight. For larger shipments, contact your carrier to use pallets, totes or other suitable containers.

Containers. Fresh seafood commonly is shipped in wax-impregnated wetlock boxes. The wax strengthens the cardboard and repels water, but it also makes the box brittle so it can damage easily if dropped or mishandled. If you can find them, use light-colored lids which reflect heat, rather than the typical brown ones. Wetlock fish boxes are available in various capacities: 25 pound, 50 pound, 80 pound and 100 pound. Fold and staple each corner to assemble; use at least three staples per corner to maximize box strength.

Frozen seafood typically is shipped in foam boxes with cardboard overwraps; some overwraps are lightly waxed to repel water. Insulated boxes are rigid and sturdy when paired with the overwraps and come in a lot of shapes and sizes. Select the size of box that your product will fill without overfilling. Tape cardboard overwraps to assemble and begin loading. These boxes are also good for fresh shipments that require extra-long trips.

Box liners. After box assembly, insert a plastic poly liner, essential for fresh shipments. They are designed to fit into most wetlock box sizes and come in thicknesses from 1.5 to 4.0 mil. Add foil-insulated liners for all your fresh and frozen seafood box shipments. The foil material reflects radiant outside heat and the FDA-approved inner bubble layer is an effective insulating air barrier. They are inexpensive insurance, at about $5 each, and come in at least three sizes.

Gel packs. Protect product from outside heat and are used when shipping fresh seafood and sometimes with frozen seafood. Use only food-safe gel packs in case the packs leak during shipment. Many direct marketers will find the 1.5-pound packs most useful and available but they come in a variety of sizes and weights. Keep in mind that gel ice is intended to slow the inflow of heat into the box's interior that contains your pre-chilled product—it will not lower the contents' temperature. Packs must be frozen thoroughly prior to use. If undamaged, gel packs can be refrozen and reused. **Dry ice**, although very effective, often is hard to find and is prohibited by many carriers, so check with yours before choosing this option.

Loading the boxes. Whether shipping fresh or frozen product, it is important to maintain proper temperatures throughout the packaging process. Keep the product and packed boxes in the cooler or freezer until the last possible moment before transport. Pack product carefully as visual quality is important to most customers. Be sure to ask for any product shipping specifications they may have.

- If shipping fresh, chill the product to about 32°F before boxing. To do the pre-chilling, use slush ice, flake ice, chilled seawater, a refrigerated van or cold storage. Advantages and disadvantages of each method are discussed in Appendix F. If shipping frozen product, freeze it thoroughly in a blast freezer before packaging, or keep it in a frozen storage facility.
- Select the correct type and size of box for the contents, and on the outside apply a written or computer-generated label that lists the shipper's full address and phone number, the receiver's full address with phone number, the species of product, box number, and whether the product is fresh or frozen. The carrier may have additional label requirements.
- Put the desired liner (plastic, foil or both) into the box.
- Put the box on a certified scale and carefully place each fish or product item into the box. Fill all the space possible; the more product density the better insulated the product will remain through the shipping process. Fill your container or put in as much weight as your customer has ordered. Note the net product weight for billing and record-keeping. Add gel packs or dry ice and distribute them throughout the container.
- If using a plastic liner, tightly close the liner with a stapler or rubber band, and tape. Secure foil liners with packaging tape. If there is space inside the box, add any additional insulation such as newspaper so that the product doesn't slide around during handling.
- Close the container, tape it if it is cardboard, and strap all boxes with banding material in at least two places, depending on the size of the container.

Delivery. Take your loaded containers directly to your chosen freight carrier. Keep them as cool as possible during transport. If it's not yet time to ship, store your boxes in a cooler or freezer until shipping time.

Shipment follow-through. Monitor your shipment every step of the way until it arrives safely in your customer's hands. It is not uncommon to have to call a carrier mid-shipment to verify the boxes' handling and/or destination. If there is a delay always ensure your boxes are stored in a freezer or cooler if available. Communicate often with your carriers and customers. Follow up with your customer to make sure your product arrived as expected.

Here's more information for shipping seafood with Alaska Airlines: *https://www.alaskaair.com/content/cargo/ship-seafood.aspx*

Effects of temperature on shelf life (days)

Storage temp (°F)	High-fat fish*	Low-fat fish**
32	10	14
40	5	7
50	2.5	3.5
60	1.5	2
70	1.2	1.7

**High-fat fish includes salmon and sablefish*

***Low-fat fish includes halibut, cod and pollock*

SHIPPING CONSIDERATIONS

- Which carriers serve the area where the product is being shipped? Which of these companies has the best reputation for handling premium seafood? Are personnel competent when it comes to the handling of sensitive shipments?
- Does an air carrier offer freight-only flights or is the product shipped on passenger jets?
- Are the schedules convenient to both shipper and receiver?
- Are direct flights available or must the product be transferred between planes or air carriers? How many transfers will be needed to get the product to its destination?
- How long are the layovers if the product must be transferred? Which carriers have cool rooms or cold storage facilities where the product can be held during layovers and at its final destination?
- What arrangements must be made to assure that the product is shipped on a particular flight? Must cargo space be reserved in advance, and how far in advance of departure must the product be delivered to the freight office? When will the product arrive at its destination?
- How is the product to be shipped? Will each discrete shipment be in individual boxes or will individual shipments be contained in a large unitized container?
- Will the product be held at the airport or shipping company yard for pickup or will it be delivered to its final destination? Who is responsible for the delivery? What local freight forwarding companies have good reputations with fresh seafood shipments?
- What information must be on the box to assure uninterrupted shipment and delivery?
- What additional regulatory documentation must be provided for the shipment?
- Does the shipment need to be insured? What are the types of insurance coverage, limits and costs? Does the carrier provide insurance for customers?
- What packaging precautions will ensure product quality? Extra gel packs? Supplemental box insulation? Extra packing material to prevent shifting?
- When does the customer need the product to arrive? Are communications channels with the air carrier, customer and freight forwarders well-established, so that everyone involved knows the schedule and arrangements? Is a computerized freight tracking service available?
- Does the customer have special packaging requirements?

LIVE SHIPPING CONSIDERATIONS

Live seafood products can bring prices significantly higher than fresh or frozen. That value, however, comes at the cost of increased risk, regulation and logistical difficulties.

First, be aware that **the transportation of live finfish from the state of Alaska is prohibited**. For more information, contact the Alaska Department of Fish and Game Division of Commercial Fisheries at 907.465.4210.

Crab, mussels, shrimp, oysters, sea urchins, sea cucumbers, geoducks and other invertebrates sometimes are marketed live. It is necessary to research the import and export laws in your home and market states. Paralytic shellfish poisoning (PSP) is an issue with live shellfish, for example, and the National Shellfish Sanitation Program (NSSP) has established standards for ensuring that contaminated molluscan shellfish don't enter interstate commerce. Consult the NSSP website at *https://www.fda.gov/food/guidanceregulation/federalstatefoodprograms/ucm2006754.htm*

Packaging and shipping present big challenges with direct marketing live products. Mollusks and crustaceans have lower metabolisms than finfish and can be shipped without being in circulating seawater, provided they are packaged in such a way that they remain cool and moist, and there is oxygen/air exchange inside the container. Materials and techniques have been developed specifically for keeping them alive during handling and transit.

Excellent cooperation and communication between producer and buyer is vital to ensure that the product arrives at its destination not only still alive, but hearty enough to sustain handling and storage at the other end.

It can be advantageous to ship to destinations served by direct flights from your landing port, or arrange for a place to recondition your product at intermediate stops.

Overseas markets may offer the highest prices but international shipping is more risky, complex and regulated. An import agent or broker on the other end is virtually a necessity.

It's not easy but it can be done. Switching from fresh or frozen product to live will impact almost every part of your business, from your catch methods, to shipping and packaging, to the kind of relationship you have with your buyer. The amount of work, attention to detail, and risk required will increase dramatically. Make certain the increased price you'll receive for your product is sufficient to justify these changes. For a compilation of academic and technical reports on the subject, order a copy of the Alaska Sea Grant publication *Marketing and Shipping Live Aquatic Products* at *https://seagrant.uaf.edu/bookstore/pubs/AK-SG-01-03.html*

Chapter 11

SETTING UP THE BOAT FOR DIRECT MARKETING

Greg Fisk

The late Greg Fisk, principal of SeaFisk Consulting and mayor-elect of Juneau, was an affiliate of the Alaska Sea Grant Marine Advisory Program. He wrote the chapter for the fourth edition of this manual, based on many years of managing fishing and marketing businesses.

Using your boat for direct marketing can be pretty simple. Retailing your catch at the dock may not require much change at all to your basic fishing operation.

Direct marketing from your boat can also be complex. Processing salmon or prawns on board can require additional investment and jumping through numerous regulatory hoops. Legal requirements governing direct marketing and onboard process activities vary by location. Your first task is to contact the relevant state and local agencies where you plan to operate.

DOCKSIDE SALES

To retail your catch to the public directly from your fishing boat you may not need to alter your boat at all. You can take a fish out of the hold and hand it directly to your customer. But there are things you should do to improve your setup. Help make your customers' trip to the dock to buy your product an enjoyable experience and they will be more likely to come back for more.

- **Try to tie up in an easily accessible place**. A long walk to the end of a float can discourage customers, particularly if they have to lug a heavy load of fish back to their car. Work with your harbormaster to establish a service-oriented experience for seafood consumers at your harbor.
- **Keep your boat shipshape and clean**. Extra care is warranted when retailing to the public. Retail customers may be put off by gear piled on deck, and fish coming out of bloody slush ice. Fish ready for sale should look as good as those at a seafood counter.
- **No pets**. It's unsanitary to have dogs or cats running around where you are selling food. It's also unwise to allow rambunctious kids to play on deck.
- **Maintain a covered area**. In some places, it's required. A cover protects product from "avian fecal contamination." If you can set up a cover that also offers your customers a little shelter from the rain, that's a good idea too.
- **Keep enough change on hand**. Mobile credit card terminals for tablets and smartphones simplify transactions and are the preferred method of payment for most people now, but some continue to pay in cash. If you are hoping to sell somebody a couple of nice fat salmon be prepared to break a $100 bill. A lot of dockside fish sales are made on weekends, when banks are closed. Having a cash box makes things easier. If you have policies like "Local Checks Only—ID Required," post them where they can be easily seen.
- **Use nice signage**. A scrap of cardboard with a hastily scribbled note in marker pen doesn't speak well of your business. Make some decent signs. If you can't print neatly or spell properly find a friend, relative or fellow fisherman who can. Sign printing companies make attractive custom vinyl lettering that you can apply to your own backing or signboard. Include a price list. A chalkboard can look very nice and allow you to make changes as needed. For directional signs and other signage off the boat, be accurate and clear. Don't forget to check with the harbormaster and other authorities about posting signs in public areas.
- **Bags or boxes.** Customers need a way to get their purchases back to their car in some sort of packaging that won't leak fish juices all over everything. Make sure you have enough on hand. Waxed boxes are great and people are often willing to pay for them to protect their car interiors.
- **Carry the fish to the customer's car**, if you can break away to do it. A couple of salmon in a plastic garbage bag can be a real load. Obviously, you have to weigh this against being away from the boat. This kind of service will get you remembered and referred to other potential customers.
- **Be a good scout.** In your personal comportment and in the way you do business, it helps to be "Trustworthy, Helpful, Friendly, Courteous, Clean." Treat customers honestly. Answer questions cheerfully, and don't look or act like a slob. Finally, be businesslike.

SO, YOU WANT TO PROCESS AND DIRECT-MARKET YOUR CATCH?

This is a dream of many fishermen who want to improve the return they get from their catch. Some sell their onboard processed fish to regular processors on shore—many freezer trollers for example. For others the motivation is direct marketing. For all such operations, a few basic concepts apply.

Space. Get as much room as you can afford. If you are starting from scratch, buy the biggest platform you can. If you are constrained by your existing boat, do all you can to free up space.

Think through your process from start to finish. How is the catch landed and moved around the boat or facility? What will happen to the catch, and where? How will it be stored? Regulations vary from one jurisdiction to another. Read and understand the regulations and talk with the responsible authorities before setting up your vessel or small shore operation for direct market processing.

Regulatory authorities want to help you succeed and often can supply a lot of good advice, but remember, their first responsibility is to ensure public food safety.

Regulatory authorities want to help you succeed and often can supply a lot of good advice, but remember, their first responsibility is to ensure public food safety.

Surfaces. The surfaces that come into direct contact with your product must be of food-grade materials that are easy to clean and sanitize, do not impart tastes or odors and do not promote bacterial growth and contamination. Regulations in your area may allow properly treated wood surfaces, but nonporous metal and food-grade plastics are best, and when it comes to metals, go stainless. Some operations use aluminum tables, but aluminum corrodes and pits easily. Good-quality stainless steel is durable, easy to clean and resistant to chemicals and corrosion. It's expensive but bargains may be found at restaurant supply houses. Often standard restaurant shelving, cutting tables and sink setups can be used directly or customized to work on a boat.

Nonfood contact surfaces in your processing area must also be addressed. Processing functions need protection from the elements and from outside sources of contamination. Many boats use converted aluminum bait sheds for processing purposes, but pay attention to:

- The interior framing, to make sure surfaces drain well, don't readily accumulate dirt and contaminants and are easy to reach with cleaners and sanitizers. These principles apply to processing shelters made of other materials as well. Ideally, onboard processing areas should be lined with impervious, easy-to-clean, nonporous paneling, just like that used in onshore processing operations.
- Possible sources of contamination, such as fuel or hydraulic lines, which should be re-routed and/or shielded to prevent drips or leaks from contaminating product or product contact surfaces. This may include running such lines through protective conduit or routing them below or outside processing areas. For hydraulics, consider switching to food-grade fluid if re-routing is difficult or costly. You may have to do this anyway if you are using hydraulic power in your processing line to power a conveyor or similar machinery.
- The floor of your processing area, which should be designed to be flushed and easily cleaned and sanitized. False decks that are common on many fishing boats can readily accumulate gurry and contaminants. Grating should be easy to lift and clean.

Lighting. Your processing area should be bright. This is important for properly working with product and for effective cleanup and sanitation. Regulations may prescribe required illumination levels. Lighting in processing areas should be with safety-type fixtures suitable for marine environments and designed to prevent breakage and contamination of product and surfaces.

Water supply. Regulations in your area are likely to be quite specific about process water supply. Clean seawater may or may not be acceptable for primary rinsing, product transport and initial product processing operations. Check regulations. In any case:

- Avoid any highly turbid or nearshore waters.
- Never use water taken from inside a harbor.
- Stay away from other vessels while processing.
- Do not flush your head or pump out sanitary holding tanks while drawing processing water. Your water and sanitary systems should have valves that physically prevent this possibility, even if that is not a requirement of regulations in your area.
- Make sure that your processing water system is segregated from any other pumping system. Cross-connections with bilge pumps and other non-sanitary systems are not permissible.

Systems are available to provide continuous treatment of processing water with chlorine or other agents, including acidified chlorine dioxide and ozone. Such systems work well and may be required in your area. Batch chlorination of final rinse water may be an acceptable alternative, if allowed by regulation. If using batch chlorination, give products a thorough final rinse in the chlorinated solution, keep careful tabs on residual chlorination levels (such checks are likely specified in regulation) and change the solution frequently.

Cleaning and sanitizing. You simply must keep your processing area clean. Effective cleaning and sanitizing starts with good organization. Your processing area should be simple and uncluttered. Eliminate hard-to-clean nooks and crannies and keep processing surfaces accessible. Bleeding tanks, cutting tables and other processing areas should be flushed regularly and kept free of excessive buildup of blood and gurry while processing.

Cleaning and sanitizing should begin immediately after you have finished processing. Start with a good wash down with plenty of clean water. Follow with a good scrubbing of all surfaces with a detergent that is approved for food processing areas. Do not use phenolic cleaners such as Lysol® or Pine-Sol®. Keep a good set of scrub brushes on hand, specifically for these cleaning purposes. Brushes and plenty of elbow grease can do a fine job. Remember to give a little extra effort to those hard-to-reach places that can harbor bacteria. Thoroughly rinse off all detergent. Next, apply sanitizing solution throughout the

processing area. An effective sanitizing solution can be prepared with simple household bleach and clean water.

Pressure washers are excellent for cleaning and sanitizing and can significantly reduce your workload. Pressure washer units designed for marine use are available at reasonable prices. They can be mounted in your engine room, with outlets conveniently located on deck, where they are needed.

For more information on preparing a vessel for onboard processing and direct market sales, see *The Onboard DEC Inspection*, by Torie Baker of Alaska Sea Grant, *https://seagrant.uaf.edu/lib/asg/45/asg-45.pdf*

Notes

Chapter 12

WORKING WITH A BROKER OR TRADER

Adapted from Working with a Broker or Trader, Alaska Sea Grant Marine Advisory Program, 2010

Sunny Rice, Quentin Fong and Glenn Haight

A seafood broker or trader can be an important partner for the direct market fisherman. Brokers and traders are experienced at selling fisheries products and often have access to markets others may not have. They can also source additional product from other producers to create the volumes and product assortments desired by markets. There are important differences between brokers and traders.

BROKERS

A broker sells your product for you to buyers further up the distribution chain such as distributors, retail operations and importers. When you engage a broker, you outsource your marketing function, including sales and promotion responsibilities. The broker makes the sale, arranges logistics, and secures payment; you own the product until it reaches the buyer. Brokers move product to retailers, foodservice or secondary processors but do not sell directly to consumers.

A broker's commission depends on the type of product, volume and market location. For high volume commodities, brokers command 3 to 5 percent of the sales price. Handling lower volumes and/or selling to foreign markets can push the commission higher.

Reasons to Work with a Broker

- Leaving the marketing and selling to someone else allows you to focus on production.
- Brokers know about markets that most of us have little expertise in.
- Brokers develop expertise in market research, logistics, pricing, negotiation and use of promotion tools (e.g., advertising, branding). These attributes are even more important when working in a foreign market.
- If meeting new people and making sales are not your strengths, a broker is a good solution.

You can work with more than one broker at a time, but only if they are not competing with each other and are aware of what you are doing. Using different brokers is acceptable for different species, product forms and/or sales regions. Regardless of the circumstances, it is important to have a clear delineation of product, volume and/or territory. Open communication and transparency between the producer and broker is essential.

For export sales an international broker will help guide you through the maze of import/export regulations. This includes things like obtaining European Union HACCP numbers, registering with the appropriate authorities or preparing health certificates. With these added burdens and increased knowledge, international brokers will charge a higher commission.

There Can Be Disadvantages to Using Brokers

- As middlemen the cost of their services comes out of your price.
- You can become "locked in" to a broker. For example, if a volume of product is committed to a broker specializing in foodservice, you may not be able to redirect that product to take advantage of price increases in the retail market without souring the broker–supplier relationship.
- No matter how devoted a broker is to the product, he or she may not represent it exactly the way you would like. For example, the broker may market the product based on price while you are focused on quality.
- Finally, your product is likely one of many the broker represents. The broker may decide to focus on more profitable products at the expense of yours.

THE DIFFERENCE BETWEEN A BROKER AND A TRADER

A trader (otherwise known as a distributor) performs many of the same functions as a broker, except the trader buys the product from the producer rather than representing the product and facilitating sales.

- **Risk**. By buying your product up-front, traders take on the risk of the product losing value from changing market values, spoilage or other factors. They also cover the span of time between when the product is delivered to the customer and when payment is received from that customer. A large amount of capital may be required to cover this time span. In exchange for absorbing these risks, a trader pays less for the product but does not collect a commission.

In deciding whether to use a broker or trader, consider whether the risks appear low enough and the product value high enough to justify retaining direct ownership. The broker or trader will be considering the same thing.

- **Payment method**. Although traders pay you directly, they generally do not pay cash up-front. Instead, they give letters of credit from a bank. The letters of credit are payable when the trader gets delivery of the product. If the seafood buyer is in Seattle, for fresh product delivered quickly payment may be issued in a day or two. However, a producer selling to a seafood trader in Germany, for example, might have to wait a few weeks for payment.
- **Marketing information**. Unlike a broker, a seafood trader is not obliged to provide market information, although some might if you have developed a long-term relationship. The trader will likely only negotiate a price and may give feedback on the product quality to justify the quoted price.

It is common for an individual operating as a broker to move some product as a trader—and vice versa.

FINDING A BROKER

A quick internet search for "seafood broker USA" or "seafood trader USA" will turn up dozens of listings. Many brokers set up booths at seafood shows. Talk to other direct marketers for referrals.

Two online services can help you in your search. Urner Barry's platform called Prospector is a subscription search engine that combines all animal protein industry professionals: *http://shop.urnerbarry.com/mm5/merchant.mvc?Store_Code=ubp&Screen=PROD&Product_Code=OL-P*. The other is the Trade-Seafood Industry Directory. The international edition is at *http://www.trade-seafood.com/directory/seafood/agents/*. The USA-specific edition is at *http://www.trade-seafood.com/directory/seafood/country/usa.htm*.

When you talk to potential brokers, ask for customer references and call a few of those references. If possible, meet with the broker face-to-face to get a better feel for the person and how the operation works. Developing this personal relationship early on will help you establish the right kind of sales reputation for your product.

Check individual brokers' credit histories through credit services such as Dun and Bradstreet (*http://www.dnb.com*) and Seafax (*http://www.seafax.com*) which specialize in credit information for the food industry.

Brokers have expectations. They need a consistent supply of quality product, as do their customers. They need frequent communication about product quantity and availability, and to arrange shipments. Good brokers look at their dealings with producers as relationships, which include trust and commitment. It is important to be confident your broker is providing strong representation, but refraining from undermining decisions, micromanaging or second-guessing. Brokers are paid for their marketing expertise—let them use it.

AVOIDING PROBLEMS WITH A BROKER

Although the broker–client relationship depends on trust, you may want to take steps to protect yourself early in the relationship:

- Sign on with a broker for a trial period, such as six months to a year. Normally there are no contracts so it is likely to be a verbal agreement.
- Consider using a local broker, or at the first transfer point for your product (i.e., Anchorage or Seattle). This will make communication easier, and decrease your risk.
- Maintain multiple sources of information about markets and prices.
- Be prepared and organized with your paperwork. Record weights and numbers on each box, have copies of invoices, airway bills, etc. This is good business practice and provides evidence in case of a dispute.
- Develop a backup plan in case the broker doesn't work out.

TERMS TO KNOW WHEN DEALING WITH A BROKER OR TRADER

Bill of lading: a document prepared by the shipping or transportation company accepting the good for shipment and providing a contract to carry the good to the designated destination. A bill of lading may contain information such as the item type, quantity, value, date, port, seller name, vessel details, etc. The seller can claim payment and the buyer can take delivery of the goods based on this contract.

C&F: (cost and freight) signifies that a price quoted includes all expenses incurred up to the destination named, except insurance (e.g. "C&F Seattle").

CIF: (cost, insurance, freight) same as above, but the cost of insurance is also included.

Consumer: the final user of the product (e.g., families, restaurant customers).

FOB: (freight on board or free on board) usually indicates who pays freight, insurance and loading costs. For example, a quoted fee "FOB Seattle" would mean you pay for insurance and shipping of the product to Seattle. The broker's percentage would then be taken off the final price received for the product after it is sold.

Foodservice provider: a business that serves prepared food to consumers, including restaurants, cafeterias, universities and government institutions.

Freight forwarder/expediter: a person or a firm that arranges for your shipment of goods to be transported efficiently. For example, once your container is loaded and closed up, a forwarder will pick it up, schedule transportation, clear customs, and ensure delivery at a certain date and time.

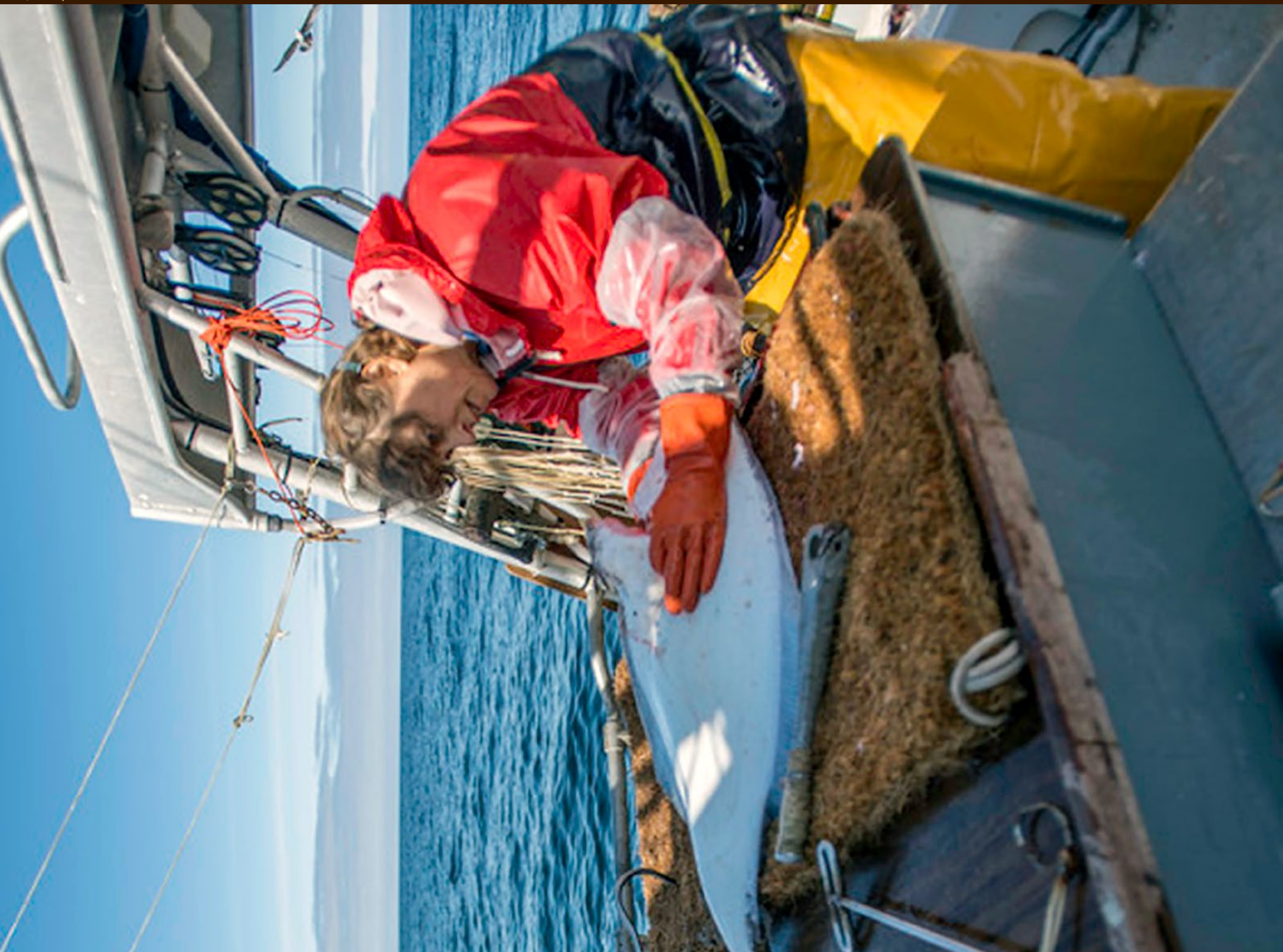
HACCP: Hazard Analysis and Critical Control Point, a methodology contained in some regulations that spells out means for reducing risk of contamination or other health threats.

Letter of credit: a written commitment from a buyer's bank or other financial institution to a seller's bank guaranteeing payment when certain terms are met.

Retailer: an entity that sells product directly to the consumer for home consumption (e.g., grocery store, specialty food shop).

Wholesaler: an entity that buys larger quantities of product and breaks them down into smaller orders to resell to retailers or foodservice outlets. Wholesalers may also reprocess or repackage product. Wholesalers can be regional or national; usually have their own means of distributing products (i.e., trucks, warehouses, or repackaging facilities) and often carry a wide range of products.

Notes



Chapter 13

WORKING WITH A CUSTOM PROCESSOR

Some direct marketers work with custom processors. They may lack processing equipment on their boats, may need to handle bigger quantities of product, may want to offer their customers different product forms or they may not want the responsibility of conducting their own processing operation. A custom processor can provide various value-added services such as smoking, freezing, portioning, or making jerky and other product forms.

A custom processor can help you identify all your operational costs so you can develop appropriate selling prices that will allow you to make a profit.

CONSIDERATIONS FOR WORKING WITH A CUSTOM PROCESSOR

- **Does the custom processor have the capacity to process your fish?** Some processors provide exclusive areas in their plant and crews for custom processing that are separated from other processing activities; others may rely on marked totes to differentiate fish ownership, and your fish will be processed as a batch along with other fish. Become familiar with your processor's system.
- **What product forms do you require?**
- **How will my fish be handled over the dock or on a tender and how am I assured I will get my own fish?** Traceability may be very important to you. Understand how your processor tracks your fish from delivery through processing and shipping.
- **Who will pay applicable state and local taxes?** If, for example, you sell your fish to a processor and subsequently buy the fish back in a custom processed form, the processor may be the one paying taxes, and he will include those charges in your final bill. Check with your state revenue or tax department for details.
- **Who will provide packaging and labeling?** Some processors will use your packaging; others want to ship product in their own boxes. Some processors can store your materials but not all. If you use a chain-of-custody certification, such as the Marine Stewardship Council label, it's up to you and not your custom processor to locate compliance specifications, tracking numbers, etc., and to understand how to include that information into your labeling and packaging.
- **Is the custom processor required to put their name on the product or shipping label?** In Alaska, the last certified handler of a seafood product before it is released for commercial or retail sale is required to place their processor code on the shipping box or product label. This insures traceability and is a requirement that varies in other states. Discuss this point with your processor.
- **Who will pick up and transport the product to the next stop once it is ready?** Most processors aren't warehouses or cold-storage facilities. Make sure you understand how much time you have to move the product out of the processor's facility and how to get your transporter to work with the processor.
- **What is the processor's billing cycle?** What form of payment do they accept? Some processors require payment before they will release the product and others will bill you.

GET IT IN WRITING

It's best to write an agreement or contract with your custom processor outlining the services to be provided. This can be as simple or complex as you and your processor desire. Like a written business plan, a written contract clarifies expectations, anticipates problem areas and keeps things flowing smoothly.

TRADITIONAL PROCESSOR AS A POTENTIAL PARTNER

Lastly, don't overlook your traditional processor as a potential partner in your direct marketing venture. Even if they aren't set up to custom process, they may help you order supplies or equipment and share shipping costs. Some processors are not interested in supporting someone who could be seen as a direct competitor, but many large processors are encouraging direct marketers. Often, markets you are selling into are not the same as retail customers that buy directly from larger processors, seafood distributors and brokers. Some large processors feel that the more high-quality wild seafood from any source is available to the marketplace, the better everyone in the wild seafood business will be.

Appendix A

IS DIRECT MARKETING FOR ME?

Direct marketing isn't for everyone. Before making the leap, take a few moments to think through your motivations and situation.

WHAT ARE MY MOTIVATIONS?

Here are a few possible motivations:

- Increase total fishing income
- Maintain more control of your product
- Establish a closer relationship with your product and customers
- Extend your working season
- Exercise your creativity
- Provide employment for friends or family members

Some possible indications of success:

- Enough additional fishing net income to justify the added time, work and risk
- Happy customers
- The satisfaction of establishing and running your own seafood business.

AM I SUITED TO RUNNING A DIRECT MARKETING BUSINESS?

Some questions to ask yourself:

- Am I an entrepreneur?
- Am I comfortable with risk?
- Am I a people person?
- Can I live with delayed payment for my work and products?
- Am I organized and detail oriented?
- Do I deal calmly with problems and with difficult people?
- Am I more quality or volume oriented?
- Can I take on additional time and work demands?
- Is my family supportive?

SOME POSSIBLE OPPORTUNITY COSTS OF DIRECT MARKETING YOUR CATCH

- The value of the catch if it had been sold to your usual processor
- Shrinkage, roe value, lost opportunity to sell lower grade or undesirable species catch
- Time spent delivering or handling product that could have been spent catching more fish
- Time spent delivering or handling product that could have been used for maintenance or rest
- Additional fuel expense and wear on boat and equipment
- Costs of additional equipment and supplies required for the operation

DO I HAVE THE RESOURCES AND CAPABILITIES TO CREATE A SUCCESSFUL DIRECT MARKETING BUSINESS?

Ask yourself if you have these important capabilities:

- Have I proven myself to be a successful fisherman?
- Am I good at bookkeeping and financial management?
- Do I have logistics skills so that I can get my product to the buyers in excellent condition?
- Do I like being a salesman, on the phone or in person? Do I enjoy meeting and talking to people?
- Can I wait weeks after delivery or months after the season to get paid?
- How assertive am I at making people pay what they owe me or do what they have agreed to do?
- Can I stay with a set of tasks every week, year after year or do I get bored and need change?
- Is my family supportive and can they make the changes so I can spend the time on this business?
- Am I willing and physically able to do the extra work and commit the additional time, or do I prefer to put the boat away and forget about fish at the end of the season?

You may need these important resources:

- A fishery resource with timing that permits taking time to handle the catch and meet delivery schedules, and volume adequate to meet the volume and frequency demands of the market
- Species mix and intrinsic quality of catch that is appropriate to your market
- A plan for the roe (if a salmon fishery) and for catch your customers don't want due to species, size or condition
- Suitable boat with adequate space to properly handle the product
- Storage and staging area and structures for equipment and supplies
- Vehicles and other pertinent equipment for product handling and transporting product
- Refrigeration, ice or chilling capacity
- Regular, reliable, affordable air cargo and/or road transportation
- Adequate startup capital and adequate cash to carry the business in case customers don't pay or, for some other reason, the business isn't immediately profitable.

SOME POSSIBLE IMPEDIMENTS TO OVERCOME

- Remote fishing location that lacks transportation access
- Lack of refrigeration and other product handling facilities
- Lack of willing, skilled and affordable help
- Lack of experience in, or dislike of, business management and bookkeeping
- No supportive family
- Shortage of startup and operating capital

SWOT ANALYSIS

A SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is a way to balance the advantages you have against the disadvantages to inform a decision about whether to proceed with starting a business. Strengths and weaknesses are internal to you and your situation, opportunities and threats are external. List strengths and opportunities and factors that you can build upon. When you list weaknesses and threats, consider how you can overcome them.

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Weaknesses

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Opportunities

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Threats

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Appendix B

FEDERAL IFQ HALIBUT, SABLEFISH AND GROUNDFISH PROGRAM

Nathan Lagerwey, Deputy Special Agent in Charge of Alaska
NOAA Fisheries Office of Law Enforcement

Fishermen who legally harvest halibut and sablefish under the IFQ program may direct-market their catch, provided they comply with all the pertinent state and federal regulations. It is the business owner's responsibility to be aware of all regulations. Federal regulations are summarized below. To find out more about federal regulations, contact any NOAA Fisheries Office of Law Enforcement. Non-IFQ groundfish likewise may be direct-marketed if pertinent regulations are met. See the final section of this appendix for groundfish regulations.

IFQ Permits: An IFQ permit authorizes participation in the fixed-gear commercial fishery for Pacific halibut off Alaska and most sablefish fisheries off Alaska. IFQ permits are issued to persons and are not specific to vessels, but are specific to a vessel category and IFQ regulatory area. Permits are issued annually to persons holding fishable Pacific halibut and sablefish quota.

Processing: Processing definition for sablefish includes cooking, canning, smoking, salting, drying and freezing but does not mean icing, bleeding, heading or gutting. Only Category A sablefish may be processed at sea.

Category A halibut IFQ permit holders may freeze halibut whole at sea. All processed halibut must be gutted and gilled and may be headed. However, halibut may not be filleted or further processed prior to landing.

Prior Notice of Landing (PNOL): The operator of any vessel making an IFQ landing must notify NOAA Fisheries Office of Law Enforcement (OLE) no fewer than 3 hours before landing IFQ halibut or IFQ sablefish. This PNOL must be made to the OLE Data Clerks at 800-304-4846 (select option 1) between the between the hours of 0600 and 2400 Alaska local time, A.L.T. A PNOL must contain information as listed by the regulations. Troll bycatch of less than 500 pounds IFQ halibut does not require a PNOL. The purpose of the PNOL is to facilitate enforcement monitoring and biological sampling by the International Pacific Halibut Commission.

A Registered Buyer Permit is required to receive IFQ halibut or sablefish or CDQ halibut from a harvester. It is unlawful to make an IFQ halibut or sablefish landing other than directly to (or by) a Registered Buyer. A Registered Buyer Permit is also required for transfers of fish outside of an IFQ regulatory area or outside the State of Alaska.

A fisherman may obtain a Registered Buyer Permit and become his/her own permitted receiver of IFQ fish. A fisherman who legally harvests IFQ halibut or sablefish may transfer (including selling) catch to entities other than permitted fish processing facilities if she/he has a Registered Buyer Permit and complies with the recordkeeping and reporting requirements of that permit. Registered Buyer Permits are nontransferable, issued annually, on request and at no cost. Registered Buyer Permit applications are available at *https://alaskafisheries.noaa.gov/fisheries-applications*.

Once one IFQ fish is offloaded, all fish of that species (halibut or sablefish) must be offloaded from the vessel at that site, weighed and debited from the IFQ permit holder's account from which the catch was harvested. The vessel operator is legally responsible for offloading fish. Once landing operations have commenced, the IFQ cardholder and the harvesting vessel may not leave the landing site until the IFQ account(s) is properly debited. The offloaded IFQ species may not be moved from the landing site until the IFQ landing report is received and the IFQ cardholder's account is properly debited.

Landing Report: Registered Buyers must report all IFQ landings online. An IFQ landing may commence only between 0600 and 1800 hours, A.L.T., and the offload must be continuous and complete at a single landing site. Electronic landing reports must be submitted to OLE using the online landing system. Access and instructions are provided with the issuance of all Registered Buyer Permits. It is the responsibility of the Registered Buyer to obtain hardware, software and internet connectivity to support internet reports as required.

The IFQ permit holder must initiate a landing report using his or her own permit. The Registered Buyer must accurately submit all information. An IFQ landing report must be completed and the IFQ account(s) properly debited within 6 hours after the completion of the IFQ landing, prior to shipment of

said fish away from the landing site, and prior to departure of the delivery vessel from the landing site. If unprocessed IFQ halibut or IFQ sablefish is offloaded from a vessel, the scale weight of the halibut or sablefish actually measured at the time of the offload is required to be reported on the IFQ landing report.

For processed IFQ sablefish or frozen IFQ halibut ("A" category quota share only), the scale weight of the halibut or sablefish may be measured at sea or at offload. If the product scale weights are taken before the time of offload, then the species and actual product weight of each box or container must be visibly marked on the outside of each container to facilitate inspection.

After the Registered Buyer enters the landing data and a receipt is printed, both the IFQ permit holder and the Registered Buyer's representative must sign the receipt to acknowledge the accuracy of the landing report. The Registered Buyer and IFQ permit holder must retain legible copies of the receipt.

Selling Your Own IFQ Harvest: An IFQ holder wishing to sell their own IFQ harvest must obtain a Registered Buyer Permit and complete the landing requirements above using their own Registered Buyer Permit. The Registered Buyer Permit is required to transfer dockside and complete landing requirements. After properly landing, the Registered Buyer conducting sales must issue a receipt in lieu of a shipment report, which must include the date of sale or transfer, the Registered Buyer Permit number, and the product weight of the fish transferred to each individual receiving IFQ halibut or IFQ sablefish. These instructions do not cover retail sales.

IFQ Departure Report: A vessel operator who intends to make an IFQ halibut or IFQ sablefish, or CDQ halibut landing outside Alaska must submit an IFQ Departure Report, by telephone, to OLE at 800-304-4846 (select option 1) between the hours of 0600 and 2400 hours, A.L.T. The vessel operator must submit the Departure Report after completion of all fishing and prior to departing the waters of the EEZ adjacent to Alaska when IFQ halibut, CDQ halibut or IFQ sablefish are on board. The vessel operator submitting an IFQ Departure Report must also have an IFQ Registered Buyer Permit and must submit landing reports for all IFQ halibut and sablefish on board at a single landing location. The vessel operator submitting an IFQ Departure Report must ensure that one or more IFQ cardholders are on board with enough remaining IFQ balance to harvest amounts of IFQ halibut, CDQ halibut or IFQ sablefish equal to or greater than all IFQ halibut, CDQ halibut and IFQ sablefish on board. The vessel operator must provide the information on the IFQ Departure Report as listed in the regulations.

IFQ Fees: The Cost Recovery percentage is set annually. In 2017, the fee was set at 3.0percent of the ex-vessel value of IFQ harvested. Fee Summaries (billings) are mailed to IFQ permit holders in November. Payments are due by January 31.

A Registered Buyer who also operates as a shoreside processor and receives IFQ landings of sablefish or halibut must submit a complete IFQ Buyer Report to NMFS annually not later than October 15 following the reporting period in which the IFQ Registered Buyer received IFQ fish.

Observer Fees: A Registered Buyer or processor named on a Federal Processing Permit who receives groundfish or halibut is subject to the observer fee. The Registered Buyer or Federal Processing Permit holder is responsible for collecting fees from harvesters during the calendar year in which the groundfish or halibut is received. Observer fee payments must be submitted to NMFS no later than February 15 of the year following the calendar year in which the groundfish or halibut landings subject to the observer fee were made. In 2017 the observer fee percentage is set in regulation at 1.25percent of the standard ex-vessel price. Electronic payments are accepted through the NMFS Alaska Region website, *http://alaskafisheries.noaa.gov*

State Sablefish Fisheries: Federally permitted IFQ sablefish fishermen commercially fishing for sablefish in a State sablefish fishery must debit their catch against an IFQ account. If any person on board the vessel holds IFQ sablefish quota during the fishing trip, regardless of the IFQ area of the quota share and of the remaining account balance, the state sablefish weight must be debited against the permit. Alaska's Prince William Sound and limited entry sablefish fisheries are not subject to IFQ regulations or the requirements set forth in regards to the state sablefish fishery.

Vessel Activity Reports: Catcher vessels greater than 60 feet length over all, all catcher/processors, and all motherships holding a Federal Fisheries Permit and carrying non-IFQ fish products onboard must complete and submit a Vessel Activity Report (VAR) by fax or email at 907.586.7313 or *enf.dataclerk@noaa.gov* before the vessel crosses the seaward boundary of the EEZ off Alaska or crosses the U.S.–Canadian international boundary between Alaska and British Columbia.

GROUNDFISH, IFQ AND CDQ RECORDKEEPING AND REPORTING

Recordkeeping and reporting requirements could include:

- Electronic or paper daily logbooks (DFL [daily fishing logbooks]; DCPL [daily accumulative processor logbooks]; halibut; ELB [electronic logbooks])
- Shoreside processor electronic logbook reporting (SPELR)
- Product transfer report (PTRs) (see below)
- Check-in/Check-out reports
- Vessel Activity Reports
- IFQ Departure Report
- Prior Notice of Landing
- Transshipment Authorization
- Daily Production Reports
- Commercial Operator's Annual Report
- Landing Reports (IERS [Interagency Electronic Reporting System])
- Landings reporting for non-IFQ groundish (IERS)
- CDQ Vessel Registration

(consult the regulations for descriptions and requirements. See 50 CFR § 679.5 Recordkeeping and reporting)

Product Transfer Report (PTR): Except as specifically exempted, federally permitted processors and IFQ Registered Buyers must complete and submit to the NOAA Fisheries Office of Law Enforcement (OLE) a separate PTR for each transfer of groundfish, IFQ and CDQ fish from their possession. PTRs must be completed within two hours of the transfer and must be submitted to OLE in Juneau by noon on the Tuesday following the end of the applicable weekly reporting period (Sunday through Saturday) in which the transfer occurred. They can be submitted by fax (907.586.7313), or by email (*enf.dataclerk@noaa.gov*). Office of Law Enforcement phone number is 907.586.7225.

PTR Exemptions:

1. EXEMPTION. Bait sales (non-IFQ groundfish only)

   During one calendar day, the operator or manager may aggregate and record on one PTR the individual sales or shipments of non-IFQ groundfish to vessels for bait purposes during the day recording the amount of such bait product shipped from a vessel or facility that day.

2. EXEMPTION. Retail sales—IFQ halibut, IFQ sablefish, CDQ halibut and non-IFQ groundfish

   The operator, manager, or Registered Buyer may aggregate and record on one PTR the amount of retail product of IFQ halibut, IFQ sablefish, CDQ halibut and non-IFQ groundfish transferred during one calendar day if each sale weighs less than 10 lb or 4.5 kg

3. EXEMPTION. Wholesale sales (non-IFQ groundfish only)

   The operator or manager may aggregate and record, on one PTR, wholesale sales of non-IFQ groundfish by species when recording the amount of such wholesale species leaving a vessel or facility in one calendar day, if invoices detailing destinations for all of the product are available for inspection by an authorized officer.

4. EXEMPTION. Dockside sales.

   A dockside sale may be PTR exempt if the Registered Buyer conducting dockside sales issues a sales receipt to each individual receiving IFQ halibut, CDQ halibut or IFQ sablefish in lieu of a PTR. This receipt must include:

   1. Date of sale
   2. Registered Buyer Permit number
   3. Weight by product of the IFQ halibut, CDQ halibut or IFQ sablefish transferred

   A Registered Buyer must maintain a copy of each dockside sales receipt.

5. EXEMPTION. Transfer directly from the landing site to a processing facility (not applicable to groundfish).

   A PTR is not required for transportation of unprocessed IFQ halibut, IFQ sablefish, or CDQ halibut, directly from the landing site to a facility for processing, provided the following conditions are met:

   1. A copy of the IFQ landing report receipt (Internet receipt) documenting the IFQ landing accompanies the offloaded IFQ halibut, IFQ sablefish, or CDQ halibut while in transit.
   2. A copy of the IFQ landing report receipt is available for inspection by an authorized officer.
   3. The Registered Buyer submitting the IFQ landing report completes a PTR for each shipment from the processing facility.

Appendix C

SAFETY AND SANITATION REQUIREMENTS

Chris Sannito and Don Kramer (emeritus)

Alaska Sea Grant Marine Advisory Program, University of Alaska Fairbanks

HACCP REQUIREMENTS

A federal regulation designed to assure safety of seafood produced in or imported into the United States became effective December 18, 1997. The regulation is 21 CFR Parts 123 and 124 Procedures for the Safe and Sanitary Processing and Importing of Fish and Fishery Products; Final Rule.

This regulation was established by the U.S. Food and Drug Administration (FDA) and requires use of the Hazard Analysis and Critical Control Point (HACCP) system for all seafood processing operations. Many states, including Alaska, Washington and Oregon, have adopted HACCP as part of their state regulations.

There is a training requirement in the federal regulation. Persons who develop HACCP plans, reassess or modify HACCP plans, and perform HACCP record reviews must be trained. Training can be accomplished by completing a course that uses a curriculum recognized as adequate by the FDA or by gaining qualification through job experience.

A certificate of completion of this course is given by the Association of Food and Drug Officials (AFDO). For a listing of courses taught in the United States, go to the University of California Davis website at *http://ucfoodsafety.ucdavis.edu/Upcoming_Training/*

The University of Alaska Marine Advisory Program teaches the three-day course developed by the Seafood HACCP Alliance. HACCP courses in Alaska can be found on the Alaska Sea Grant website at *https://alaskaseagrant.org*. For more information on these courses, contact Chis Sannito in the Kodiak Marine Advisory Program office, 907.359.2012, *csannito@alaska.edu*.

In Washington, contact Kirsten Ringen, Northwest Food Processors Association, at 503.327.2200, 503.327.2220, (530) 300-1600 or *kirsten@nwfpa.org* for training, education or answers to HACCP and food sanitation questions. The association website is *https://www.nwfpa.org*.

The first two days of the three-day Seafood HACCP Alliance course can be taken online through Cornell University. To access, go to *http://seafoodhaccp.cornell.edu* to review course structure and requirements. Completion of the online course does not qualify for the AFDO certificate. To obtain this certificate, you need to attend the third day of the three-day course or a Segment Two One-Day Training Course.

SANITATION REQUIREMENTS

The federal regulation that requires the implementation of HACCP to ensure seafood safety also requires that each processor have and implement a written sanitation standard operating procedure (SSOP) detailing how the following eight sanitation conditions and practices will be met and monitored.

1. Safety of the water that comes into contact with food or food contact surfaces, or is used in the manufacture of ice
2. Condition and cleanliness of food contact surfaces, including utensils, gloves and outer garments
3. Prevention of cross-contamination from unsanitary objects to food, food packaging material and other food contact surfaces, including utensils, gloves and outer garments, and from raw product to cooked product
4. Maintenance of hand washing, hand sanitizing and toilet facilities
5. Protection of food, food packaging material, and food contact surfaces from adulteration with lubricants, fuel, pesticides, cleaning compounds, sanitizing agents, condensate and other chemical, physical and biological contaminants
6. Proper labeling, storage and use of toxic compounds.
7. Control of employee health conditions that could result in the microbiological contamination of food, food packaging materials and food contact surfaces
8. Exclusion of pests from the food plant

There is no training requirement for the sanitation monitoring activities mandated by the federal regulation. However, the Seafood HACCP Alliance has developed a one-day course to assist seafood processors in developing the SSOP and setting up the monitoring program.

See Appendix D for tips on compliance with HACCP guidelines.

Appendix D

HACCP AND DIRECT MARKETING

Liz Brown

Alaska Sea Grant Marine Advisory Program (formerly)

HACCP stands for Hazard Analysis and Critical Control Point, a process used to ensure food is processed safely. It is also a federal regulation. Your relationship with HACCP, if any, will depend on the type of direct marketing you do.

All seafood processors are required to conduct a hazard analysis (the "HA" part of HACCP) for each of their products, and if a critical control point (the "CCP" part") is found, monitoring and record-keeping for how that hazard will be controlled needs to be written in a "HACCP plan." Note that catcher–sellers are not defined as processors, so they are not subject to this rule. Similarly, if the processing, packaging and handling of your product is done by a third party already covered by a HACCP plan (such as a custom processor), you do not need to duplicate those efforts.

If you are processing your own catch, you will need to conduct a hazard analysis and, in Alaska, the hazard analysis must be in written form. If your hazard analysis reveals that hazards are reasonable likely to occur, you'll need to prepare a HACCP plan.

Following are some common mistakes in HACCP that may pertain to direct marketers. The complete set of PDF documents, *Common Mistakes in HACCP*, for different subjects are in the Alaska Sea Grant online bookstore, *http://seagrant.uaf.edu/bookstore*. This information is intended to supplement HACCP training, which is available through the Alaska Sea Grant Marine Advisory Program.

Note that occasionally regulations change and they are subject to interpretation by consumers and agencies.

MISTAKES PERTAINING TO HAZARD ANALYSIS

- **Not having a written hazard analysis.** The federal regulation requires a hazard analysis but does not require a written document. The Alaska regulation requires a written document.
- **Missing hazard analysis parts.** A hazard analysis has three parts. The product description should include the species (using the scientific name will prevent confusion—the FDA "Fish List" of acceptable names is at *https://www.accessdata.fda.gov/scripts/fdcc/?set=seafoodlist*), form (i.e., frozen, cured, fresh) and the intended consumer. A flow chart should be drawn, based on different parts of the plant, individual machines and the addition of anything that touches the product, including packaging material, ingredients, process water, ice, etc. A narrative description of the flow chart should include additional information. It is acceptable to combine products in one hazard analysis only if the hazards, critical control points, critical limits and production methods are identical.
- **Too many or too few critical control points.** The two common mistakes when performing a hazard analysis on your product both arise from ignoring the Hazards and Control Guidance (*https://www.fda.gov/food/guidanceregulation/guidancedocumentsregulatoryinformation/seafood/ucm2018426.htm*). You may have many monitoring points in your product flow, where the information may or may not be recorded, but these should not be defined as critical control points. Go through the Hazards and Control Guidance and note which hazards are associated with your product in both the species list and the product form list, then address those hazards. In every product form, metal inclusion and allergens are listed as potential hazards. Your hazard analysis should mention both of these, even if only to explain why they are not likely to occur.
- **Combining different processes of the same species in the same hazard analysis.** It is permissible to combine products in the same hazard analysis if the hazards and control methods are identical. However, you will want a combination like this only if the process is similar enough to be entered in the same flow chart. For instance, cod fillets and headed and gutted cod are processed in the same fashion, with one step added for fillets, while salmon fillets and salmon roe are processed very differently.
- **Not updating your hazard analysis.** The regulation requires you to reassess your hazard analysis after any substantial change, such as new equipment or a new recipe, to your plant or process. If you have a HACCP plan, you are required to reassess it every year and after such changes.
- **Not signing the document.** If you have a HACCP plan, it must be signed and dated by someone with authority to represent the firm, generally the plant manager or somebody higher in the corporate structure. The signature and date will show that the plan has been reassessed annually as required.
- **Not reviewing and signing the records.** If you have a HACCP plan, the records must be reviewed and signed within a week by a HACCP-trained (or equivalently knowledgeable) person. You should review the records prior to this, however, because if there is a problem, you will want to discover it as soon as possible.

MISTAKES PERTAINING TO AGENCY JURISDICTIONS OR REQUIREMENTS

- **Thinking you are required to have a HACCP plan if you don't.** You are required to perform a hazard analysis on each of your different species and processes. You need a HACCP plan only if your hazard analysis reveals hazards that are reasonably likely to occur. A hazard analysis is not the same thing as a HACCP plan.
- **Thinking you need a certificate of training.** Attending HACCP training is one way to become familiar with HACCP information. You do not need a certificate confirming that you have attended training, but you do need to demonstrate to your inspector that you understand the concepts of HACCP. There is one exception: if your company is a participant in the U.S. Department of Commerce HACCP/Quality Management Program, you will be required to have someone in the facility who has successfully completed HACCP training.
- **Not having a HACCP-trained—or equivalent—person reviewing your HACCP records.** The person who reviews the HACCP records is required to be knowledgeable about HACCP, whether through training or self-taught, as previously described. HACCP records must be reviewed within one week of the day that the records are made. Unless your vessel is heading back to port that often, you need someone on board who understands HACCP.
- **Not reading the regulation.** Reading the six pages of regulations will answer many of your questions. The regulations are in 21 CFR parts 123.6-12, which can be found at *https://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfcfr/CFRSearch.cfm?CFRPart=123* along with the rest of the Procedures for the Safe and Sanitary Processing and Importing of Fish and Fishery Products.
- **Not reading the Good Manufacturing Practices.** These sanitation guides are in 21 CFR part 110, which can be found at *https://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfcfr/CFRSearch.cfm?CFRPart=110*.
- **Being confused about the agencies that deal with seafood HACCP.**

  FDA. The Food and Drug Administration is in the U.S. Department of Health and Human Services. The FDA is authorized to enforce the federal Food, Drug and Cosmetic Act, which regulates the production and distribution of seafood. The FDA's mandatory seafood HACCP rule is about seafood safety only.

  USDA. The U.S. Department of Agriculture is responsible for inspecting meat (but not seafood products), as authorized by the Federal Meat Inspection Act. There is a separate HACCP program for meat.

  NOAA Fisheries. The National Oceanic and Atmospheric Administration is within the U.S. Department of Commerce. Formerly called the National Marine Fisheries Service, NOAA Fisheries provides a fee-for-service seafood inspection program that includes economic integrity, quality and wholesomeness along with seafood safety in its voluntary seafood HACCP program.

  EPA. The U.S. Environmental Protection Agency is concerned only with HACCP in that it sets tolerance levels for certain food contaminants.

  ADEC. The Alaska Department of Environmental Conservation has adopted the federal HACCP rule as well as imposing several rules unique to Alaska. They issue seafood processing operating permits, enforce regulations, and approve any new processes and technology. Safety inspection agencies in other states perform these functions.

MISTAKES CONCERNING SANITATION STANDARD OPERATING PROCEDURES (SSOP)

- **Not having a written SSOP.** The federal regulation requires a written sanitation plan while the Alaska regulation says you should have a plan. Neither one says you shall have a written plan (note the difference between "should" and "shall") but it's pretty clear that you should.
- **Not keeping sanitation records.** Both federal and Alaska regulations require that you keep sanitation monitoring records.
- **Not reading the regulation.** You can find SSOP requirements at *https://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfcfr/CFRSearch.cfm?fr=123.11*. It's CFR 21, Part 123, Section 11.
- **Ignoring additional aspects of process water safety.** It's easy to claim that your process water is safe if you have a valid disinfection program but don't forget that you'll need to check periodically (and keep records) to ensure that no cross-connections have arisen and that you have adequate back-flow prevention devices where necessary.
- **Ignoring your SSOP.** The whole point of having a sanitation plan is to help make sure your plant gets cleaned to your standards. Your SSOP is a method for expressing your intentions to your employees and for them to respond to you. If the plan doesn't match the procedures in the plant, or the records are grudgingly kept only because they are required, it's a waste of time.
- **Not updating.** Your SSOP should reflect what you actually do in the plant. You should have the person who is in charge of cleaning go through the SSOP periodically to check that they are actually doing what is in the plan, which includes keeping current the brands and instructions of cleaning chemicals in use.
- **Not including the eight points.** A typical sanitation plan is a list of equipment and areas to help your cleaning crew be efficient. This would address the second of the eight sanitation points. See "Sanitation Requirements" in Appendix C.

Appendix E

SALMON ROE

Terry Johnson
Alaska Sea Grant Marine Advisory Program

Various kinds of roe—fish eggs—are valued in domestic and international seafood markets. Several Alaska species have potentially marketable roe, including pollock, cod, herring, capelin, smelt, some flatfish including rock sole, and all five species of salmon. Pollock and herring roe are processed on an industrial scale and marketed internationally. Salmon roe is too, but it also affords some potential opportunities to small-scale direct marketers.

First, some caveats. Roe is a delicate, highly perishable product, and one that is unfamiliar to most American consumers. Due to economic, political and demographic factors, roe values have declined over the last decade. Most roe products require precise processing. "Roe stripping" or removing the roe and discarding the fish carcass is prohibited by Alaska law. Currently no specialty salmon caviar company in Alaska is buying roe from fishermen. Relatively few fishermen have developed and sustained their own roe markets.

Some fishermen sell roe to bait processors (more on the bait market below), and some companies in the Lower 48 and abroad specialize in buying and selling roe. An opportunity remains for fishermen to develop domestic or export markets for caviar. Salmon caviar is valued in Japanese, Russian/Ukrainian and other European traditional cuisines. Immigrant communities inside the U.S., particularly Japanese, Jewish and Russian, consume small but growing amounts of salmon caviar.

Salmon roe is processed into any of three high-value "red caviar" products. Ikura, or salmon caviar, is lightly salted individual eggs. Sujiko is roe in the intact skeins. Ikura is roughly twice as valuable per pound as sujiko. It is made with large mature eggs, and requires more expensive and demanding processing. A third product, barako, consists of separated eggs from sujiko processing. Most sujiko and much of the chum ikura go to Japan and much of the rest to Europe, Russia and Israel.

Specifications, packaging and marketing are very specific to the demands of those markets. Several steps are involved in making ikura, including brining and rubbing on specially sized screens to separate the eggs from the connecting tissue. Caviar processing requires specialized training and equipment.

The best ikura traditionally is made with chum eggs, but quality eggs of any of the five species can be used. Much of the ikura currently produced in Alaska comes from terminal area fisheries and hatchery cost-recovery fish because of the ideal state of maturity. The bulk of the total salmon catch goes into sujiko.

CAVIAR CONSIDERATIONS

Processing of caviar and even sujiko is not practical for most direct marketers because of the need for a permitted processing facility with specialized equipment, and for extensive training and experience to make a product acceptable to the market. Some fishermen with larger vessels could process on board with the proper equipment and a processing permit. Most fishermen currently dealing in eggs are selling processors "green" (unprocessed) roe. Trollers and gillnetters who normally dress their fish may be able to sell the roe separately. For others the shift would require additional planning and effort. Here are some considerations:

- DEC considers roe extraction to be processing, and **requires a processing permit**.
- You have to do something with the **carcasses** since it is illegal to roe-strip and dump the carcasses. Generally processors will not purchase fish without the roe, especially mature chums and humpies, but some buyers may take low grade carcasses for use in inexpensive smoked products, fertilizer or garden mulch. The law doesn't specify use as human food.
- **Quality control** is essential. Green roe buyers pay based on the grading report on the roe, and pay nothing for poor quality roe. Temperature and time out of the water are critical parameters, as is cleanliness of containers. Buyers generally won't take green roe that's more than two or three days old. Roe flies pretty well and some fishermen successfully send roe to processors from remote landing ports, but they have to maintain strict temperature control.
- The demand for green roe is limited, if in fact any companies are buying it at all, so it is essential to **establish a relationship** with a processor before starting to fish. The processor will issue strict guidelines for handling and shipping the roe, and the fisherman's financial success hinges on strict adherence to those guidelines.

QUALITY TIPS

While the specifics of handling, packing and shipping have to come from the buyer, following are some general tips about handling salmon roe.

- Fish should be **bled** when they come on board and **dressed** as soon as possible. Be careful to avoid cutting into the guts while dressing the fish and removing the roe.
- **Wash the roe** with a 2percent brine solution. Green roe should never come into contact with fresh water.
- Store roe in specified five-gallon plastic **buckets kept in slush ice**. When the buckets are full, seal them. Flake ice and refrigerated seawater (RSW) are not suitable. Store the buckets in an insulated tote of slush.
- The fisherman should **sort the roes** by species and keep them separated. Dark or soft roe should be discarded and never allowed to mix with good roe.
- Carefully sanitize buckets with the prescribed solution, and be alert to possible sources of contamination. Roe can pick up *Salmonella, Listeria,* and *E. coli* bacteria, which can cause serious illness.
- If you're flying out roe buckets, stay in the airport until you see them put into a cooler (not a freezer). If temperature increases at any point prior to processing, quality is seriously degraded.

BAIT

Salmon roe is popular for fishing bait. Several companies buy "green" (unprocessed) roe and process it for sale to trout, salmon and steelhead anglers. Quality standards for bait aren't as strict as for caviar but the bait companies have their own specific requirements.

Some trollers freeze roe on board in their fish holds or chest freezers. Skeins must be clean and relatively free of blood and are packed in one-gallon Ziploc bags. Buyers prefer Chinook, coho and chum roe, and like skeins two fingers wide with eggs about pencil eraser size. Freezer boats hold their roe until the end of the season to bulk ship to buyers in the Lower 48.

Fresh roe may be acceptable provided it is no more than two or three days old but shipping costs (which normally the fisherman pays) are higher relative to value and the roe is more perishable. Fishermen who develop bait processor markets can realize net returns that may be twice as much per pound as they would get at dockside, if they can sell their roe at dockside at all.

Fishermen can make bait on their own, without concerns about processing permits and other regulations that pertain to human food products. However, usually there is an adequate supply of prepared sport fishing bait so a direct marketer is advised to research the demand and pricing for bait before committing to bait processing.

For more information on quality roe recovery: *Guide for Alaskan Roe Recovery Vessels*, downloadable at *http://dec.alaska.gov/eh/pdf/fss/resources-seafood-guide-roe-recovery.pdf*.

For training in roe processing contact Dr. Gleyn Bledsoe, School of Food Science, University of Idaho/Washington State University, or Chris Bledsoe, Aquatic Foods International.

Thanks to Sissy Babich, formerly of Northern Keta Caviar, Ed Rice of Sunrise Bait, Chris Sannito of Alaska Sea Grant and Eric Norman of Taku Fisheries for assistance with this content.—Editor

Appendix F

REFRIGERATION CONSIDERATIONS

Brian Paust

Alaska Sea Grant Marine Advisory Program (emeritus)

PRE-CHILLING SYSTEMS

The systems used for chilling fresh seafood prior to air shipment include chilling rooms, cold storage blast freezers, slush ice, flake ice, chilled seawater (CSW) tanks and others. These systems can be classified as dry chilling (chilling rooms, vans and blast freezers) and liquid chilling (slush ice and CSW). Each has its advantages and disadvantages.

DRY CHILLING

Dry chilling methods consist of putting the product in a cold room, refrigerated van, blast freezer or similar system until the temperature is reduced to 32°F or slightly lower. This type of chilling has several disadvantages that may reduce product quality. Cooling is slow because air has a low heat transfer coefficient. Air circulation in vans and blast freezers can dry unprotected product surfaces, causing wet loss and dehydration. Using blast freezers for product cooling is discouraged because partial freezing can occur, damaging flesh texture. For the small shipper, these systems are expensive since they require mechanical refrigeration and adequate space for the cooling equipment. However, dry chilling can be effective if the product is properly protected and carefully monitored.

LIQUID CHILLING

Liquid systems are more suitable for chilling fresh seafood. Slush ice consists of a container of ice and water in which the product is immersed until the temperature is reduced to 32°F or slightly lower. A variation to this method involves simply placing product in a melting layer of ice.

A CSW system uses an air pump and air distribution grid to agitate the slush ice mixture for rapid chilling. Chilling is much faster and more uniform. Liquid chilling systems can be set up anywhere and do not require expensive equipment, but do require a source of ice. A simple slush ice system can be prepared using a fish tote, water and ice. Sufficient ice should be added to initially attain the temperature of 32°F and maintain this temperature during the chilling process.

Product should be added in increments to prevent crushing and to properly distribute product in the chilling liquid. Chilling will occur rapidly, usually within 30 minutes, depending on the size of the items to be chilled and volume of product. Internal product temperatures should be taken to assure the desired temperature is reached.

A refrigerated seawater (RSW) system uses seawater with a mechanical refrigeration unit to keep it cold. Most RSW systems have a shell-and-tube heat exchanger in which refrigerant circulates through the tubes and seawater circulates around the tubes. RSW eliminates the need for ice and a lower storage temperature can be used. With adequate capacity, the same refrigeration system can be used for brine immersion freezing.

A disadvantage of the liquid chilling is that the water must be drained from the product before it is packed to prevent extra weight and the presence of unwanted water. Also, unless the chilled water is replaced often and containers frequently sanitized, liquid can introduce bacteria into product, particularly into the body cavity of cut fish, accelerating spoilage. It is recommended that chilled seawater be used for whole fish, not for fish that are dressed or partially dressed.

Seawater is heavy so a RSW/CSW system weighs more than a dry or ice chilledsystem, potentially increasing draft and fuel consumption and reducing speed, and wet chilling requires a hold designed to contain the fluid under all operating conditions.

With the exception of a good high-capacity RSW system, these liquid chilling systems are not capable of commercial quality freezing. Only high-capacity blast and plate freezers should be used for seafood products not intended for further processing. Equipment such as home freezers and walk-in freezers are designed to only maintain in a frozen state products that have already been frozen. Their freezing capacity is very low and even within that capacity, the rate of freezing is so slow that ice crystals form within the tissue cells, causing mushy texture and drip loss on thawing.

Appendix G

BOX INSULATION VALUES AND GEL PACK EFFECTIVENESS

Brian Paust

Alaska Sea Grant Marine Advisory Program (emeritus)

Three factors influence temperature control during transit. The first is ambient conditions, including air temperature, contact surface temperature and degree of insolation (direct heat input from the sun). The second is the insulation level of the container. The third is the heat absorbing value of gel packs.

What is the insulation or R value of wetlock and other types of boxes? How useful are gel packs in keeping seafood cold? In tests, shipping containers were evaluated for their insulation rating and gel packs for effectiveness.

BOX INSULATION VALUES

In a laboratory test 50 pounds of salmon, prechilled to 32°F, were loaded into wetlock boxes—one uninsulated and the other insulated with a 3/8-inch polystyrene insert. The boxes contained no gel packs and were held in a 60°F environment. The temperature of the fish in the uninsulated wetlock box rose to 40°F in six hours. In the insulated box, the temperature rose to 40°F in 12 hours. Adding insulation doubled the maximum transit time for the product. With the data from these experiments, R values were calculated. Similar tests were done on polystyrene boxes ranging from 25-pound to 125-pound capacity.

Adding Styrofoam or other insulating materials to any container is very effective in maintaining temperature. Generally, the polystyrene boxes have better insulation characteristics than wetlock. The thicker the wall of the polystyrene box the higher the R value. Keep in mind that effective alternatives to the use of polystyrene are now available, and polystyrene is falling out of favor in many places due to environmental concerns. Check with your box distributor.

GEL PACK EFFECTIVENESS

The positive effect of gel packs has also been tested. The test was similar to the box insulation test, except that 1.5-pound gel packs were placed in the top and bottom of each container. The gel packs were effective in intercepting heat and slowing the warming of the product. In about nine hours, the product warmed from 32°F to 40°F with gel packs in the uninsulated wetlock. This was a 50percent increase in potential transit time when compared to the box without gel packs. The temperature inside the insulated wetlock with gel packs rose to 40°F in a little less than 21 hours—a 75percent increase in storage time.

Whenever possible, favor the placement of gel packs in the top portion of containers when using insulated containers.

CONCLUSION

These studies indicate that the general use of insulation and gel packs greatly extend the time seafood can be kept at acceptable temperatures. The use of high-quality packaging makes possible the shipment of the highest-quality seafood to discerning markets worldwide.

See Chapter 10, which covers packaging and shipping, for more on insulation.

Appendix H

ALASKA SEAFOOD MARKETING INSTITUTE RECOMMENDED STATEWIDE QUALITY SPECIFICATIONS FOR ALASKA FRESH AND FROZEN WILD SALMON

http://www.alaskaseafood.org/wp-content/uploads/2015/10/Alaska-Salmon-Quality-Specifications-and-Grades1.pdf

Quality Specifications

Grades

Alaska Seafood Marketing Institute
Recommended Statewide Quality Specifications
For Alaska Fresh and Frozen Wild Salmon

Part I: Description

Section 1: Product Definition

Alaska Fresh or Frozen Wild Salmon is the food prepared from only the species of salmon listed in Section 2; these species may be sold fresh or frozen, and shall be reasonably protected from oxidation and/or dehydration.

Section 2: Species

The Species which can be designated Alaska Wild Salmon are:

Species	Common or Usual Name(s)
Oncorhynchus tshawytscha	Chinook, King
Oncorhynchus nerka	Red, Sockeye
Oncorhynchus kisutch	Coho, Cohoe, Silver
Oncorhynchus gorbuscha	Pink
Oncorhynchus keta	Keta, Chum

Section 3: Styles of Preparation

A. Dressed, Head-off: The belly of the salmon is split from the anus to approximately one inch before the throat (isthmus of t nape); the split may also continue through the throat. The viscera and kidney (backblood) are removed leaving the cavity free blood and pieces of membrane. The head is removed leaving the nape cut free of gill. Water used during processing or rinsing shall be sanitized in accordance with Alaska Department of Environmental Conservation requirements, 18 AAC 34.080(c).

B. Dressed Head-on: The belly of the salmon is split from the anus to approximately one inch before the throat (isthmus of th nape); the split may also continue through the throat. The viscera and kidney (backblood) are removed leaving the cavity free blood and pieces of membrane. The gills may be removed; the head and gill cover remain intact. Water used during processing or rinsing shall be sanitized in accordance with Alaska Department of Environmental Conservation requirements, 18 AAC 34.080(c).

C. Whole (Round) Fish: Water used during processing or rinsing shall be sanitized in accordance with Alaska Department of Environmental Conservation requirements, 18 AAC 34.080(c).

D. Other: As defined by a buyer/seller relationship. This category may include a variety of styles and cleaning/processing techniques depending upon the form in which the product is marketed. Water used during processing or rinsing shall be sanitize in accordance with Alaska Department of Environmental Conservation requirements, 18 AAC 34.080(c).

Part II: Recommended Quality Grades and Characteristics

Section 1: Quality Grades

Salmon are categorized in the following grades:

Premium Grade

Grade A

Grade B

Grade C

Section 2: Quality Characteristics

A. All salmon will exhibit the following characteristics in order to meet the **Premium Grade.**

1. HANDLING: All Premium fish will be bled and chilled upon harvest. There will be no skin or internal cuts or tears. There will be no punctures or bruises. Meat will be resilient when subjected to finger pressure. Scale loss will not exceed 15%. Scale adherence will be uniform. Some scale loss due to method of harvest handling can be expected.

2. ODOR: Odor will be sea-fresh. There will be no off-odor.

3. EYES: Eyes will be normal in appearance, bright and clear.

4. GILLS: Gills will be bright red, and will smell sea-fresh and odorless.

5. SKIN: Skin color will be characteristic of fresh fish that is typical of the species, sexual maturity, district of harvest, and time of year it was harvested. (Refer to ASMI Skin Color Evaluation Guide for Pacific Salmon). Skin will be bright, shiny, and not hold wrinkles when bending fish slightly. There will be no skin indentations, perforations or scars. Slime will be clear. There will be n tail damage or fin loss.

6. BELLY CAVITY: Color will be bright and natural. There will be no belly burn or protruding ribs. The belly will be free of visce and the collar free of gill membrane.

7. MEAT COLOR: Meat color will be characteristic of fish that is typical of the species, district of harvest, and time of year

harvested. (Refer to ASMI Meat Color Guide for Wild Alaska Salmon).

8. PHYSICAL SHAPE: Physical shape will be characteristic of the species at its stage of sexual maturity.

Deviations from the above characteristics are cause to downgrade salmon from **Premium Grade.**

1. Grade A. Same as Premium Grade with the following exceptions: Bleeding will be optional. Scars may be present if less thar 1 and well healed. There may be one skin cut less than 1. Scale loss will not exceed 25%. There may be up to 2 protruding ribs

2. Grade B. Same as Grade A with the following exceptions: Smell may be neutral. Eyes may be dull, but not milky or cloudy. There may be slight to moderate indentations, scars up to 1.5 in size, and one skin cut up to 1.5. Scale loss may not exceed 40%. There can be no tail damage and fin loss will not exceed 50%. There may be slight fading of belly lining natural color and slight discoloration. There may be slight belly burn with up to 6 protruding ribs. There may be internal cuts not to exceed 0.5 total. There may be no viscera, but traces of blood acceptable.

3. Grade C. Same as Grade B with the following exceptions: There may be slight odor, eyes milky or cloudy, and gills pink to buff. Slime may be dull and copious. Scars and punctures will be allowed. Cuts and scale loss may be more than Grade B. Tail damage may be present and fin loss may be more than Grade B. Belly cavity discoloration may be more than Grade B. Bruising belly burn, and cuts, may be more than Grade B. Viscera traces and blood more than Grade B.

B. Any, or a combination of the following defects are cause to downgrade a **frozen** salmon from Premium, depending upon the severity:

1. Improper handling: A salmon which has been frozen in a misshapen or severely deformed position or one which has experienced any tail damage. This does not apply to minor changes in the symmetry which may occur during freezing.

2. Natural defects and improper workmanship: Any of the defects listed in the fresh fish grading criteria which are determined, upon nondestructive examination, to exist in frozen fish.

3. Dehydration/freezer burn: A fish which has readily discernible dehydration present on the nape and/or in the belly cavity tha is not adequately trimmed.

4. Scale loss: A salmon exhibiting over 15% scale loss, if other defective conditions are apparent.

Alaska Seafood Marketing Institute

Recommended Quality Grades for Wild Alaska Salmon

Characteristics Handling	Premium Grade	Grade A	Grade B	Grade C
bled	yes	optional	not applicable	not applicable
chilled	yes	yes	not applicable	not applicable
skin cuts	no cuts	one cut less than 1	one cut up to 1.5	more than grade B
internal cuts	no cuts or tears	no cuts or tears	not more than 0.5 total length of cuts and tears	more than grade B
punctures	no punctures	no punctures	no punctures	punctures allowed
bruising	no bruises	no bruises	slight bruising acceptable	more than grade B
scale loss	not to exceed 15% loss	not to exceed 25% loss	not to exceed 40% loss	more than grade B
ODOR	fresh smell	fresh smell	neutral	slight, not offensive
EYES	bright, clear	bright, clear	dull, not milky or cloudy	milky or cloudy
GILLS	bright red	red	pink	pink to buff
SKIN				
color**	**	**	**	**
slime	clear	clear	cloudy	dull and copious
net marks	no indentations or skin perforations; no broken backbones	no indentations or skin perforations; no broken backbones	slight to moderate indentations	may have moderate indentations; skin may be perforated
scars	none	less than 1, well healed	up to 1.5, well healed	scars permitted
tail/fins	no tail damage or fin loss	no tail damage or fin loss	no tail damage; fin loss to 50%	more than grade B
BELLY CAVITY				
color	bright natural color	bright natural color	slight fading of natural color; slight discoloration acceptable	more than grade B
belly burn	none; no protruding ribs	none; up to 2 protruding ribs acceptable	slight belly burn, up to 6 protruding ribs	more than grade B
cleaning	thorough; no viscera of any kind; collar trimmed,	thorough; no viscera of any kind, collar trimmed	thorough; no viscera of any kind; traces of blood ok	more than grade B
MEAT COLOR*	*	*	*	*

****Skin Color**: Wild Alaska salmon skin color is variable depending on species, location of harvest, sexual maturity, and is not correlated with grades. Users are referred to the ASMI Color Evaluation Guide for Pacific Salmon.

***Meat color**: Meat color is variable depending on species, location of harvest, sexual maturity and is not correlated with grade Chinook salmon have both red and white meat. Coho salmon meat color ranges from pinkish-red to pale pink . Sockeye salmon meat color is red. Chum & Pink salmon users are referred to the ASMI Meat Color Guide for Wild Alaska Chum Salmon, and Mea Color Guide for Wild Alaska Pink Salmon.

Typical Weight Grades for Wild Alaska Salmon

(in pounds)

Chinook (King)	4 to 7	7 to 11	11 to 18	18 and up	
Chum	4 to 6	6 to 9	9 and up	or 9 to 12	12 and up
Coho (Silver)	2 to 4	4 to 6	6 to 9	9 and up	
Pink	2 to 3	3 to 5	5 and up	or 5 to 7	7 and up
Sockeye (Red)	2 to 4	4 to 6	6 to 9		

Appendix I

PERMITS, LICENSES, BONDS, REPORTING AND TAXES REQUIRED FOR ALASKA SEAFOOD DIRECT MARKETERS AND SMALL-SCALE PROCESSORS

Sunny Rice

Alaska Sea Grant Marine Advisory Program

Revised 2017 by Gabe Dunham,
Alaska Sea Grant Marine Advisory Program

Once you do anything with a fish other than deliver it to a tender or processor's dock, you are in the highly regulated food industry. Like other food businesses, a direct marketer confronts a number of license, tax, inspection, and reporting requirements, depending on the precise nature of the operation. This appendix summarizes pertinent Alaska and federal requirements as of late 2017. Use it for informational purposes only. For Oregon and Washington see other appendices.

Note: This is not a processing manual but because some direct marketing operations involve processing (see the definition below) this appendix includes information possibly of use to them. Do not consider it comprehensive. For a manual on starting a small-scale seafood processing operation, see *A Village Processing Plant: Yes or No?* available at *https://seagrant.uaf.edu/bookstore/pubs/M-89.html.*

Disclaimer: *Requirements for seafood processing, handling and sales are complex and subject to change due to legislation or regulatory interpretation. State agencies use terminology specific to their regulatory requirements. Consult with each of the relevant agencies for detailed and up-to-date instructions before engaging in seafood processing or sales activities.*

A Note on "Shellfish": This appendix does not address the processing or sale of bivalve mollusks such as clams, oysters, geoducks and mussels because a separate set of shellfish-related sanitation and processing regulations apply. Crustacean shellfish, specifically crabs and shrimp, are covered by the regulatory provisions outlined in this appendix.

If you have questions while completing permit or license applications, contact the agencies early in the process. Establishing a good working relationship with the agency will help in resolving any problems that may arise later in the process. See the agency directory at the end of this appendix.

REGULATORY AGENCIES

In Alaska most types of fisheries business have to comply with regulations of three main entities:

1. The Alaska Department of Fish and Game (ADF&G), which regulates the take of fisheries resources, and issues fisheries business licenses
2. The Department of Environmental Conservation (DEC), which ensures the safety of food products
3. The Department of Revenue (DOR), which collects fisheries business and other taxes

Some may also need to work with the following agencies:

- National Marine Fisheries Service, if product comes from a federally managed fishery. A Federal Processor Permit, endorsed for either Shoreside Processor or Stationary Floating Processor, is required if you do any processing. (See Appendix B)
- Alaska Division of Measurement Standards. Scales used to weigh product must be certified
- Local city governments for vendor licenses, regulations, and city sales taxes for transactions within a municipal jurisdiction

- U.S. Food and Drug Administration (FDA) for:
  - mandatory one-time registration as a food processing facility
  - random processor inspection for sanitation, HACCP compliance
  - nutritional labeling on any retail size packaging that may be used
- U.S. Department of Commerce in some cases for services under voluntary inspection and certification programs

WHAT IS "PROCESSING"?

DEC and DOR make an important distinction between operations that **process** seafood products and those that do not. By DEC definition, **you are a processor if you**: head or butcher product, recover roe, shuck, pickle, cook in water/steam, hot or cold smoke, salt/brine, dry, do mixing/formulating, freeze, make surimi, preserve in retorted thermal packaging. DEC also considers it to be processing if you **package and transport** product from your boat to another location. DOR classifies **sale of live fish and shellfish** as processing. Contact the agencies for information on special circumstances.

The definition of processing does not include: gutting, gilling, sliming, icing or decapitating shrimp if performed on a vessel while on the fishing grounds.

TYPES OF OPERATIONS

The first step in determining which permits, licenses, reports, bonds and taxes are required is to decide which kind of operation is planned. Following are classes of operation, based on state agency criteria:

A. Catcher/Processor. Catches, processes and sells processed seafood products, and includes:

1. **Direct Marketer,** 65 feet or less in length. May only process own fish.
2. **Catcher Processor or Floating Processor** (>65 feet). Floating Processors can buy or custom process, but Catcher/Processors cannot buy fish to process and sell, or custom process.
3. **Roe Recovery Only.** Recovers roe for sale as a product for human consumption.

Note: Roe stripping and discarding carcasses is prohibited.

Note: Salmon fishermen such as trollers who gut their catch and sell the roe after it has been removed from the fish, even to the same processor who buys the fish, need to be licensed for Roe Recovery.

B. Catcher/Seller. Sells his or her own catch unprocessed and unpackaged inside Alaska, at the dock directly to the consumer, or to a food establishment that has a DEC Seafood Processing Waiver. If a food establishment with a Seafood Processing Waiver is the buyer, it must pick up the product at the boat or the seller must have a DEC permit to transport the product to the establishment. Catcher/Sellers can also sell product for bait.

C. Exporter. ("export" means transporting product out of Alaska to another state or country). Includes:

1. **Catcher/Exporter.** Catches and transports unprocessed fish out of the state to a processing facility under the regulatory oversight of a governmental health agency
2. **Buyer/Exporter.** Buys unprocessed fish from harvesters for transport out of the state to processing facilities under the regulatory oversight of a governmental health agency

D. Processor. Processes seafood products for commerce and includes:

1. **Inshore Floating Stationary Processors**
2. **Floating Processors greater than 65'** in length (>65'). A vessel of less than 65' that buys and processes on board can also be licensed as a processor if it meets all the DEC requirements
3. **Shore-based Processors**
4. **Canneries**
5. **Live Sales** (DOR considers live sales to be "processing")

E. EEZ Only. Processes only in the federal Exclusive Economic Zone (between 3 and 200 miles from shore).

F. Waivered Buyers. Markets, restaurants, grocers or lodges that have a DEC Seafood Processing waiver. May buy up to 500 lb per week from catcher/sellers for sale or use in their establishment.

G. Independent Buyer. Buys from fishermen to sell to licensed processors or exporters who have the product processed in a facility under the regulatory oversight of a governmental health agency.

H. Transporter. An agent of fishermen who can transport only salmon, herring, Pacific cod, and legally taken bycatch species in those fisheries. (A Tender/Packer is an agent of a processor, and requires a different permit.) Transporters do not buy or process fish.

An operation may fall into more than one category. For clarification contact the agencies directly. The scope of this Fishermen's Direct Marketing Manual covers only these categories: Catcher/Floating Processor, Direct Marketer, Roe Recovery, Catcher/Seller, Exporter.

STATE OF ALASKA REQUIREMENTS FOR CATEGORY A—CATCHER/PROCESSOR

1. Fisheries Business License. An online application covers both the Department of Revenue and Department of Fish & Game license requirements for nearly all categories of fisheries businesses, including Category A (Catcher/Processor) fishermen who process, export, or have their own catch custom processed. To qualify an applicant must:

- hold a limited entry or interim use permit, or IFQ quota shares, and
- own or lease a commercial fishing vessel.

Operators using a vessel under 65' in length should apply as Direct Marketers and those with vessels over 65' must apply as Catcher/Floating Processors. When completing the online application, Direct Marketers are required to apply as sole proprietors. Catcher/Floating Processors may apply under other business formats.

The joint "Direct Marketing" and "Alaska Seafood Processor and Exporter License and Permit Application" no longer exists. Direct marketers need to apply to the Department of Environmental Conservation separately from the Department of Fish & Game and Department of Revenue application. Application for the DEC seafood processor permit and instructions are online at *http://dec.alaska.gov/eh/fss/seafood/Seafood_Home.html*.

Important Change in 2016: The Fisheries Business License Application and Intent to Operate and the Alaska Direct Marketing Fisheries Business License Application and Intent to Operate forms have been replaced by the DOR online Fisheries Business License Application. This application covers new licenses/permits and renewals for all categories of direct marketing operations. This application can be accessed at *https://online-tax.alaska.gov/ATP/WebDoc/_/*. Click the Enroll Now button and follow prompts to apply for a password, which will be sent by mail and which is needed to complete the online application process. Detailed instructions for the Fisheries Business License Application can be found at *http://www.adfg.alaska.gov/index.cfm?adfg=fishlicense.marketers*. A waiver allowing a paper copy of the application can be obtained from DOR by calling 907.465.2320.

The ADF&G Allowable Activities Matrix describes allowable activities by permit type, and can be found at *http://www.adfg.alaska.gov/static/license/fishing/pdfs/allowable_activities.pdf*. Note that this matrix also differentiates between ADF&G and Fisheries Business License permits, but all permits are accessible through the online DOR application. The Department of Revenue charges a $25 license fee for all categories.

2. Alaska Commercial Operator's Annual Report (COAR). A Commercial Operator's Annual Report, accurately and completely summarizing the business' activities for the past year, must be submitted to ADF&G no later than April 1 of each year. Forms are available online at *http://www.adfg.alaska.gov/index.cfm?adfg=fishlicense.coar* and at local offices. Most who file an ADF&G Intent to Operate as part of the DOR/ADF&G Business License Application must complete this form, whether engaged in the proposed activities or not. Catcher/Sellers are not required to file a COAR.

3. Fish Tickets. ADF&G also requires that fish tickets be completed for each landing of fish. Apply for a number code plate and blank fish tickets with the Intent to Operate or Direct Marketing Fisheries Business License application. The business then either purchases a stamping machine or arranges with a local ADF&G office to stamp completed tickets in their office after each trip. Completed tickets generally must be submitted within seven days to the local ADF&G office. Operators in some fisheries have additional reporting requirements and may be required to report more frequently.

As an alternative to paper fish tickets, the eLandings system may be available as a reporting resource. The eLandings system, or Interagency Electronic Reporting System (IERS) also generates a printable fish ticket. For more information, see the ADF&G reporting resources page, at *http://www.adfg.alaska.gov/index.cfm?adfg=fishlicense.reporting*.

4. Fisheries Business Tax Return. The DOR is responsible for collecting taxes on fishery products. A Fisheries Business Return must be filed every year by March 31. When fish are sold to a processor, these taxes normally are paid by that company. Direct marketers may have to pay one or more of five different taxes:

A. Fisheries Business Tax must be paid by the first processor of a fishery product. If the product is not processed, but is exported from the state, the exporter must pay the fisheries business tax.

A direct marketer is likely to be the first processor. If product is custom processed, the direct marketer is responsible for paying the tax. If the catch is sold to a processor, even with the intention of buying some of it back later, the processor is liable for the tax.

Current rates are:

Floating processor (including catcher/processor) ..5.0percent

Shore-based processor 3.0percent

Canned salmon 4.5percent

Direct marketer 3.0percent

Percentages are based on "the prevailing value paid for fisheries resources of like kind and quality by fisheries businesses in the same market area to fishermen who own their vessels." Rates are lower for "developing species." Contact DOR for a current list of these species.

B. Landing Tax is paid on fisheries products caught and processed outside Alaska state waters (three mile limit) and first landed or transferred inside Alaska or within state waters. The assessment rate is 3percent based on the unprocessed value as posted as the statewide average price, calculated by ADF&G and DOR.

C. Salmon Enhancement Tax is paid by fishermen where regional salmon aquaculture associations exist. The tax is 1 to 3percent depending on the region's self-assessment. Licensed buyers must collect this tax and remit it to the state. Salmon Enhancement taxes are listed on fish tickets. This tax is reported and remitted monthly to the DOR. Catcher/Sellers and fishermen operating under a Direct Marketing Fisheries Business License selling to unlicensed buyers must pay this tax directly to DOR but are allowed to remit yearly. Contact DOR for more information.

D. Seafood Marketing Assessment is paid by processors handling more than $50,000 worth of product annually. Processors must pay 0.5percent of the ex-vessel value of all seafood processed to fund the activities of the Alaska Seafood Marketing Institute.

E. If products are sold within the limits of a city or state that has a **local sales tax**, the seller will be required to collect this tax on all sales of the product. Contact the city or local government for information concerning reporting and payment requirements.

Note: Business owners can pay their fisheries business taxes online through the DOR website, Revenue Online, at *https://online-tax.alaska.gov/ATP/WebDoc/_/*. DOR also has a "Frequently Asked Questions" page, at *http://tax.alaska.gov/programs/programs/help/faq/faq.aspx?60620#section0*, that may be helpful in determining tax and bonding requirements.

5. Tax and Other Surety Bonds. All people, firms or corporations that process fish in Alaska, or export unprocessed product from Alaska, must secure their estimated Fisheries Business Tax liability in advance. Catcher/Processors and Catcher/Exporters are not required to prepay or post bond if their estimated tax liability is $500 or less.

To prepay estimated tax or secure credit, submit a letter of credit in the amount of the estimated tax, a time certificate of deposit in the amount of the estimated tax, a fisheries tax bond equal to twice the estimated tax, or verification of lienable real property valued at a sum equal to at least three times the estimated tax liability.

Surety bonding is required for purchase of raw fish from other fishermen or if there is an Unemployment Insurance Contribution obligation for any employees. Operations that process more than 30,000 pounds of raw product annually are required to post a $10,000 bond. Those that process less than 30,000 pounds annually are required to post a $2,000 bond, or they can secure their credit for this bond in any of the ways listed above.

6. ADEC Seafood Processors Permit Application.

Note: Before starting the processors permit application be sure to read the Alaska Seafood Processing Regulations and related publications, which are found at *http://dec.alaska.gov/eh/fss/seafood/Seafood_Home.html*. The permit application covers requirements of the Alaska Department of Environmental Conservation for processors. The permit application requires a fisheries business license number.

Annual DEC fees levied on processors are based on the type and amount of processing being permitted. Fees as of 2017 are:

Shore-based facility processing <5000 lbs./day..... $ 795

Shore-based facility processing >5000 lbs./day..... $2094

Cannery processing <5000 lbs./day $1120

Cannery processing >5000 lbs./day .....`$2094

Direct Marketing Land-based..... $ 200

Direct Marketing Vessel <65' ..... $ 325

Direct Marketing Vessel >65'
(Catcher/Floating Processor), <5000 lbs./day $795

All Other Vessels..... $2094

If the proposed operation involves processing, as defined above, be prepared to submit scale drawings of the vessel or facility with the processing permit application that indicate location of toilet and hand-washing stations, plumbing lines, locations and types of processing equipment, how processing waste will be discharged, the source of approved water for processing and other specified information.

DEC will review the application and, depending on what and how the processing plan encompasses, may require any or all of the following additional permits: Plan Review and Approval of Sewage or Sewage Treatment Works, Air Quality Control Permit to Operate, Wastewater Disposal Permit, Solid Waste Management Permit, Plan Review and Approval of Public Water Systems, National Pollutant Discharge Elimination System Permit from the U.S. EPA, or Foodservice Permit.

Processing these applications can take up to eight weeks and it is not legal to operate without having received initial issuance of the appropriate permits.

7. HACCP Plan. Federal Hazard Analysis Critical Control Point (HACCP) regulations require each processor to conduct a hazard analysis to identify significant hazards to sanitation or wholesomeness in the processing operation. A written HACCP plan must specify the critical control points, critical limits, and where and how they will be monitored. DEC includes HACCP inspections as part of their regular seafood processing facility inspections. See the section on HACCP elsewhere in the appendices of this manual.

8. Certification of Measuring/Weighing Devices. Certification of Measuring/Weighing Devices (from the Division of Measurement Standards) is required for scales used to weigh fish for sale. Only NTEP (National Type Evaluation Program) legal for trade scales are acceptable. State inspectors in most cases are able to go to the plant or vessel to test the scales, which must be checked annually and bear an inspection sticker. The fee is based on the capacity of the scales. Even scales that have been certified in another state must be re-certified, since readings change with latitude.

9. Federal Laws Enforced by the National Marine Fisheries Service (NMFS). If you are marketing halibut or blackcod (sablefish) caught under provisions of an individual fishery quota (IFQ) or community development quota (CDQ), you must comply with applicable federal laws. See Appendix B, which addresses direct sales of fish caught under the federal IFQ program.

STATE OF ALASKA REQUIREMENTS FOR CATEGORY B—CATCHER/SELLERS

1. Catcher/Seller (Category B), or Fisheries Business License application. Catcher/Sellers may sell only their own catch, unprocessed, directly from their boat to the public in Alaska. The catcher/seller permit application is available online at *http://www.adfg.alaska.gov/static/license/fishing/pdfs/1100-539.pdf* and at local ADF&G offices. This application can also be completed through the DOR site, Revenue Online; under the Fisheries Business License application. Either application requires a $25 fee. Full information on Catcher/Sellers is found at *http://www.adfg.alaska.gov/index.cfm?adfg=fishlicense.sellers*

2. Fish Tickets. See Category A, subsection 3 above for details.

3. Certification of Measuring/Weighing Devices. See Category A, subsection 8 above for details.

4. Fisheries Business Tax Return. Catcher/Sellers are liable for payment of salmon enhancement taxes. See Category A, subsection 4 for details.

5. Federal Laws Enforced by the National Marine Fisheries Service (NMFS). See Appendix B for details.

6. Mobile Vending License. This license is required by DEC if product is to be transferred to a cart, car, or truck for sale.

STATE OF ALASKA REQUIREMENTS FOR CATEGORY C—CATCHER/ EXPORTERS

1. Fisheries Business License Application. See Category A above for details.

2. Seafood Processors Permit. This permit can be held by a custom processor who handles your seafood product, or an "approved source"/Permitted Processor to which you sell your product. If the product is handled by a custom processor, you will need to become an approved source/Permitted Processor yourself by filling out the DEC Seafood Processors Permit Application. See Category A above for details.

3. Alaska Commercial Operators Report. See Category A above for details.

4. Fish Tickets. See Category A above for details.

5. Certification of Measuring/Weighing Devices. See Category A above for details.

6. Fisheries Business Tax Return. See Category A above for details.

7. Tax and Other Surety Bonds. See Category A above for details.

8. Federal Laws Enforced by the National Marine Fisheries Service. See Appendix B for details.

9. Exporting Salmon In The Round. A special law applies to the exportation of salmon in the round (whole fish, not gutted). Contact DOR for details. Exporting of any seafood product, if not from an approved source/Permitted Processor, must be to a processing facility under the regulatory oversight of a governmental regulatory health agency.

REQUIREMENTS FOR ALL OTHER CATEGORIES

Categories D-G are not within the scope of this manual. Operators in these categories should begin by reviewing available online information from ADF&G, DEC and DOR, in addition to direct communication with each agency, to determine which permits, licenses, taxes or bonds are required. Fees, taxes and permits other than those listed may be required.

Category H—Transporters need a Fish Transporter Permit, issued by ADF&G. If transporting on the water, the vessel must be registered with the Commercial Fisheries Entry Commission. See the ADF&G Fish Transporter page for full information on permits, operating requirements, fish ticket reporting requirements, and other regulations available at *http://www.adfg.alaska.gov/index.cfm?adfg=fishlicense.transporters*. Transporters are exempt from posting bonds, paying fish processing taxes, and from filing a Commercial Operators Annual Report.

U.S. FOOD AND DRUG ADMINISTRATION (FDA) REQUIREMENTS

The Public Health Security and Bioterrorism Preparedness and Response Act of 2002 requires all food processors, including fisheries enterprises in Alaska that meet the definition of seafood processing, to be registered with the FDA. Exempted are fishing vessels that head, gut, or freeze fish solely to maintain their quality while aboard the vessel for delivery to a processor. Registration can be done online at *www.access.fda.gov*. Paper applications are at *https://www.fda.gov/food/guidanceregulation/foodfacilityregistration/ucm073728.htm*. Processors whose product goes into interstate trade are subject to mandatory, unannounced FDA sanitation and HACCP inspections. FDA contracts with the state's DEC to do most of its processing vessel inspections.

The FDA also requires seafood products sold in retail-size packaging to have nutritional content labels, though there is an exemption for small businesses. The Alaska DEC also requires products to be labeled, as described in the Alaska Sea Grant publication *Labeling Requirements for Seafood*, *http://fishbiz.seagrant.uaf.edu/component/jdownloads/send/13-publications/191-labeling-requirements-for-alaska-seafood-processors.html*. Nutritional content information, for individual fish and shellfish species, is available at *www.nal.usda.gov/fnic*.

AGENCY DIRECTORY

Alaska Department of Environmental Conservation

Division of Environmental Health, Seafood Section

555 Cordova St

Anchorage, Alaska 99501-2617

907.269.7501, Fax: 907.269.7510

joy.mclaurin@alaska.gov

www.state.ak.us/dec/

Useful DEC info

Seafood processors permit information:

907.269.7628

Seafood safety and sanitation home page:

http://dec.alaska.gov/eh/fss/seafood/Seafood_Home.html

Seafood processing regulations:

http://dec.alaska.gov/commish/regulations/pdfs/18-aac-34.pdf

Alaska Department of Fish and Game

Division of Commercial Fisheries

PO Box 25526

Juneau, Alaska 99802-5526

907.465.4210, Fax: 907.465.2604

http://cfweb@fishgame.state.ak.us

Useful ADF&G info

For information on ADF&G direct marketing resources, contact the seafood industry coordinator:

907.465.6131 or *http://dfg.seafood-coord@alaska.gov*

Commercial Fishing Licenses and Permits home page:

http://www.adfg.alaska.gov/index.cfm?adfg=fishlicense.main

Reporting Resources page:

http://www.adfg.alaska.gov/index.cfm?adfg=fishlicense.reporting

Fisheries Business License Application instructions: *http://www.adfg.alaska.gov/index.cfm?adfg=fishlicense.marketers*

Division of Measurement Standards

Section of Weight and Measures

12050 Industry Way, Bldg O

Anchorage, Alaska 99515

907.365.1222, Fax: 907.345.2313

Donald.brewer@alaska.gov

http://dot.alaska.gov/mscve/index.cfm?go=mscve.wm

Juneau office: 907.789.9763

Alaska Department of Revenue

Tax Division

PO Box 110420

Juneau, Alaska 99811-0420

Fishery Business License Information: 907.465.2371

Fax: 907.465.2375

http://www.revenue.state.ak.us

Useful Alaska DOR info

DOR Revenue Online:

https://online-tax.alaska.gov/ATP/WebDoc/_/

Instructions for the ADF&G/DOR online Fisheries Business License application:

http://www.adfg.alaska.gov/index.cfm?adfg=fishlicense.marketers.

National Marine Fisheries Service

Restricted Access Management Division

PO Box 21668

Juneau, Alaska 99802-1668

907.586.7221, Fax: 907.586.7131

RAM.alaska@noaa.gov

http://www.nmfs.noaa.gov

Appendix J

OREGON STATE AND LOCAL REGULATIONS, PERMITS AND LICENSES FOR SEAFOOD ALTERNATIVE MARKETS

Jamie Doyle and Ashley Stroud

Oregon Sea Grant

Note: The information on this page is intended for educational purposes only and is subject to change. Fishermen should contact the agencies directly to determine what is required for their particular situation.

Fishermen who sell their catch directly from their boat, a roadside stand/market, or alternative market need to follow regulations and guidelines and obtain specific licenses, registrations, permits, and certificates from several state and local agencies in addition to the licenses and permits required to fish commercially. Here is selected general information, by agency, that highlights some of these requirements and associated fees (as of 2015).

When contacting pertinent agencies fishermen will need to describe the seafood products they will be selling—species, product form (e.g., whole, filet, smoked)—and the type of alternative market(s) they will use.

OREGON DEPARTMENT OF FISH AND WILDLIFE (ODFW)

Commercial Fisheries Division: *http://www.dfw.state.or.us/fish/commercial/*

Commercial Fisheries Licensing Staff: *http://www.dfw.state.or.us/fish/commercial/questions.asp*

503.947.6101

odfw.info@state.or.us

Information Sources:

Licenses and Fees: *http://www.dfw.state.or.us/fish/commercial/licensepercent20overview.asp*

Definitions and specifications: *http://www.dfw.state.or.us/OARs/06.pdf*

Three types of ODFW commercial fish business licenses may be appropriate for fishermen selling their catch through seafood alternative markets. Fishermen should contact ODFW directly for current information and to determine the requirements that apply to their specific situation.

Commercial Limited Fish Sellers Permit

Description: Required if selling all or a portion of the catch to an ultimate consumer from the boat.

Annual Fee: $42.00, plus a $200.00 bond (2015, subject to change).

Select Details

- Only for dockside sales. No sales may occur away from the boat.
- Cannot be used by others (e.g., spouse, business partner, employee) at any time, only by the licensed fisherman.
- Limited processing (loining or filleting) is allowed after the fish is sold and reported, and only if it is done on the seller's own vessel. Otherwise it will need to meet additional Oregon Department of Agriculture handling and selling requirements.

Wholesale Fish Dealer License

Description: Required to process fish or sell to retailers (e.g., fish markets, grocery stores, wholesalers).

Annual Fee: $452.00, plus a $1000 minimum bond; $252 Buyers License (to buy product when away from licensed location) (2015, subject to change).

Select Details

- Only valid for a single business location (e.g., a home) where all transactions must occur. (Boats in slips can't be licensed as wholesale dealers as they do not meet the requirement of a physical address unless the boat is immobile and permanently docked.)
- **Note:** a buyer's license is required for anyone buying from a fisherman away from the fisherman's business location.

Commercial Fisher Transportation Report

Description: Required of commercial fishermen selling to a wholesale dealer that does not have an unloading facility on the water.

Annual Fee: None.

Select Details

- Must have a written transportation report, invoice, or memorandum in hand prior to removing and transporting product to another location.
- Does not apply to retail fish dealers or wholesale fish dealers.

OREGON DEPARTMENT OF AGRICULTURE (ODA)

The ODA oversees the safe and legal handling and distribution of food products in Oregon. Three programs within the ODA may pertain to fishermen selling their catch through seafood alternative markets. Fishermen should check the information sources within each program and contact ODA directly for current information and to determine which requirements apply to their specific situation.

Weights and Measures Program

Contact: Main Office Staff or Local Inspector.

(503) 986-4670 (Main) or see Staff contact list by city: *http://www.oregon.gov/ODA/AboutUs/Pages/ODADirectory.aspx#or-weightsandmeasures*

msd-clerical@oda.state.or.us

Information Sources

License a Scale: *http://www.oregon.gov/ODA/programs/ISCP/WeightsMeasures/Pages/LicenseScaleMeter.aspx*
Operating a Scale: *http://www.oregon.gov/ODA/programs/ISCP/WeightsMeasures/Pages/OperatingScale.aspx*

Schedule of Licensing Fees: *http://www.oregon.gov/ODA/shared/Documents/Publications/InternalServices/WeightsMeasuresLicenseFees.pdf*

Weighing Scale Certification

Description: Scales used to sell seafood must be licensed, tested and approved by the ODA Weights and Measures prior to use.

Annual Fee: Dependent on scale capacity e.g., $39 for 0-400 pounds, $80 for 401-1,160 pounds, $161 for 1,161-7,500 pounds

Select Details

1. Must be a legal for trade scale and must have a National Type Evaluation Program (NTEP) Certificate of Conformance.
2. Must have a placed in service report (PISR) submitted within 24 hours of the time the device is placed in service.
3. Scale must comply with the requirements on the PISR and meet the specifications found in NIST handbook 44.
4. Product that is weighed and packaged without the customer present must be labeled with the product name, net weight, price per unit and total price as specified in NIST Handbook 130, Uniform Packaging and Labeling Regulation. Additional information also may be needed on the label per the Fair Packaging and Labeling Act: *https://www.ftc.gov/enforcement/rules/rulemaking-regulatory-reform-proceedings/fair-packaging-labeling-act*

FOOD SAFETY DIVISION

Contact: Food Safety Inspector. County contact list: *http://www.oregon.gov/ODA/AboutUs/Pages/ODADirectory.aspx*

(503) 986-4720, State Office; see list above for County-Based

(No email provided. Phone contact preferred)

http://www.oregon.gov/ODA/programs/FoodSafety/Pages/AboutFoodSafety.aspx

Retail Food Establishment License (type 77 license)

Description: Required to sell product from your vehicle, stand or retail store.

Annual Fee: Dependent on annual gross sales (AGS) (e.g., $135 for $0-$50,000 AGS) $172 for $50,001-$500,000 AGS (2015, subject to change).

Information Sources: Definition and application: *http://www.oregon.gov/ODA/programs/FoodSafety/FSLicensing/Pages/Retail.aspx*

Select Details

1. Requires submitting a food safety plan review, and compliance with ODA retail food code.
2. May require submission of a HACCP plan along with a variance application.
3. All foods sold at the establishment must be produced by a business licensed by either ODA or a County Health Department (depends on location); foods produced in other states must be licensed by the responsible agency in that state.

Food Processor's License (type 59 license)

Description: Required when fishermen process* their catch.

Annual Fee: Dependent on AGS e.g., $325 for $0-$50,000 AGS; $460 for $50,001-$500,000 AGS (2015, subject to change).

Information Sources: Definition and application: *http://www.oregon.gov/ODA/programs/FoodSafety/FSLicensing/Pages/ProcessingWarehouse.aspx*

Select Details

* A HACCP plan is required for all seafood processors and importers.

*The ODA defines food-processing as "cooking, baking, heating, drying, mixing, grinding, churning, separating, extracting, cutting, freezing or otherwise manufacturing a food or changing the physical characteristics of a food, and the packaging, canning or otherwise enclosing of such food in a container, but does not mean the sorting, cleaning or water-rinsing of a food." *http://arcweb.sos.state.or.us/pages/rules/oars_600/oar_603/603_025.html*

Processing (as defined by FDA) includes handling, storing, preparing, heading, eviscerating, shucking, freezing, changing into different market forms, manufacturing, preserving, packing, labeling, dockside unloading, or holding fish and fishery products. Excludes practices such as heading, eviscerating, or freezing solely to prepare a fish for holding on board a commercial fishing vessel. *https://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfcfr/CFRSearch.cfm?fr=123.3*

Food Storage Warehouse License (type 78 license)

Description: Required to store seafood away from the boat, prior to distribution to others (e.g., wholesalers, retail markets, restaurants, consumers.

Annual Fee: Dependent on annual gross sales (AGS) e.g., $108 for $0-$50,000 AGS; $135 for $50,001-$500,000 AGS (2015, subject to change).

Information Sources: Definition and Resources: *http://www.oregon.gov/ODA/programs/FoodSafety/FSLicensing/Pages/Retail.aspx*

Application: *http://www.oregon.gov/ODA/programs/FoodSafety/FSLicensing/Pages/Application.aspx*

Select Details

1. Not required for licensed retail food establishments that store food to be served to employees, customers or guests.
2. Not required for licensed food processors who warehouse the finished product at the same location where the food is processed.

Seafood Commodity Commissions

Description: Additional forms and associated fees must be submitted and paid to the pertinent Seafood Commodity Commission when selling (or buying) certain fishery products.

Select Details

1. Dungeness Crab: *http://oregondungeness.org/* for report forms. Oregon Dungeness Crab Commission. 541.267.5810; *hugh@oregondungeness.org*
2. Albacore: *http://oregonalbacore.org/* for report forms. Oregon Albacore Commission. 541.994.2647; *nancy@OregonSalmon.org*
3. Salmon: *http://www.oregonsalmon.org/* for report forms. Oregon Salmon Commission. 541.994.2647; *nancy@OregonSalmon.org*
4. Trawl (Bottomfish, shrimp): *http://www.ortrawl.org/* for report forms. Oregon Trawl Commission. 541.469.7830; *bpettinger@ortrawl.net*

OREGON HEALTH AUTHORITY

Public Health Division Food Safety

Contact: Local health inspector

971.673.1222 State Office; County Contact List: *http://www.oregon.gov/oha/ph/ProviderPartnerResources/LocalHealthDepartmentResources/Pages/lhd.aspx*

health.webmaster@state.or.us

Information Source: Forms, Rules, and guidelines: *http://www.oregon.gov/oha/ph/HealthyEnvironments/FoodSafety/Pages/regs.aspx*

County and city environmental health departments inspect and license food operations to ensure safe food handling practices. Required permits and fees vary among counties and seafood alternative markets. The permits and certifications listed below, as well as others, may be required by a given environmental health department. Fishermen should contact their local environmental health department directly for up-to-date information and to determine the requirements that apply to their specific situation. For more information, contact the Department of Health of the county in which you will be operating your business (see county contact list above).

Food Safety Certificate

Required of any food worker engaged in food handling or foodservice. Must obtain within 30 days of beginning work.

Mobile Food Unit License

Required if operating a new or previously licensed mobile unit as a food retail establishment (e.g., food carts, food trucks).

Restaurant License

Required if operating a new or previously licensed restaurant as a food retail establishment.

Temporary Restaurant License

Required for selling seafood at temporary food retail establishments (e.g., farmers market, food booths).

Commissary Kitchen Agreement

May be required to allow a food retailer, caterer or mobile food unit access and use of a licensed food retail establishment as a kitchen. The agreement often requires cosigning by the food establishment and the kitchen operator and approval by the local environmental health advisor.

Local Authorities

Depending on the type of market and where it is located, additional permits and fees may be required by local authorities. Following are a few examples of such requirements. Fishermen should contact local authorities directly for up-to-date information and to determine the requirements that apply to their specific situation.

Harbor/Marina

Local harbors/marinas may have their own requirements for selling one's catch off the boat or at a dockside or fishermen's market. In some cases, only certain products or types of markets are allowed.

City

City government may require a business license, vendor's license, or both if selling from a vehicle or stand within city limits. Selling from private property requires proof of permission from the property owner, having an appropriate business license, and meeting local zoning requirements.

County

County government (planning departments) may require meeting zoning regulations and providing proof of permission from appropriate agencies (e.g., state highway division, county road office) when selling from a vehicle or stand on a public right-of-way or from property owners if selling from private property.

Appendix K

REGULATIONS FOR BUYING AND SELLING FISH AND SHELLFISH IN WASHINGTON STATE

The following regulations are new for 2018. Please contact Washington Department of Fish and Wildlife for additional information.

FISH DEALER LICENSE

This is the minimum license required to broker and/or process fish and shellfish and replaces the Wholesale Fish Dealer License.

Processing is defined as taking possession of raw or frozen fish/shellfish to prepare, repackage, process or preserve, which includes, but is not limited to, canning or processing for payment whether the fish or shellfish is commercially harvested or taken for personal use.

Brokering is defined as facilitating the sale or purchase of raw or frozen fish/shellfish for a fee or commission, without assuming the title to the fish/shellfish.

A Fish Dealer License is also required as a base license for individuals engaged in the wholesale buying or selling of raw or frozen fish/shellfish (see below).

The annual fee for a Fish Dealer License is $400 for Washington residents, $475 for nonresidents. The application fee is $105.

WHOLESALE FISH BUYER ENDORSEMENT

This endorsement must be added to the Fish Dealer License (see above) to take first possession or ownership of fish/shellfish from a commercial fishermen landing their fish in Washington state. To take first possession or ownership of fresh or frozen fish/shellfish from interstate or foreign commerce; to engage in wholesale buying or selling of fish/shellfish harvested by tribal fishers.

Wholesale fish buyers are also responsible for documenting the commercial harvest and sales according to the rules of WDFW. The annual fee for a wholesale fish buyer endorsement is $245 for residents and $320 for nonresidents. The application fee is $105.

LIMITED FISH SELLER ENDORSEMENT

This endorsement replaces the "Direct Retail Endorsement." This new endorsement is an option allowing commercial harvesters and designated alternate operators to sell their catch directly to market. The holder of this endorsement is also exempt from the permitting requirements of chapter 246-215 Washington Administrative Code (Foodservice) provided the seller only sells fresh fish—whole or cleaned and dressed.

The annual fee is $70 for Washington residents and $145 for nonresidents. The application fee is $105.

BOND REQUIREMENTS

Wholesale fish buyers and limited fish sellers must deposit an acceptable performance bond equal to $2,000 and, for each additional buyer engaged by the wholesale business, the bond must be increased by an additional $1,000.

Limited fish sellers must file and maintain a bond equal to $1,000.

If you have additional bond questions, please email the WDFW Licensing Division at *commercialsales@dfw.wa.gov*

If you have other questions or for more information regarding these endorsements please contact Trisha Anderson, 360.902.2211.

The content for this information is provided by Washington Department of Fish and Wildlife.

Appendix L

BUSINESS PLAN OUTLINE

The following outline for a business plan details what information should be included under each category. Please note that all parts may not be applicable to every business. Similarly, there may be additional categories that should be included.

Title Page

Business Name

Purpose (Planning and/or Financing Proposal)

Name of Principals

Contact Information

Executive Summary. Describes the purpose and/or goal of the business plan and summarizes the major points of the business plan. This summary should be one or two pages and should highlight the important facts that are described in detail within the plan.

Table of Contents. List all of the headings within the plan and the pages they are located on.

Description of Business

- Mission statement
- Type of business/industry
- Status of business (startup/existing/expanding)
- Form of business (sole proprietor/partnership/corporation)
- Location (address)
- Physical features of building
- Own or lease facility
- Hours of operation/seasonal (peaks/valleys)
- Background and history
- Future goals/objectives/strategies
- Products/services (description/customer benefits)
- Target market

Market Company Analysis

- Company goals/focus
- Company strengths/weaknesses
- Niche market

Product/Service

- Description of products/services
- Benefits to consumers
- Compare to competitors

Consumers

- Type of consumers (wholesale/retail)
- Products/services purchasing
- Factors affecting purchasing decisions (politics/economics/etc.)

Competition

- Primary competitors
- Competitors' products/services
- Evaluation of product/service (similar/dissimilar)

Marketing Plan

- Overall market description
- Size/growth and trends
- Market segments
- Market projections
- Products/service (brand name/quality/scope/package/warranty)
- Pricing (list price/discounts/payment terms)
- Distribution (channels/locations/logistics)
- Promotion (advertising/public relations/trade shows/partnerships)
- Sales force and forecast
- Market growth potential

Management

- Management team (include resumes)
- Business background/management experience
- Division of responsibilities of management team
- Strengths/weaknesses of team
- Salary and/or payment plan
- Benefit plan

Outside Management and/or Assistant Needs

- Personnel
- Personnel needs
- Skills required
- Training requirements/availability
- Full-time/part-time
- Salary/hourly
- Benefits
- Employee policies/contracts

Financial Data

- List of capital equipment
- Source and application of startup capital
- Inventory control system
- Accounting system
- Three-year profit and loss statement (income and expenses)
- Three-year balance sheet (assets, liabilities and owner equity)
- Cash flow (projected monthly breakdown of when money comes in and goes out, where money came from and what it was spent on)
- Break-even analysis (level at which total revenues and total expenses equal; no profit/no loss)
- Explanation of assumptions for all financial documents
- Three years of tax returns (company and principals)

Supporting Documents

- Contracts/leases/agreements
- Copies of licenses/permits/certifications/etc.
- Community support
- Marketing research information
- Credit reports
- Principal current financial statements
- Resumes
- Tax returns

For an electronic fisheries business plan template, see *Alaska Fish Business Plan Writer*, available from Alaska Sea Grant's Fisheries Business Assistance Project ("FishBiz"). Request a free CD from the Alaska Sea Grant Marine Advisory Program, or download the program by going to *http://www.alaskafishbiz.org* and following the link to fisheries business management.

Appendix M

GLOSSARY OF SEAFOOD BUSINESS TERMS

Accrued expenses – An expense incurred but not yet paid.

Amortization – The gradual reduction of a debt by means of periodic payments sufficient to meet current interest and extinguish the debt at maturity.

Assets, capital – Those assets which are not readily convertible into cash and in the ordinary course of business are not so converted, more often termed fixed assets.

Assets, liquid – Those assets, generally current, which may be quickly turned into cash.

Break-even analysis – A method used to determine the point at which the business will neither make a profit nor incur a loss. That point is expressed in either the total dollars of revenue exactly offset by total expenses; or in total units of production, the cost of which exactly equals the income derived by their sale.

Broker – An agent who sells a product for the owner, for commission. Usually brokers do not buy product or acquire any ownership. Fees usually are 3percent to 5percent of the sales price.

Business plan – An objective, written review of your business to identify areas of weakness and strength, pinpoint needs and begin planning how you can best achieve your business goals.

Cash flow – The sources and uses of a company's cash funds over a designated period.

Cash position – The percentage of cash to total net assets indicates relative cash positions. It includes cash and United States government securities and is the net amount after deducting current liabilities.

CIF – Cost, insurance, freight. The price an importer or wholesaler pays for fish that has been processed, and for which insurance and freight fees have already been paid. It is processor cost plus freight and insurance.

C&F – Cost and freight. Same as above without insurance paid.

Collateral – Property that is pledged as security by a borrower to a lender as assurance that a loan will be repaid. It may be a tangible item such as a vessel or a piece of land and building, or it could be intangible such as a trade receivable owed to you, or both.

Corporation – A form of business organization that may have many owners with each owner liable only for the amount of his/her investment in the business. It is an artificial person created by state or federal law. As defined by the Supreme Court of the United States, a corporation is an artificial being, invisible, intangible and existing only in contemplation of law.

Current assets – Those assets which are readily convertible into cash without substantial loss; included are cash, investments, notes and accounts receivable, and inventories.

Current liabilities – Those obligations ordinarily intended to be paid in the usual course of business within a relatively short time, normally within a year, out of earnings.

Current ratio – The ratio of current assets to current liabilities, indicating the ability of a business to pay its current liabilities in cash as they fall due.

Custom processing – Service provided for a fee on products owned by a customer other than the processor. Custom processing could be as little as washing and boxing, or as complex as portioning, smoking, and vacuum packaging.

Debt capital financing – Money borrowed with the intention of paying it back plus interest.

Debt to worth ratio – A ratio of your business' total liability to its net worth.

Depreciation – Expiration in service life of fixed assets, other than wasting assets, attributable to wear and tear through use and lapse of time, obsolescence, inadequacy or other physical or functional cause.

Distributor/wholesaler – An agent who buys large lots of product, transports and possibly warehouses it, and then sells small quantities to many foodservice or retail outlets.

Dividends – The proportion of the net earnings of a corporation paid to the stockholders as their share of the profits.

Eastern cut – Fish product form with head removed but collar left on.

Entrepreneur – One who assumes the financial risk of the initiation, operation and management of a given business or undertaking.

Equity – The monetary value of a property or business that exceeds the claims and/or liens against it by others.

Equity capital financing – Money given to your business, without the intention of paying it back, in return for part ownership in your business.

Export – Sent outside the country of origin.

Ex-vessel – The price paid to fishermen for raw (unprocessed) fish.

Filet, fillet – (pronounced "fi-lay" and "fill-et") – Two words for the slice of meat taken from each side of a fish outboard of the backbone and ribs, from behind the gills to the isthmus "caudal peduncle" before the tail. May include some bones unless identified as "bone-out."

Fletch – A fillet of a halibut, consisting of one whole side of the fish, above and below the backbone and running from behind the gill plate to the caudal peduncle.

Foodservice industry – The group of food providers that includes restaurants, hotels and cafeterias in establishments like schools, hospitals, nursing homes, prisons and businesses.

FOB – Free on board. A term used in a sales agreement that specifies that the buyer is responsible for all transportation costs including freight and insurance from the location designated on the shipping document.

Glaze – A solution applied to a frozen product designed to seal the surface and protect it from dehydration and oxidation.

Guaranty – A written commitment by an individual or authorized legal entity to pay back a loan in the event the borrower is unable to do so.

HACCP – Hazard Analysis Critical Control Point. A seafood safety assurance plan based on identifying and monitoring those points in the process system where contamination could occur.

H&G – Headed and gutted.

IFQ – Individual fishery quota.

Ikura – Japanese, from the Russian "ikra" for fish eggs, ikura is salmon caviar—individual salted eggs, as opposed to sujiko, see below.

IQF – Individually quick frozen.

Inventory – The amount of product currently kept in storage ready for sale. Carryover is inventory at the beginning of a new season, which remains from the previous season.

Leverage – The relationship of other people's money (debt) in relation to your own investment (equity) in your business.

Liquidity – Solvency of a business; the degree of readiness in which assets can be converted to cash. If assets cannot be converted into cash to meet current liabilities, the firm is said to be illiquid.

Management – The administration and policy makers of a business; those responsible for planning goals and objectives.

Market – The number of people and their total spending (actual or potential) for a product line within the geographic limits of the seller's geographic ability. Also, the geographical area itself. Also, the ethnicity or other characteristics of a group of consumers. Also, the particular processing company that buys product from a fisherman. Also, as a verb, to conduct the activities (including research, product positioning and advertising) needed to bring a product to the attention of purchasers and get them to buy.

Marketing – The business of tailoring the right mix of product form, price and promotion to a specific segment of the population to meet a sales goal.

Market niche – A segment of the population that buys a certain product because it suits their needs in terms of product form, price, packaging and promotion style.

Metric ton – 2,200 pounds.

Net worth – The excess of the assets of an individual or an enterprise over all his, her or its liabilities.

Niche market – A small group of consumers, defined by ethnicity, geography or some other feature, that allow them to be targeted by a sales effort for a small quantity of product.

Partnership – Two or more persons who are associated in order to pursue a business for profit.

Portion – a piece of fish (e.g., steak or piece of fillet) which is cut to a specific and uniform weight.

Princess cut – Gilled and gutted, with the throat latch left intact.

Processing – Any of various mechanical activities that prepare a fish for storage, transport and consumption by removing unwanted parts of it and stabilizing it by freezing or cooking. Secondary or value-added processing may include portioning, smoking, curing or other treatments that improve flavor or make it more user-friendly.

Processing yield – Processed weight divided by the original whole fish weight. The result is given as a percentage.

Pro forma – A projection or estimate of what may result in the future from actions in the present. A pro forma financial statement is one that shows how the actual operations of the business will turn out if certain assumptions are realized.

Profit – The excess of the selling price over all costs and expenses incurred in making the sale.

Receivable – An asset in the form of an amount which is due from a borrower.

Recovery rate – The percentage of round fish weight that remains after processing.

Retail – The final link in the distribution chain where the product is sold to the consumer. Fish markets and supermarkets are considered retail outlets; restaurants and institutional foodservice facilities usually are not.

Retro – A payment to fishermen as a bonus or incentive that is above, and usually comes later than, the grounds price settlement.

Rigor mortis – Literally "stiffness of death," the muscle tension that occurs some hours after a fish expires. Product processed and frozen pre-rigor is generally higher quality when it thaws.

Round – Whole. Round fish is whole, unprocessed fish, and round fish weight is the total weight of the catch before heading and gutting, and grading or culling inferior grade fish.

Shrinkage – The loss of weight of product between its purchase and sale, due to "drip" (loss of fluid from the flesh) as well as from product that doesn't sell before it goes bad.

Sole partnership – Ownership by one person of an entire business.

Sourcing – The process of finding product to purchase for subsequent resale.

Sujiko – Japanese, for salmon eggs processed and sold in the skein rather than separated out, as in ikura.

Surety bond – A cash deposit, pledge of property or insurance policy that is forfeited if the entity posting the bond fails to comply with requirements for which it is posted, such as remitting taxes, paying employees or performing the contracted service.

Trader – One who buys and sells on behalf of another company and, unlike a broker, takes ownership of the product.

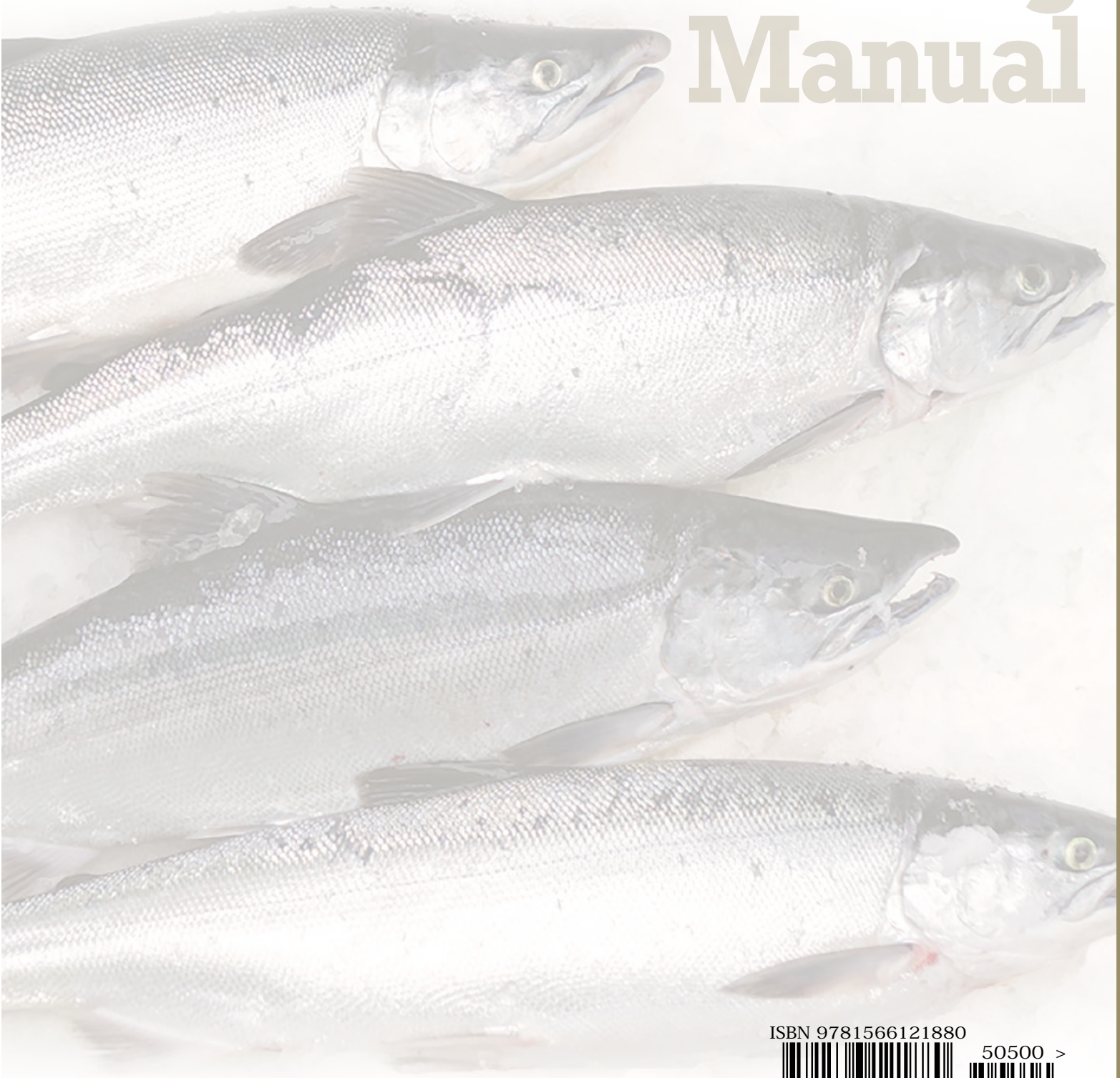
Tramper – a cargo ship that is chartered by voyage rather than running on a scheduled route. Trampers commonly are chartered to transport Alaska fish to Japan at the end of the season.

Uni – Japanese, for sea urchin gonads.

Value added – Further processing or packaging of a product that causes the product to sell for a higher price.

5th edition

Fishermen's Direct Marketing Manual



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