



Salmon Committee

Tuesday, October 8, 2019
Beginning 1:00pm
Hotel Captain Cook in Anchorage, AK

Draft minutes

Chair John Daly called the meeting to order at 1:03PM.

Roll Call:

Committee members present:

John Daly, Chair

Melanie Brown

Cynthia Wallesz

Thea Thomas

Ron Jolin

Sandy Souter

Nelly Hand

Larry Christensen

Kathy Denker (Ex Officio)

Tom Sunderland (Ex Officio)

Committee members absent:

Kevin Larsen (absent)

Julianne Curry (absent)

Emily Matlock (absent)

Others present

Introductions

Each member of the committee introduced themselves and described their connection to the seafood industry.

Approval of the Agenda:

Christensen moved to approve the agenda; Sunderland seconded the motion; the motion passed unanimously

Approval of the Minutes:

Jolin moved to approve the minutes from the October 29; Brown seconded the motion; the motion passed unanimously

Chair Remarks:

Daly welcomed everyone to the salmon committee meeting. He urged the group to keep ASMI's mission, to increase the economic value of Alaska seafood, in mind during their discussions. He reminded the committee that meetings are public and recorded and to be mindful not to discuss prices, sales volumes or specific customers.

Public Comment:

No public comment

Industry Updates:

Garrett Evridge of McDowell Group provided a 2019 salmon harvest update to serve as a foundation for the committee's discussion.

According to Evridge's report:

Pink Salmon

- The early season was record breaking and then the harvest was consistently two weeks behind the average
- PWS accounted for 38% of the total harvest
- Russia harvest was huge (~600 million pounds); product form shifting from cans to H&G means increased competition with Russia

Sockeye

- Consistent with prior harvests
- Bristol bay accounted for 78% of the total harvest (compared to 83% in 2018)
- Canned % falls while fresh % rises
- Average statewide harvest was 275 million pounds in the last five years, which is not unprecedented, but is high
- One billion pounds of sockeye products have been sold by the industry in the last five years

Keta

- Expectations were high, but actual harvest ended up being average

Coho

- Volumes were modest; coho accounted for 2-5% of annual salmon harvest volume

Chinook

- Volumes in 2019 were slightly higher, but chinook harvests remain historically low

Thomas asked when the two year combined harvest for pink salmon had been lower than in 2018 and 2019. Evridge responded the combined volume of 2018 and 2019 was the lowest since the mid-1990s.

Thomas questioned why with a low volume the ex-vessel price remained so low. Evridge noted that with pink salmon in particular, Alaska was exposed to Russian supply and a competitive landscape. He said that increasingly there were reports that Russia was improving quality and becoming more competitive.

Sunderland noted that there had been a significant change in the dynamic of how reprocessed pink salmon inventories were managed, specifically those reprocessed in China. He commented that processors used to take a forward position on inventory, but now tended to wait until big retailers had orders in to buy. He said this resulted in companies holding on to inventory in China for longer than they used to, switching the power dynamic to favor large retailers.

Daly seconded Sunderland's analysis and said the system had taken negotiating power away from the processor. He stated that one of the biggest factors affecting the pink salmon market was the massive presence of Russian product over the last two years, which drastically reduced the profitability on freezing pinks.

Sunderland noted that each year processors make their best guess as to what ratio of canned versus frozen will be most profitable and it is impossible to get everything right.

Jolin asked if fish size had any relation to the ex-vessel value, explaining that many of the pink salmon harvested early in Sand Point and False Pass were very small. Evridge responded that in general, average size did not play a role.

Wallez said she had asked people in her area how they felt about the season and her conversations led her to believe ex-vessel value was about 20% down for keta and pinks. She stated she was surprised to see the ex-vessel numbers so strong.

Evridge noted that an interesting thing about the prices across Alaska was how different they were depending on the nuances of the individual fishery and mix of species. He said they did not have that more specific data yet.

Sunderland stated that the long chain between a fisherman being paid and when the market resolved itself caused difficulty with values. He said that from his view, prices were weaker than last year, but it was unclear how everything would play out because not all of the fish had been sold yet. He commented that last year the market value for keta was very high and that in an under year, prices continued to be weak. He noted that it was an interesting case where more fish did not always equal lower prices and vice versa. He continued stating that this was especially true for keta and pinks that had to compete in markets with high Russian harvests.

Daly commented that keta might start becoming more attractive due to the high costs of other items.

Sunderland asked if Evridge had insight into the refreshed business. Evridge did not. Sunderland said that it seemed like it was strong, for sockeye in particular.

There was a question about refreshed versus reprocessed and whether they were the same thing. Sunderland explained that "reprocessed" referred to fish that was processed once in Alaska (usually headed and gutted) and then sent to another country, often China, to be turned into a different format. He explained that "refreshed" was when fish was frozen in Alaska and sent to the lower 48 where it was thawed and put out into a seafood case at retail.

Thomas asked why the percentage of fresh sockeye had decreased. Evridge replied that the percentage had been rising up through 2012 before it started declining, which corresponded to larger sockeye harvests. He explained that although the percentage was lower, it still meant a very large volume of fish.

Thomas asked if in terms of volume, the numbers had been stable. Evridge said absolute numbers for fresh sockeye have been trending higher.

Souter ask if most of it was out of Bristol Bay. Evridge said that was his understanding.

Souter recalled that last year the committee had discussed the limitations of the transportation infrastructure for getting fresh fish out of Alaska. Daly said it was so different year to year and that the rate of harvest makes a difference. He stated that this year saw a fairly balanced Bristol Bay harvest season so there were not as many concerns over the availability of airlift out of Bristol Bay.

Brown noted that canned processing was decreasing, despite becoming more valuable. She asked if the increase in value was a result of not having as much of it on the market or if there was a turn in people's perception on cans.

Daly responded that he hoped it was the second but that it was probably the first. He said there was a natural scarcity of cans of all species because over the last decade companies had been scaling back production. He was unsure if the market was at a turning point or at the bottom. He noted that canned salmon was flirting with not being able to fill the shelf space it had across the world, and the scarcity was lifting prices for all species. He continued by saying that time would tell if it was lifting enough for people to can more or open new canneries.

Thomas asked if there was any information on the predominant product form of pink salmon out of Russia. Evridge responded that there was not and that he had struggled to find good quality information on the Russian harvest.

Daly guessed it was mostly H&G block and IQF. He said that as Russia grew and became a reputable source they would branch into higher quality items. He noted that some Russian fisheries were MSC certified which posed a challenge to Alaska; he also noted that the volume was far greater than in Alaska.

Daly encouraged everyone to sign up for Evridge's weekly salmon updates.

Industry Update

Daly stated that all the forecasts had been good and that overall it was a positive season. He said sockeye had a good volume year, but noted that it was primarily out of Bristol Bay and that almost all the other fisheries underperformed the forecast. However, he said, there were no real disasters in 2019 and it was better than 2018.

Daly noted that one area of concern was the number of small size sockeye that needed to be moved in the next nine months. He encouraged ASMI to continue to focus funds on promoting frozen sockeye. Turning to canned pinks, he said processors were holding inventory for two years to make the supply last. He said more volume was needed for frozen stating that the pipeline was empty after 2018 but inventories were starting to improve.

Sunderland stated that for pink salmon, the timing of the meeting meant that all the information was more speculative. He said that in a few months there would be more concrete information. He noted that if the meeting were moved back, the information would be better.

Hand asked that if less pink was going into cans, what product form was hitting the market.

Daly replied that pink was often an ingredient item and rarely a fillet. He said it was sent out of Alaska in a block or industrial cut and reprocessed, usually abroad. He continued by saying there was not a big market in the US for reprocessing. Daly added that with the current market conditions, the declining can number might adjust a bit.

Brown suggested to encourage canned sales by telling people to put them in their emergency packs. She pointed out that people always need good sources of shelf stable food and that canned is perfect to fill that need.

Thomas drew the attention to the questions for the operational committees. She said that since it has been the lowest two-year total supply of pinks since the '90s, ASMI should be encouraged to increase their pink salmon promotions.

Daly stated that it seemed like a lot of pink from Alaska was sold within the US. in a can. He asked if there was a way to allocate marketing dollars to keep the value up. He brought up one example where a promotion was planned, but due to the availability of AK pinks, companies started sourcing outside Alaska.

Michael McGinley of Ocean Beauty commented from the audience that he sold a lot of pinks and that they were sent to China where reprocessors fillet the fish and send it throughout Europe. He said that Chinese companies made the fish look beautiful, but that they need big pinks.

Sunderland said he had seen pinks in retail bag promotions and that there was more volume than one might think in the States for that. He explained that the product was usually processed in China and was a mix of Russian and Alaska fish.

Thomas asked if fish going into China to be reprocessed and sent back to the US was subject to the tariffs. Souter stated that for now, it was not subject to tariffs.

Old Business:

Bruce Schactler, ASMI's Global Food Aid Coordinator, provided an update on past and upcoming salmon activities from his program.

Schactler started by saying one of his main priorities was moving salmon into the school lunch program, but that the price remained too high. He said there was a USDA food distribution program on Indian reservations that bought 700,000lbs of individual vacuum-packed boneless portions of sockeye this year at about \$10 per pound. He said unlike some USDA programs, the reservation program could buy previously frozen product. He explained that other programs could not buy product that needed to be thawed and therefore were limited to canned salmon. He stated that canned salmon had turned into a mature product used in numerous different feeding programs including take home boxes for the elderly. Schactler estimated that the USDA bought around 250,000 cases of canned salmon per year. He said there had been years where US government bids for canned salmon were not realized. He suggested the industry plan to produce 300,000 cases of canned salmon per year for government contracts. Schactler estimated about 26 million canned pinks in tall cans were purchased to go into food banks.

Schactler said the food aid program had started to work on a new project to try and harmonize the reality of the retail market with the USDA and try to get them to buy the same thing retailers liked to buy.

Souter asked what the increase in frozen salmon going into food aid programs had been over the last five years and if it was growing. Schactler responded that the program on the reservations was the only one that took frozen salmon, but that it had increased from 125,000lbs to 700,000lbs over four years.

Souter asked if the USDA would want to expand their purchase of frozen salmon. Schactler said they would if it was less expensive.

Jolin extended his thanks to Schactler on behalf of fisherman for the work he had done over the last decade. Jolin stated that Schactler's work had reduced price battles and strikes.

Christiansen asked about opportunities for pouches. Schactler said there were issues with producing pouches in Alaska because the process was slower than canning. Daly agreed, saying it would require immense investment to make pouching in Alaska a thing. He said the market was being served by salmon pouches processed outside of Alaska.

Christiansen acknowledged that pouching was boutique, but asked if there was an opportunity for a larger scale pouch for food aid programs.

Schactler said one advantage of large pouches would be lower shipping costs because pouches are lighter than cans. However, he said, one benefit of cans was that they were indestructible. He said there had been issues with broken containers of other commodities.

Michael Kohan updated the committee on the work the technical program had done specific to salmon. She addressed an issue brought to technical in February regarding how to be more honest on the disclaimers on pink tall cans. She informed the committee of a new disclaimer that had been okayed by the FDA and CFSAN: "Attention: Salmon naturally contains bones and skin which are safe for consumption after canning. Canned salmon with skin and soft edible bones is a source of calcium and a useful contributor of omega-3 fatty acids in the diet."

She said the disclaimer was honest in addressing that the product contained skin and bones, but also promoted the nutritional benefits. She said that since it did not include a nutrient content claim, it did not have to go through the rigorous FDA approval process.

Kohan introduced materials that the technical program had created since the last salmon committee meeting. These included a factsheet on hatcheries, factsheets on the different species of salmon, and a "pick don't flick" quality handling poster for gillnetters. For the future, Kohan said the program was planning one pagers on quality handling for different user groups and gear types, a roe fact sheet, and materials on roe quality, noting the plan is to create outreach materials specifically for harvesters and processors on quality handling.

Jolin said he had put the technical program's quality handling posters on the table where he passed out fish tickets and that many people commented on the posters and appreciated their messages.

Brown noted that when handling fish for roe quality, it was important to remember the tender component. If the tender chilled the fish too cold, it made the eggs unusable.

Brown asked if Kohan could share more about what she was doing with nucleotides and milt.

Kohan said there was project underway on milt in pollock and sole, but that there had been research on milt from salmon in the past. She noted that there was interest from markets to utilize milt. She said the nucleotide project was also pollock and sole but might be helpful across the industry.

Brown asked if she was testing milt recipes. Kohan said no.

Kohan said there were some materials on salmon milt. She added that if more information on salmon milt would be helpful to the industry, the technical program would be happy to put something together.

Daly thanked Kohan for the work she had done for salmon, specifically her quick reaction on hatchery talking points. Daly encouraged everyone to send Kohan questions they had throughout the year.

New Business

The salmon committee discussed the questions for the ASMI operational committees and came up with the following answers:

Salmon Committee Questions for the Operational Committees:

- 1. What concerns or marketing needs, specific to your species, would you like ASMI Operational Committees to discuss and/or address? Are there areas of need with which ASMI can assist?**
 - a. Domestic: Focus marketing efforts on frozen salmon, specifically refreshed sockeye based on current inventory conditions, such as an abundance of small sockeye.*
 - b. All: Continue to focus on Alaska seafood's strengths: quality, sustainability, and nutrition.*
 - c. Technical and Communications: Build on and increase quality education efforts and outreach. Conduct preseason educational sessions with fishermen and tendermen on quality procedures specific to fishery region.*
 - d. Domestic and International: Allocate market funds and focus to salmon roe, particularly for pink and chum, in an effort to boost overall value of those species.*
 - e. Domestic and International: Canned salmon remains important to most all Alaska processors. The salmon committee encourages ASMI marketing programs to work on combatting the stigma surrounding canned products and emphasize the uniquely positive health attributes of canned salmon.*
- 2. What have been the impacts (so far) of the U.S./China trade dispute and subsequent tariffs on your species groups? Have there been shifts (product form, processing location, new markets) that ASMI should be aware of? Are there opportunities you would like to see explored by Operational Committees/Programs?**
 - a. The China Tariffs have created uncertainty in the market and reprocessing volumes are beginning to shift elsewhere, such as Thailand and Vietnam.*
 - b. However, developing new reprocessing markets takes years and it will be hard to replicate the infrastructure and workmanship available in China in the near term.*
 - c. The salmon committee recommends that the international program continue to use ATP funding on projects that could have a positive effect on all ASMI programs, within compliance of the ATP regulations.*
- 3. Do you have any overall industry concerns that should be brought to the Committee Chairs meeting for them to discuss and carry forward to the ASMI Board of Directors?**

- a. *Climate change and how it will continue to impact the salmon industry.*
 - b. *In the past year, ASMI created helpful materials to clarify the differences between hatchery and farmed salmon. All industry is encouraged to continue to distribute that information.*
- 4. What trends or opportunities can you identify that ASMI Programs can capitalize on?**
- a. *Plant based food could be viewed as an opportunity and not necessarily a threat for Alaska seafood. The salmon committee recommends generating messaging that focuses on marketing Alaska seafood benefits to those who would choose a plant based product.*
 - b. *Continue to capitalize on the Alaska story and encourage program directors to continue to communicate with and utilize ASMI committee members at trade shows, press tours, etc.*
 - c. *Inform Alaska seafood brand owners of opportunity to utilize the ASMI logo and RFM logo on product packaging.*

Officer Elections:

The committee voted to elect Thea Thomas as Chair and Sandy Souter as Vice Chair.

Good of the Order:

Thomas asked if the salmon committee only met once a year. Daly said that was the guidance he had received and that due to funding the committee could only meet all in person once; however, the group could meet telephonically.

Thomas suggested having a teleconference in in the spring if it worked out with the timing of SEG and the start of the salmon season.

The meeting adjourned at 3:30pm.