

Fishermen's Direct Marketing Manual



Alaska
Oregon
Washington



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Foreword

In the winter of 1983, three owners of small, ice-hold trolling boats operating out of Ketchikan, Alaska, got together to plan a way to improve profitability. We had come off a season of disappointing coho prices, and we decided to take matters into our own hands, by-passing the middleman, and selling our fresh, iced troll-caught salmon directly to restaurants and seafood markets in the Lower 48 states. We took out an ad in the trade magazine *Seafood Business* and, shortly, had several customers lined up for the coming season. My girlfriend printed up business cards, bought wetlock boxes, liners and strapping tape and became our agent.

When the season began, we worked out a delivery schedule that we rotated through in order to meet our weekly commitments. That way, we each had some cash flow from selling part of our catch to regular processors, while the rest went into the better-paying direct market channels. The Ketchikan airport has a dock, and we took most of our deliveries there, loading boxes of chilled fish into a pickup truck to transport to the airline freight office. Sometimes my girlfriend took the ferry and drove across Prince of Wales Island to receive our fish at Craig. She added frozen gel ice packs, strapped and labeled the boxes, tracked their progress, billed the clients and paid us the proceeds, based on our production.

We were fortunate that season. All of our shipments arrived at their destinations on time and in good condition, and all our customers eventually paid their bills. At the end of the season, we tallied up our earnings, declared the effort a success, then disbanded and never again raised the subject of direct marketing among us. Two of us are no longer fishing; our third member later bought a freezer troller and now is a successful direct marketer of his at-sea frozen salmon, which he sells at farmers markets, by subscription and over the Internet.

We learned several things from that experience. One is that direct marketing is a lot of work and it takes time away from fishing, which means a smaller total catch. Another is that ex-vessel prices that go down one year can come back up the next. We had quoted prices during our pre-season negotiations with buyers that would have left us a healthy margin — after paying all the additional expenses — over the dock price paid by the processors the preceding year. However, the dock price improved and we had already committed to a price we were charging our customers, so the margin was much narrower than we had anticipated. We still made more per pound than if we'd sold at the dock, but we caught fewer pounds, had to do more running to make deliveries and assumed greater risk.

This document is intended to help you decide whether to direct market your catch and, if you choose to do this, to help you avoid some of the potential pitfalls of direct marketing. Separate chapters address strategies for distributing seafood, finding domestic and international customers for your catch, packaging and shipping seafood products, the basics of business planning and a few other important related topics. It is based on an earlier document, *The Alaska Fisherman's Direct Marketing Manual*, with updated information and a much wider geographic focus for fishermen in Washington, Oregon and California.

I encourage you to read these chapters from beginning to end, and then to go back and study the sections that most closely pertain to your business. Not all of the advice will pertain to your particular operation, but some of this text is sure to help almost anyone in the business. You can benefit from the acquired wisdom of people with first-hand experience in the seafood industry.

—Terry Johnson, Editor

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Defining Direct Marketing

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For many fishermen, direct marketing has meant more work, greater anxiety and uncertain returns. In the past, relatively few have even tried it, and even fewer have found it practical and profitable. Remote locations, high catch volumes, variable species and grades and a variety of other factors have made direct marketing difficult or impossible for most fishermen. The excellent services provided by the traditional processors, prompt payment and convenience of delivery to a tender or dock has kept many from trying.

However, times are changing in the fishing industry. Because of dramatically lower ex-vessel prices, boat limits, reduced tender and other services and, in some cases, a lack of buyers altogether, more fishermen are looking into direct marketing. Change can be threatening, and many fishermen are worried about their futures.

Change can also provide opportunity. Development of the Individual Fishing Quota (IFQ) program, for example, has given fishermen a chance to harvest their quotas a little at a time and retain ownership of their catches to get the best value. New chilling and processing technologies are making it easier to handle, store and transport fish products. The Internet has opened up the world to sellers of all kinds of goods, including fresh and processed seafoods.

What Is Direct Marketing?

Direct marketing means selling a product to a user at a point on the distribution chain higher than the primary processor.

Normally, a fish flows through the chain in a manner something like this: the catcher sells to a processor, who sells to an importer or regional distributor, who sells to a local wholesaler, who sells to a retailer (store) or food service operator (restaurant or hotel), who sells to the public. Sometimes secondary processors are involved, as well as brokers, shippers and so on. A fisherman who does direct marketing might sell directly to the public or

to one of the wholesalers or distributors somewhere in the middle of the chain.

Some people call this “getting rid of the middleman” but, in reality, you don’t get rid of the middleman, you *become* the middleman. You do the jobs, incur the expenses, and take the risks that someone else would have, and hopefully, you get paid those shares of the final value of the product.

A dead fish is a raw material. Its relationship to the retail item or restaurant entrée is something like the relationship of a felled tree in the forest to a finished house, or at least to milled lumber in a lumberyard. The value of the final product is a reflection of the intrinsic value of the raw material plus the value of the labor, technology and risk involved in bringing it to the market in its finished form.

Fish is highly perishable, subject to wide variation in quality and constantly changing market demand. Risk is a large part of the value of a finished seafood product. If the product is mishandled, delayed in shipment or sold during less than optimum market conditions, it can drop in value or become entirely worthless. Each entity in the distribution chain assumes some of the risk involved in bringing the product to market, and the fisherman who becomes a direct marketer assumes a greater share of that risk, in direct proportion to the greater share of the profits he or she expects to realize.

What Kind of Direct Marketing Might Be Best for You?

The first step as a fisherman in considering direct marketing is to decide what kind of operation would best for you. Do you want to sell directly to the public? If so, you become a retailer and you may spend a lot of your time sitting in a shop, on your boat in harbor or at a roadside stand, with a scale and a cash register, meeting

■ ■ ■ **You don’t get rid of the middleman, you become the middleman.**

your customers face-to-face. Even if you ship or deliver your fish to your buyers, you will have to be a salesman, talking up the quality of your product, answering lots of questions, making lots of calls.

Don't have time for that? Maybe you want to wholesale your product, delivering to individual restaurants or fish markets. If so, you won't have to sit in your pickup by the side of the road day after day, but you probably will have to meet a delivery schedule of one or several days a week. And you'll have to produce the size, quality, species and form of product your buyers demand.

Maybe you would rather sell to a wholesaler and let that person worry about making the sales, delivering the product and collecting payment. Of course, the amount you get for your fish will be lower, but your time commitment will be less.

The further up the distribution chain you choose to work, the greater portion of the total retail value of the product you get to keep for yourself, but the more time, complexity and risk is involved. The only way to completely avoid some level of additional complexity is to sell ex-vessel to your processor and avoid direct marketing altogether.

So, What Exactly Does a Direct Marketer Do?

A fisherman who wants to take on the challenge of direct marketing must do some or all of the following:

- Chill or refrigerate the catch on board or immediately after getting to shore
- Gill, gut, slime, wash and re-chill the fish for shipment or dockside sale
- Box or package the product and physically move it off the boat
- Acquire equipment (such as a truck) to transport the product to the point of sale or delivery, arrange shipment, weigh, prepare airbills, arrange transportation and drayage, transfers and final delivery
- Purchase packaging and labeling materials and containers and, possibly, arrange backhaul of shipping containers
- Send bills, collect payment, deal with customers who don't pay and with complaints, as well as negotiate terms and specifications
- Obtain all licenses and permits, pay bonds, collect and pay fees, complete forms and file reports, submit to inspections and file and pay quarterly and annual taxes.

The further up the distribution chain you choose to work... the more time, complexity and risk is involved.

Processing Plant: Yes or No? published by the Institute of Social and Economic Research, University of Alaska Anchorage, available on the Web at www.iser.uaa.alaska.edu/ResourceStudies/VillageFishProcessingHandbook/default.htm.

Of course, all that comes after finding potential customers, selling them on the product, and negotiating prices and terms. This can mean buying advertising, writing and printing promotional materials, posting Web sites, sitting at booths in farmers markets or aboard the boat at dockside or going on sales trips to distant cities.

Some direct marketers do even more. Some perform or contract custom secondary processing. They make steaks, fillets or portions or produce salted, pickled, canned or smoked products. Some make up fancy packaging with eye-catching labels. Some put on promotions and do in-store cooking demonstrations. Some open retail shops or kiosks, print mail-order catalogs, design tee-shirts and print postcards with designs that complement and promote their fish products. Some start out as direct marketers of the fish they catch themselves and end up as buyers, processors and sellers of fish they get from others. In essence, they become fish companies.

Is Direct Marketing for Me?

For some people, the idea of going into direct marketing is an emotional response to what they consider an unjust or worsening situation: "The processors are ripping us off. They're making big bucks on our fish and paying us peanuts. I'm not gonna take it anymore; I'll just sell my own damn fish."

Whatever your motivation for considering direct marketing, you need to take stock objectively of your situation. This includes an assessment of your personal strengths and weaknesses as a potential direct marketer. A good fisherman doesn't necessarily make a good fisheries businessman, and a businessman is what you are if you do direct marketing.

Cash flow is a big problem for many direct marketers. Instead of landing fish and getting paid, you are landing fish and paying money to others. Then, after paying processing, shipping, insurance, packaging, cold storage

Got the Goods?

What's your potential as a direct marketer? Test yourself by honestly answering these questions:

- Am I good at bookkeeping and paperwork?
- How do I feel about being a salesman, either on the phone or in person? Do I enjoy meeting and talking to people?
- Am I good at taking care of details?
- Do I need to be paid immediately or can I wait to collect my money?
- How forceful can I be at making people pay what they owe me, or otherwise do what they have agreed to do?
- Can I stick with one task, week after week, year after year, or do I quickly become bored and need frequent change?
- Am I willing and physically able to do the extra work and commit the additional time to run a direct marketing operation? Or do I prefer to put the boat away and forget about fish at the end of the day or the season?
- Is my family supportive of this change, and can they make any necessary adjustments so that I can spend the additional time and money on the business?

If you feel you're psychologically suited to direct marketing, take stock of your strengths and weaknesses in the business:

- Do you have the equipment and a boat big enough to properly handle the product?
- Do you have, or have access to, ice or chilling machinery?
- Is there regular, reliable, affordable transportation from your point of landing to the location of your potential customers?
- Is the timing and volume of your catch conducive to taking the time out to handle and transport fish, and to meeting the volume and delivery frequency demands of your customers?
- Is the species mix and intrinsic quality of your catch appropriate to the market? (see *intrinsic* vs. *extrinsic* quality explanation in this manual)
- Do you have a plan for the roe (if your product is salmon) and for fish that your customers don't want due to species, size, condition or other factors?
- Do you have customers already lined up, or do you have a plan for selling your product?
- Do you have available cash for up-front operating expenses and to cover cash flow in case some customers don't pay or, if for some other reason, the operation is not immediately profitable?

and distribution costs, you may have to wait 30 to 90 days to get your money, hope that your customers come through with that money, and hope you don't have a product claim. Remember that all these cash flow considerations come on top of all the costs associated with your boat, crew, equipment and overall fish-catching operation.

How Do I Get Started?

If you are satisfied with your answers to the questions in the previous section and feel direct marketing might be for you, it's time to start planning your new enterprise. Every business should begin with a written plan (described in Chapter 4 of this publication). In it, you need to specify what your objective is, how you will operate, how you will keep track of your income and expenses, what you project your income and expenses to be, how you intend to grow, and so on. The seafood industry is constantly changing and what works today very likely will not be effective a few years down the road, so it is important to incorporate a plan for growing and for adapting to change in the market. Keep in mind also that it commonly takes three to five years for a new business to actually become profitable, so your plan has to address cash flow and your family's financial subsistence while your business is developing.

The second step is to draw up a marketing and sales plan and start lining up customers. Many fisheries businesses have failed because their owners bought the equipment, hired the help, produced a quality product but couldn't find a buyer willing to pay enough to make the venture profitable. With a few exceptions, seafood products do not "sell themselves." It is up to you not only to find potential buyers but to make it clear to them why they should buy from you rather than from someone else. Direct marketers often base their sales pitches on two things — superior quality, and personal service.

The terms "sales" and "marketing" are not the same thing. *Sales* is the process of presenting the product to a presumably willing buyer and persuading them to exchange their money for that product. *Marketing* is a wide range of activities, most of which precede the actual sale, that may include networking, public relations, advertising, market research, producing samples, conducting demonstrations, developing consumer-attracting packages and labels and providing generic information about the qualities and attributes of the kinds of products you hope to sell. For some examples of marketing, look up the Web sites of some existing direct marketers and see how they position their products in terms of flavor, purity, nutrient content, sustainability, the cultures of the harvesters and harvest locales.

You must be able to determine both who will buy your product and how much they are willing to pay for it. Pricing is one of the most important skills of small business — too low and you don't make money; too high and either no-one will buy or someone will buy initially but soon a competitor will come along and undercut you. That means you must do market research. Before you invest very much capital and time into developing this business, you are well advised to study the current market and market trends, understand the factors that influence price fluctuations and make reasonably accurate wholesale and retail price projections for the coming season. Until you have a pretty good idea of how much you will be paid, you have no way of knowing whether the business will be profitable.

See how [your competitors] position their products in terms of flavor, purity, nutrient content, sustainability, the cultures of the harvesters and harvest locales.

Once you're satisfied that you can find customers who will pay you a price you can live with, as demonstrated in the *pro forma* of your business plan, you need to check on all the pertinent laws, regulations and requirements. Fish is food, and when food goes into commerce, governments get involved and they tend to take very seriously their responsibility to protect public health. Depending on your type of operation, you will probably need at least one business license and you may need a processing facility permit. You may be required to obtain various state and local fisheries business licenses, you may have to post a bond, you may have to complete and submit fish tickets, and may have to pay various taxes and fees. Many a budding small-scale fisheries business has been nipped by state and federal regulations that control, restrict or prohibit certain types of operations.

Once you've figured out all the above you may need to deal with financing. Start-up businesses that are *undercapitalized* — don't have enough money to buy equipment and supplies and to operate at a loss for awhile — tend to fail. If you have enough money in the bank you can self-finance, but remember that you are borrowing from yourself and are losing the income potential of that money if it were earning interest or used productively in some other investment (the so-called *opportunity cost*). Money may be available from outside sources, but, in most cases, it is hard or impossible to borrow money to start a small-scale fishery business for the simple reason that it is a risky business. To borrow you need to have your ducks in a row, so be prepared to provide financial statements, tax returns, financial references and other

required information. Often collateral in the form of property is required to secure business loans. Very rarely are cash grants made to start-up fisheries businesses.

After you have successfully addressed each of the issues listed above, you have a myriad of details to attend to. You need to order packaging materials, reserve transportation space, arrange transfer from your boat to the airline, trucking company or other means of transport, secure appropriate insurance, modify your boat and equipment, and decide whether to hire help. In your “free” time, you probably will be studying market newsletters, reading seafood industry journals, informing yourself on the jargon and operating procedures of transportation companies, learning about packaging and product quality assurance, credit and financing, and the food industry in general.

All this is the language and practice of your new occupation. As soon as you decide to take your fish anywhere other than to your local tender or processor’s dock, you are no longer in the fishing industry. You’re now in the seafood industry.

Distributing Seafood

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For a fisherman to compete in the seafood market, it is important to understand the seafood distribution system. This helps you identify potential customers, potential competitors and determine where you can best be positioned to build on your strengths and capabilities.

The distribution system in the United States may seem unnecessarily complex, with too many different entities taking cuts of the product's retail value. Rest assured that in some other countries it's even more complex. However, there are reasons that the seafood industry trades fish the way it does. The distribution system ensures adequate supply, minimizes waste, provides convenience and accountability and minimizes risk at each level of the chain.

If retailers and restaurant chefs could get fish that was just as good, and get it just as reliably and for less money through by-passing the distribution chain, they would do so. In fact, some of them do — buying directly from fishermen. If selling your fish straight to the retailer or food service operator is your goal, it's important to understand the roles of all those people in the distribution chain between you and the people who eat your fish.

The American Seafood Distribution Chain

“Chain” isn't the best word to describe the seafood distribution system, because it implies a single direct line of travel, when in fact there are multiple routes that a fish or fish product can take from your boat to the final consumer. Some might more accurately describe this system as a web or a network, with numerous interconnected routes. However, for the sake of discussion, the more commonly accepted term, chain, is used in this text.

It all begins with the processor, who sorts, weighs, grades, slimes and washes the fish and then performs *primary processing* tasks such as heading and gutting. The processor may also perform *secondary processing* tasks such as freezing, steaking, filleting or canning. Some processors also do additional *value-added processing* tasks such as smoking, battering and breading, cutting portion-control servings, vacuum packaging and gift boxing.

Also known in the trade as packers, processors may sell their products to buyers at any point along the distribution chain, but they usually sell to traders or distributors (described later in this section) because of the normally large volumes. They may also sell to supermarket chains. In some instances, primary processors sell to specialty or custom processors who do the value-added processing. In any case, processors take raw materials — dead fish — and convert them 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 employees of the processing company. They are paid a salary 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, who is an individual or firm that sells products on a commission. A broker usually doesn't take ownership of the product and, therefore, has little risk, or “exposure,” and no capital cost, but receives typically only about three percent of the value of the sale, or as little as \$.05 per pound. A broker may work out of a small office with little more than a telephone, fax and a computer, and probably spends most of the day on the phone. Brokers have to move large amounts of product to make a living, so they usually deal in volumes rather than specialty items. Brokers normally work specific geographical territories such as the Upper Midwest or New England, or sometimes specific product lines such as canned pink salmon or frozen halibut. They usually sell to distributors, supermarkets and large restaurant chains.

The distribution system ensures adequate supply, minimizes waste, provides convenience and accountability and minimizes risk at each level of the chain.

Sometimes the first buyer to take product from a broker is a trader. Traders buy from anyone, including fishermen, packers, re-processors and other traders. They buy at the lowest price they can, and sell to anyone, at the highest possible price. They may sell to wholesalers (described below) or directly to retail and foodservice outlets. They like to buy “back-to-back,” meaning they have it sold before they take possession of the product, and they like to buy “on the float” which means they arrange the terms of their purchase so that they have already been paid by their customer before they have to pay their supplier. 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 it needs.

Distributors, also called wholesalers, actually deliver product to the users. Usually distributors have fleets of refrigerated trucks and those trucks do the 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 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. Neither has much refrigerated storage on-site, so the wholesaler’s job is to provide a slow, steady flow of product to meet the buyers’ daily needs. Wholesalers serve as buffers between the processors, who may produce millions of pounds a year, and dozens of end users, each of whom needs only hundreds of pounds a week or a few pounds a day. In most cases, distributors service the geographical regions where they are located. They commonly handle several lines of seafoods so they can supply their customers not only salmon from Alaska but also catfish from Mississippi, shrimp from Thailand, quahogs from New England and mahi mahi from Hawaii. They buy the product and then re-sell it at a profit, but profit margins are typically only 10 percent to 15 percent because of competition among distributors with similar or identical products. They buy from processors through their sales staffs or brokers, from customer processors, from fishermen and even from one another. To minimize risk, they prefer to buy small quantities and re-sell quickly, but because each wholesaler buys to re-sell to several retailers, their volume is greater than that of their customers. Much of the distributor’s stock-in-trade is the relationship he or she has with each customer; they trust the distributor to supply consistent quality and in volumes meeting their needs and nothing more. Because they buy in large volume, distributors can add small profit margins to their costs and still sell to their customers at competitive prices.

Small distributors are sometimes called “jobbers” and 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 whole fleets of refrigerated trucks. Some distributors specialize in sales to retail outlets or foodservice, and some do both.

Foodservice is the trade term for businesses that serve meals. The class includes restaurants, kiosks and street vendors, schools, prisons, hospitals, airline meal providers, corporate cafeterias or mess halls, entertainment venues such as sports stadiums, and special facilities such as cruise ships and lodges with meal services. Large restaurant chains account for a big part of the food service seafood consumption. Foodservice operators usually buy from distributors, although some restaurants are willing to buy directly from fishermen. Usually these are the so-called “white tablecloth” restaurants that feature very high quality fare at commensurately high prices.

The other endpoints of distribution are the various kinds of retailers, including supermarkets, fish markets, health food stores, gift shops and even certain upscale department stores. Most supermarkets in America are members of *chains*, that is, many stores owned by a single parent company. Large chains have tremendous purchasing power and move large volumes of product, which can be a good thing if you have tons of fish to sell, but a bad thing if you’re trying to sell small quantities. They buy from a number of different processors and distributors. Most chains have their own central warehouses in large cities and may operate their own fleet of delivery trucks.

Supermarkets (and some other retailers) have extremely high *overhead* costs — building and space rental or purchase, maintenance, staff, advertising, etc. In addition, they experience *shrinkage*. This is the term for product value lost to factors such as in-house cutting and trimming, declining quality during storage or desiccation from exposure to air. Because of these overhead and shrinkage costs, retailers have to *mark-up* their products by 30 – 40 percent and more. Retail mark-up is the largest single component of the increase in fish price between the catcher and the consumer, but, because of overhead and shrinkage involved, it isn’t all “profit.”

Much of the distributor’s stock-in-trade is the relationship he or she has with each customer.

Other retailers include those who market seafoods at the dock or from a truck beside the road, via mail order, over the Internet, by subscription and through direct home deliveries. Keep in mind that the aforementioned individuals are just the players who buy, sell, or take ownership of the product. Others in the distribution chain include:

- Delivery services, such as Federal Express, United Parcel Service, DHL and the U.S. Postal Service.
- Trucking and air freight companies, which also transport large quantities of product
- Cold storage companies, which perform a variety of services including flash freezing, holding in frozen storage, retrieving, sorting, boxing and, in some instances, certain kinds of custom processing
- Drayage firms, which pick up products at the airport and deliver them to a buyer or *vice versa*.

Plenty of 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. It's complicated in the U.S. but even more so in other countries.

The Seafood Distribution System in Japan

Japan consumes more Alaska and West Coast seafood products than any other foreign country and much of the fish-processing infrastructure in the U.S. is owned by Japanese corporations. Some direct marketers have successfully broken into the Japanese market. To do so requires an understanding of the system there, which is similar to ours but with a couple of additional links in the chain (or meshes in the web).

The biggest-volume fish-landing port in Japan is Narita Airport, which has a huge quarantine facility and a large staff of chemists, microbiologists and inspectors who closely examine each arriving shipment to ensure that it is properly documented and meets Japanese government standards for sanitation, additives and overall wholesomeness. Frozen and preserved fish products also arrive by ship, of course, but Narita is the point of entry for the biggest percentage of fresh and perishable product.

However, few foreigners attempt to ship fish to Japan and sell it themselves. Most, including the largest packers, sell to importers. Some of these importers are relatively small independent businesses; most are part of large vertically integrated fisheries companies that may own catcher vessels, processors, distributors, and even factories that make fishing equipment. Companies with "Sui" or "Suisan" in the name (for example, Nippon Suisan-Nissui) usually are fishing companies.

Japanese importers maintain offices in key West Coast cities in the U.S., send agents to the grounds to supervise purchase and handling of product and perform a variety of tasks concerned with getting product into Japan. This includes chartering refrigerated "trampers" or tramp cargo ships that steam to Alaska to pick up frozen fish

In Japan, appearance is at least as important as flavor in food, and portions are characteristically much smaller than in America.

and carry it to Japan, dealing with importation paperwork, arranging drayage and trucking after the product has arrived and selling the product through a system of wholesale markets and distributors.

Much of Japan's seafood is redistributed through a system of central wholesale markets, at least one of which is located in every major city. The most famous is Tokyo's sprawling Tsukiji Central Wholesale Market, but Tsukiji is only one of seven wholesale markets in Tokyo alone. Tsukiji covers about 20 acres and consists of various zones where different kinds of products are sold. Live crabs, live eels, whale meat, poisonous puffer fish, and a bewildering array of fresh and processed products change hands in a few hours each morning. On a second level are halls full of boxes of salmon roe, beautifully packaged golden herring roe, cod, pollock, sea urchin and roe-on-kelp. The inner ring of rooms is where traders buy volumes at auction. In outer rings, small wholesalers and retailers sell to buyers from individual fish shops and restaurants. It's even possible to sit down in a little open-air shop and enjoy a freshly grilled filet with rice or noodles.

The big importers and trading companies with their offices in buildings in the market supply the myriad of small distributors that fan out from the market each morning with little diesel reefer trucks, delivering product all over the huge Tokyo metro area and to dozens of smaller cities surrounding it. However, not all product goes straight to retailers and food service.

In Japan, appearance is at least as important as flavor in food, and portions are characteristically much smaller than in America. Much of the raw product is taken to re-processors or secondary processors, where it is sliced, portioned, colored, garnished, seasoned, packaged or otherwise prepared for a sale. Salmon, for example, typically is cut into 100-gram (about 3.75-ounce) slices, and the fish is reassembled with the slices only slightly separated to make a visually appealing display. Packaging is very important and labels sometimes are works of art.

After re-processing, yet another distributor may buy the product for re-sale to a fish market or restaurant. Some distributors operate fleets of tanked trucks for delivering live fish, and at least one has built tanked rail cars for getting live fish from one part of the country to another.

The supermarket has caught on in a big way in Japan but still not as big as in the U.S. Many Japanese prefer to buy their fish from the local fish market and go to other shops for produce and staples. Department stores — the same ones that sell designer fashions, cosmetics and house wares — dedicate one floor to luxury foods and have large sections of gourmet seafoods.

From fisherman to packer to tramper to importer to wholesale market to trader to re-processor to refrigerated storage to distributor to retailer, your fish passes through several sets of hands before reaching a Japanese consumer. Many in the industry lament the inefficiency of that system, and some of the supermarkets are trying to cut out some of the middlemen. But traditions die slowly in Japan and each of those entities smoothes the surges in product flow and absorbs some of the risk. Japanese businessmen are famously risk-averse and are reluctant to by-pass old and cherished business relationships just to shave a few yen off the final price.

It's possible to direct market in Japan, or at least to break in at a higher level of the distribution chain, but it's not easy and requires a lot of local knowledge — in other words, a well-connected partner.

Finding Customers

3

A few direct marketers actually are pestered by would-be customers begging for fish. However, most spend a lot of time and energy finding customers, and then holding on to them once they've made the initial sales.

There are many sad stories of individuals who have built small-scale processing plants, purchased expensive packaging, enlisted family and employees to help with handling the catch, rearranged their fishing schedules to put fish into their line, and then, only as an afterthought stopped to ask themselves, "Now, who is going to buy my products?"

How you go about finding customers depends a lot on what you are planning to sell. It also depends on where you expect to sell your catch, and how you plan to supply your customers once they've shown an interest.

Defining Your Product

It may seem like circular reasoning: to find customers for your product, you need to clearly define that product, and to decide on a product, you need to consider what the market wants.

Fifty years ago, most troll salmon was brined in barrels and sold as "mild cure." Cod was heavily salted and dried. You'd have a hard time selling either of those products now.

"Market research" comes in a variety of forms, some very sophisticated and some as simple as making a few calls and asking people what they want. But simple or complex, it's essential that you do it. If you've got alligator chums and the market wants ocean-brite reds, being the best salesman in the world isn't going to move your product. Usually the issues aren't that clear-cut, however. You might have the right species and right grade, but are the fish the right size, are they dressed or processed to the buyers' specifications, can you provide them in the right quantities and at the right frequency? You need to define clearly what you can provide and then go looking for buyers who want that specific product.

Direct marketers often have little choice in the species, grade, form and quantity they can supply. This is especially true in marketing fresh fish, where additional processing, preserving, packaging and storage may give direct marketers some additional control over their offerings, but at a price.

The same fish that may be impossible to flog as an headed and gutted (h&g) carcass in a plastic bag might go like "hotcakes" as a smoked-side or a portion-controlled entrée in a microwaveable retort pouch.

Sometimes the easiest and most cost-effective 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 lined up beside the boat at the dock. But catcher-seller direct sale to the public only works for certain kinds of fishermen. Everyone else has to go looking for customers.

Picking a Geographical Market Area

If you're planning to sell fresh fish from your boat or pickup truck, you probably already know where you will operate. Otherwise, the choice of a geographical market is part of the strategy for finding customers.

There are some widely-held beliefs about seafood demand. The West Coast, and especially the Pacific Northwest and Alaska, are well supplied with seafood. The Rockies, Midwest and Sun Belt are crying out for it. The Deep South eats a lot of seafood but less expensive products, while New England goes for the expensive stuff. There's some truth to all these views but the picture is far more complicated. In general consumers in large urban areas 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

"Market research" comes in a variety of forms... But simple or complex, it's essential that you do it.

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? As many direct marketers will tell you, the best way to sell fish in another part of the country is to live there. But if that's not the case, do you have friends who could put you up while you're there temporarily, 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 Chapter II of this document): do you have any advantages in a particular location that favors it over other locations, and gives you a leg up on the competition?

Which Link in the Chain?

Looking back at the previous chapter on the distribution chain, to which link 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 farther along the chain you go, the greater your potential return per unit of product, but the greater the risk you assume.
- Consumers have the most 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 have some capability of trimming imperfections and of holding excess product for a few days.
- Distributors and traders will buy larger quantities and may be able to use different species and grades.
- Brokers work for pennies per pound, so it's not worth their time to deal with small quantities. However, they might be able to sell a large load, possibly by parceling it out to several other middlemen.
- The farther along the chain you go (with the exception of selling off the boat or out of your pickup), the more service you'll have to provide in terms of sorting and grading, packaging, transportation, delivery and maintaining communication with your buyer. If you let a broker handle the deal or if you sell to a trader, either person will arrange some of those services.

Finding Those Customers

OK, you've decided on your product, you think you know where in the country you want to sell it, and you've decided where in the distribution chain you want to sell. What you do next depends a lot on the product and your target on the distribution chain.

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 geographical region. (A list is presented in Appendix K of this document.) Some agencies, such as the Alaska Seafood Marketing Institute, publish directories of brokers, traders and other kinds of buyers, and also list producers, such as yourself. Be sure that, as a direct marketer, you are listed in the next edition, along with the products and product forms you plan to sell.

... If you find your potential customers through directories, phone books or trade journals, you are going to have to do the selling yourself.

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.

Industry trade journals such as *Seafood Business* are good sources of ads for companies that may be looking for product to buy. It's even possible to advertise in a trade journal yourself, although that's a less common way of doing business these days. It's also a good thing to subscribe to at least one seafood industry journal and any pertinent market newsletters, just to keep up on trends affecting your business. The appendices of this book contain listings of sources for information on finding potential buyers.

Remember that if you find your potential customers through directories, phone books or trade journals, you are going to have to do the selling yourself. That usually means making a lot of cold calls to strangers who may or may not have the time to listen to your pitch.

If you plan to do retail sales, you're almost certain to need to do some advertising. Paid print and broadcast advertising can be "black holes" of cash flow with no guarantee of success. Some retail businesses calculate 20 per cent of anticipated gross sales as the correct amount to spend on advertising, but even that is no guarantee of success. It usually doesn't pay to buy a single ad, big or small; advertising purchases should be incorporated into an overall ad campaign that includes a message, plans for size and frequency, and a means to measure effectiveness.

You may want to 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 whether the ad people really have a strategy for selling your product.

Not all forms of promotion are as expensive as paid print and broadcast advertising. Some of the most effective promotion is free publicity you may be able to garner by attracting a reporter, photographer or film crew to your site to do a story. (This is considered public relations.) Think Copper River salmon and the big media hype that surrounds the first catch of the year. Sometimes press releases are very effective at getting you ink on the printed page. A great tactic is to get a local or national celebrity to display or talk about your product to the news media. Sometimes one will do it simply because he or she believes strongly in your product; otherwise, you may have to pay a substantial amount for a celebrity's product endorsement.

Some kinds of advertising you can do yourself, at relatively little cost. You can print up brochures or fliers and distribute them by hand or by mail or by posting them on bulletin boards. You can make up products 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.

Some catcher-sellers find that a sign board is good but it works even better when combined with a little paid newspaper or radio advertising. One of the principles of advertising is that the more times a message is encountered, and in the more forms, the better it is remembered and the more likely it will elicit a response.

All these kinds of advertising are intended to draw customers to your site, but it is still up to you to sell the product. To be an effective seller, you should have a neat and clean appearance, should keep a tidy site, and should 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. It's a business for extroverts, for people who love talking to people, and who don't tire of answering the same question dozens of times each day.

People use the Internet for nearly everything now, even buying and selling fish. Direct marketers who sell frozen or value-added processed fish have had some success reaching a much wider market than any newspaper ad would ever

bring them. The Internet has the advantages of worldwide distribution, potential for excellent color and graphics, capacity for large amounts of information in a single ad (Web site), and relatively low cost. It also has the potential of direct purchase through the site itself.

The main downside of posting a Web site is that there are literally billions of them already posted, and it is a challenge to position yours in a way that it can be found by the people who are looking for your product. There are numerous tricks for making your site attractive to the search engines that potential customers use, and generally it's best to hire a pro to optimize your site. Also, many of the businesses that use the Web have found that Web sites alone don't produce the results they need, so they incorporate the Internet into their overall ad campaign, and use print or broadcast advertising and public relations to drive customers to their Web sites.

A Few Internet Advertising Tips:

- Don't try to do it all yourself. Unless you have both the skills and available time, hire a professional Web site designer and a host to build your site and optimize it.
- Change the content periodically, and always reflect changes in offerings or prices.
- 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 the money.
- Go to a major search engine site and type in some key words 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.

Once you've decided what you want to sell, where, to whom and how, it's time to draft a marketing plan (described in Chapter 4 and Appendix M of this publication) that includes your specific marketing strategies.

Planning Your Business

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4

Nearly 75 percent of all start-up businesses fold within their first five years, and seafood businesses are not an exception. There are many reasons. Some business concepts simply aren't viable, but in other cases owners go broke because they lack sufficient operating capital, don't manage well enough, or simply lose interest after awhile. Those who remain in business succeed because they have certain skills or attitudes that help them overcome all obstacles. The following tips are gleaned from interviews with dozens of successful direct marketers and their customers.

Strategies and Plans

Consult with a variety of marketing authorities.

Success as a direct marketer is dependent upon consulting with others in the business and the sharing of a broad range of practical information.

Define a target consumer population. Develop a list of products in seasonal demand in the target areas. To make direct marketing more workable, various strategies should be used including contacting seafood brokers, making use of the services provided by other regional marketing specialists, researching printed literature, and the use of Web marketing.

Differentiate your product from the competition. Why should someone buy from you rather than from someone else? Can you truly produce better quality, or offer a better price or superior service? You probably can't deliver all three at once, but while striving to do so emphasize what you can do.

Locate buyers who are your philosophical allies. Your customers need to understand the limitations of a small operator, and be willing to work with you and at the same time to pay more for premium quality fish. Buyers who simply want the cheapest source of supply probably won't be good long-term prospects even if you are "cutting out the middleman." Buyers who are interested in product appearance, nutritional benefits, the sustainability of the

resource, and fishing culture are the best prospects for a small independent marketer.

Do market research.

Invest time in understanding your potential markets.

When possible, talk to prospective buyers and consumers in person. Be

prepared to accept what they tell you and either act on it

or re-direct your efforts.

Test the waters before plunging in. Try to maintain a relationship with your current processor, who may be able to help you with your direct marketing enterprise, or who at least might take you back if you change your mind. Some processors will do custom processing for you or sell you back your own catch, both possible approaches to easing your way into direct marketing your catch.

Correctly assess your costs. It's easy to anticipate success when you see relatively high prices you can charge, but your profit is only what's left over after you pay 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. These are costs of doing business and should be included when projecting profitability.

React to good news. There is so much bad market news (market saturation, large carryover of previous year's products, etc.) that we often forget that positive news is present. Your business plan should exploit this information such as:

- Positive nutritional news (from infant brain development to the prevention of Alzheimer's disease in the elderly)
- Rapid development of the domestic fresh fish market
- Growing preference for "wild" and organic products

Buyers who are interested in product appearance, nutritional benefits, the sustainability of the resource, and fishing culture are the best prospects for a small independent marketer.

- New opportunities in the frozen portion controlled market
- The emergence of new Asian markets

Properly diversify your markets. Do not direct all of your products into a single market or market area. Develop markets in several broad regions. As product prices in one market area begin to decline because of oversupply, move on to the next.

Making provisions for future growth. Plan for the growth of your business and also for your clients' growth.

Making Sales

Geographical familiarity. Locate suitable markets for seafood products and determine how to efficiently transport your products. It is important to know the geography of the region, including the available transport infrastructure present in the area.

Develop your markets. Know 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 which person in the company does the actual purchasing and arrange to talk to that person.

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

Don't promise more than you're prepared to deliver. "Under-promise and over-deliver" is the key to good business. If you promise more than you can deliver on a sustained basis, you may get the first sale but probably not repeat orders.

Get everything in writing, especially quantities, sizes and grades, quality standards, delivery schedules, prices and payment terms. Use fax or e-mail to confirm any verbal agreements.

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 things like freight rates. Some buyers expect to pay fishermen less than the going rate because dealing with fishermen entails greater effort and risk on the part of the buyer. Have a strategy for responding when a competitor comes in with a lower price; some direct marketers will lower their prices to meet

competition, while others will hold the line in the belief that their quality and service are superior to the competition.

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

Be Sure You Get Paid

If possible, do a credit check on your customer, and check out the company's reputation. Some companies make a habit of cheating small and remote suppliers, whom they know can't afford the energy and costs involved in collection. However, word gets around, so take advantage of the grapevine.

Start off small. Never deliver 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 the final, large volume purchase, so build your relationship carefully.

Set realistic payment schedules. Most corporate buyers expect to pay anywhere from 14 to 90 days after taking delivery of your fish. If you can't live with this you need to negotiate for cash only. If you can negotiate payment on delivery, go for it. But that approach can greatly limit your potential market. Find out what payment schedule is normal in your segment, then set a schedule and insist that your customers adhere to it.

Establish a system for verifying the quality of the product when it arrives at its destination. Consider using recording thermometers or an independent agent to ascertain that your product arrives in good condition, especially if the buyer has a reputation for rejecting shipments or not paying.

Protect your product — and yourself — with insurance. Most seafood products are highly perishable, and a brief delay in delivery will make them worthless. Furthermore, certain fresh and processed seafood products have the potential for causing sickness, and therefore have potential liability problems. Cover these risks with product insurance and product liability insurance.

Potential Causes of Failure

Inadequate business planning. Some industry members have erred by assuming that a business plan need only be a brief diagram scribbled on a napkin. Hasty actions of this sort have predisposed many businesses to failure.

Failing to cope with new realities. Many processors have been unable to come to terms with changing market realities and have ceased operation.

Accounting failures. Failure to keep strict account of business finances is a chronic problem. Proper accounting practices should be used from the outset.

Inadequate capitalization. A business needs not only enough capital to purchase equipment, supplies, and raw material, but also enough to pay wages and operating costs while operating for one or more years until sufficient cash flow is established.

Underestimation of personal energy required. This is a chronic problem associated with direct marketing. Most participants are involved in a number of fisheries. There is little time available to deal with customers, air carriers, seafood regulators, and others — all of whom are essential to the success of your business. They need competent assistants. Beware of creeping exhaustion.

Insufficient credit control. Whenever possible, do not sell your product on credit. Arrange to take credit cards or insist on Irrevocable Letters of Credit if customers do not have cash. If you are convinced that credit is the only option, use a credit service to help you assess the financial status of your prospective customer. Remember, “It’s not a sale until the check clears.”

Ineffective cost control. Know all aspects of your operation, including how to control cost. The business must be simplified to its basic elements to maintain costs at a level that allows a margin of profit.

Excessive risk. Investigate all areas of risk, and find solutions to various identified forms of risk.

Market volatility. Carefully consider market fluctuations when deciding to actively engage in the business of direct marketing. A rule of thumb is to aim for a differential of approximately \$1.00/pound above the posted ex-vessel value of the product after direct-marketing-related expenses. Anything less than this represents a marginal undertaking because of the extra costs and risks associated with direct marketing.

Operating Tips

Prepare to change the way you fish. You probably will have to sacrifice volume to meet the needs of your customers. You may have to shift the species you target or change your timing for catching them to optimize quality and meet buyer demands. You may need to make more trips to town and spend less time fishing. Your objective is no longer to fill your boat, it’s to fill 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, services of a port engineer, dock space, boat storage and a range of other services that companies

provide their fishermen.

Separate the fishing and marketing functions. Many direct marketers say it is exceedingly difficult to run a catching operation and a sales operation at the same time. Many rely on a spouse to do the marketing business, or they use a broker or sales agent. Many have formed small marketing cooperatives, to ensure enough volume to support hiring a marketing person. However, few small-scale marketing co-ops have been successful.

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 as long as possible. Bled and chilled is assumed.

Buyers are more likely to be responsive if you can demonstrate that you will be in regular communication with them, and that they can reach you if need be.

Establish communication. One of the main reasons buyers are reluctant to deal with fishermen is that it is hard to keep track of them and the product, and to communicate concerns. Buyers are more likely to be responsive if you can demonstrate that you will be in regular communication with them, and that they can reach you if need be. Providing cell or satellite phone numbers is a help, as well as fax and e-mail. Some buyers will want to hear from you daily while you are fishing, so if yours is expecting to hear from you, be sure to call or be available to take their call, or they’ll soon lose faith in you.

Emphasize accessibility. A direct marketer needs to remain accessible to customers and resource managers. Fortunately, new means of communications are now improving access between Alaska and most parts of the world.

Respond quickly to customer schedules and specifications. “If you are going to keep ‘em, you will need to please ‘em.”

Maintain proper attitude. Some direct marketers have not done well because of business and personal problems.

Learn to be civil no matter what kind of day you are having. Some people should never have attempted product processing and marketing simply because they were not people persons.

Be consistent in terms of product quality, delivery timing, and price.

Use various means of promotion. Prospective marketers pursuing aggressive markets will need to invest in an expanded promotional effort. The use of expanded

advertising and product listings may be necessary to reach business goals.

Keep it simple. Your time is not unlimited. Project complexity increases the probability of many types of risk, and makes business capital more difficult to acquire.

Things to Keep in Mind about Direct Marketing

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

Buyers purchase seafood from multiple sources. If you're selling to a retailer or foodservice business, they probably are buying from processors, distributors and other fishermen, in order to satisfy all their needs. They may buy most of their fish from a volume distributor to minimize risk and keep the price down. There may still be a place for your offering in their selection, but they probably will be in touch with bigger suppliers and will know prevailing market prices and standards.

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

You can't be in two places at once. So, unless you're selling right off the boat, you will have to hire or contract someone to meet the plane or truck at the other end and deliver it to the storage facility or buyer. Buyers ask that air bills identifying the content, weight and arrival time be faxed ahead of time. Some cold storages will deliver the product locally. But nobody does anything for free, so you need to get the tariff (rate) sheets for the companies whose services you plan to use, calculate all the costs involved, and contract for their services 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. In most cases 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 parts of your catch at a price below what it costs to box them up and ship them.

Develop back-up market options. What will you do if a buyer refuses a shipment, cancels an order, reneges on a price agreement, or you simply find you caught more than you anticipated? You need back-up markets that are no more than a phone-call away. Relationships with brokers and traders come in handy at times like these. The only back-up plan that many people use is to 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 and some other products is in the roe, which you may find difficult to sell, or may have to market separately. See Appendix D for some tips on selling salmon roe.

There will be no retros. Salmon fishermen often get a 10-30 per cent "bump" after the season, but when you direct market, what you get is what you get.

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

Nothing is static for long in the business, and an exclusive arrangement with a buyer can quickly become uncertain or vanish altogether if another supplier comes along with similar quality and a lower price.

Writing A Business Plan

Your business plan is a blueprint that provides an outline of your objectives, the steps in meeting those objectives and the necessary financial requirements for both a startup as well as an existing business. It explains where your operation is, where it is going and how it will get there.

A business plan will be most useful if you update it as changes are experienced. These changes may be internal or external factors that may have either a negative or positive affect on the company. The plan should be reviewed annually to ensure you and your plan are still moving in the same direction, and to incorporate any changes that may have occurred.

The person best qualified to answer the questions raised in the business planning process is you. You have the information and details as to where the business currently is and where it intends to go in the short term as well as the long term.

There are many different business plan outlines that exist and no two plans are identical, however, there is standard information that is seen in most business plans. The idea in writing a plan is to provide as much information and detail as possible, so the reader is able to gain as much knowledge about your operation as possible.

Appendix M of this document contains a generic business plan that is adaptable to your operation.

Why Write a Business Plan?

There are three main reasons why you should have a business plan.

- A business plan provides you an operating tool for managing the business and working towards your goals and objectives.
- A business plan is a great resource for communicating the business ideas to potential financial institutions and/or investors for possible financing.
- Writing a business plan forces you to look at every aspect of the business in an objective, critical manner. In other words, it forces you to think about all the details of where the operation is and how it will move towards its goals.

There are many federal, state and private resources available to business owners for developing a business plan. There are consultants with experience and knowledge to assist with business plan development, as well as experts in many different industries who can provide information. There is also a plethora of information accessible at local libraries and on the Internet to assist with the plan. Appendix A contains information about such assistance in Alaska.

Considering Quality

Stephen T. Grabacki, Alaska Quality Seafood™ Program

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Before considering the quality aspects of your product, you must understand who buys your seafood. There are two basic types of customers who buy seafood:

- Trade customers, who intend to re-sell the seafood. These include secondary (“value-added”) processors, wholesale distributors, retailers (supermarkets, food shops) and foodservice establishments (restaurants, institutions)
- Ultimate consumers, who actually consume the seafood. They buy the seafood in retail stores, or they eat it in foodservice establishments

Of the two, the trade customers are more able and willing to articulate their preferences to you. The ultimate consumers simply “vote with their wallets,” by choosing one kind of seafood or its competitors. How the customers and consumers select their food directly affects your ability to sell your products.

Alaska and Pacific Northwest seafood competes with products from other sources, including Chile, Norway and Scotland, that have set high standards for quality and the ability to meet customer expectations. All seafood competes with other protein foods, such as beef, pork, chicken and turkey. In most markets, these non-seafood meats out-compete all seafood on the bases of familiarity, price, predictability of supply *and* reliability of quality.

Customer Expectations

Seafood must meet several basic customer and consumer expectations, which include, but are not limited to:

- Purity — Consumers prefer seafood from pristine natural environments, free of pollutants. Although some consumers prefer wild-caught salmon for that reason, not all customers are so discriminating.
- Safety — Consumers must be protected from harmful foods, especially contamination from physical,

chemical, or biological sources. The safety of your seafood is ensured by your adherence to the principles of Hazard Analysis / Critical Control Point (HACCP) and good sanitation practices.

- Quality — There are two ways to view seafood quality. One concerns the positive *intrinsic* characteristics of the seafood — taste, texture, color and appearance — that are biologically determined. The other concerns the *extrinsic* characteristics of seafood quality, which may be damaged by our industry’s practices: bruising, blood spotting, gaping, softness and general degradation. Obviously, 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.

Fish deserves the same respect as the other foods that you serve to your own family. The old maxim is more important than ever: “Keep it clean, keep it cold, keep it moving, handle it gently.”

How Quality is Lost

Seafood is delicate and easily degraded. Fish have a soft muscle structure, which is easily damaged. Fish flesh contains catabolic enzymes, which start breaking down the meat as soon as the fish dies and are an ideal medium for bacterial growth. Any sort of poor handling, warm temperatures or slow transit decreases the value of the seafood by diminishing its appearance, taste, odor, texture and shelf-life.

All seafood competes with other protein foods, such as beef, pork, chicken and turkey. In most markets, these non-seafood meats out-compete all seafood on the bases of familiarity, price, predictability of supply and reliability of quality.

Shelf-life is a measure of how long a fish can remain of good quality from the time it is captured to the time it is eaten. The longer the shelf-life (as viewed by the customer), the higher the value. Any delays or deterioration on the production end (catching, holding, processing, storing, shipping or receiving) decrease the shelf-life and the value of your product.

Rough handling very often results in internal defects that are not visible until the seafood reaches the customer.

In theory, the shelf-life of non-frozen high-fat fish (salmon, herring, sablefish) can be as long as 10 days, starting at the moment that the fish dies; the shelf-life of non-frozen low-fat fish (halibut, cod, pollock, rockfish) can be as long as 14 days; and the shelf-life of non-frozen shellfish (crab, shrimp, clams, scallops) can be as long as five days. However, these are theoretical maximums, which assume immediate, unchanging chilling (32° F), and absolutely perfect handling. The actual shelf-life of your products will likely be less, which is why you must do everything you can to avoid shortening this time period.

Quality begins to deteriorate even before a fish is landed. A salmon trapped in a gill net is already getting 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 the formation of bruises and blood spots in the meat. Studies by the University of Alaska's Marine Advisory Program have shown that these bruises can occur in dead fish as well as live ones. Rough handling very often results in internal defects that are not visible until the seafood reaches the customer.

Bacteria are present everywhere, including on and in the fish. As soon as the fish dies, the bacteria go to work, 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. When a fish dies, the catabolic enzymes are free to degrade the flesh, from the inside out. Like bacterial action, enzyme activity increases in direct proportion to temperature.

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.

When a dead fish is exposed to air, it undergoes dehydration and oxidation. Dehydration — the loss of moisture — results in toughening and discoloring of the meat. Oxidation is caused by the chemical reaction of fish oils with oxygen. It results in unpleasant odors and flavors. Both dehydration and oxidation are easily prevented through good temperature control, proper packaging, rapid transit of non-frozen fish and correct glazing of frozen fish.

Remember That...

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 seafood products arrive at the customer's location and the customer accepts the shipment.

Practices, Grades & Specifications

The best source of basic information on seafood quality is John Doyle's *Care and Handling of Salmon: The Key to Quality*, available from both MAP and 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 MAP 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.

As part of its Alaska Quality Seafood™ Program, the Alaska Manufacturers'

Association (AKMA) has developed a set of very detailed practices for maintaining quality on the boat and in the plant. These practices may be downloaded from the Program's Web site, listed at the end of this chapter. While these practices might be a bit too detailed for a one- or two-person direct marketing operation, they can provide helpful insights and information.

In fact, you can inform your customers about your quality practices in order to assure them that you are doing your best to produce and deliver top-quality seafood products.

Grades

The seafood industry uses a system of grades to indicate the quality of the product. These grades are 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. unbled; chilling; amount of defects, including skin cuts, internal cuts, punctures, bruising and scale loss
- Odor — ranging from “fresh” to “slight, not offensive”
- Eyes — ranging from “bright, clear” to “milky or cloudy”

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... allow clear communication between sellers and buyers.

- 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

AKMA's Alaska Quality Seafood™ Program has expanded on ASMI's salmon grades, to include the amount of gaping, the degree of firmness and the level of workmanship (for example, the symmetry of head-removal).

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

Both ASMI and AKMA can provide their documents, procedures, and grades free-of-charge.

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, portions or pounds
- Shipping — all the way to the customer, not 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.

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 staffs. Each customer will expect to receive seafood that conforms 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 — Let your customers know about the quality handling practices that you follow on the boat, during processing and during shipment.
- Product Grades — Be sure 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 the National Marine Fisheries Service, the

Alaska Manufacturers' Association and private-sector seafood inspectors.

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.

For further information on seafood quality practices, grades, and specifications, please contact:

Seafood Technical Program
Alaska Seafood Marketing Institute
311 North Franklin Street, Suite 200
Juneau, Alaska 99801
(907) 465-5560
www.AlaskaSeafood.org

Marine Advisory Program
University of Alaska
2221 East Northern Lights Boulevard, Suite 110
Anchorage, Alaska 99508
(907) 274-9691
www.uaf.edu/MAP

Alaska Quality Seafood™ Program
Alaska Manufacturers' Association
P.O. Box 241566
Anchorage, AK 99524
(907) 565-5655, 272-5600
ccummings@gci.net
www.alaskaqualityseafood.com

The following publications for handling North Pacific fish are available through local Marine Advisory Program offices:

Care and Handling of Salmon: The Key to Quality by John Doyle
Marine Advisory Bulletin No. 45, June 1995

Handbook on White Fish Handling Aboard Fishing Vessels by John Doyle and Charles Jensen
Marine Advisory Bulletin No. 36 June 1988

Quality Handling of Hook-Caught Rockfish by Brian Paust and John Svensson
Marine Advisory Bulletin 20 February, 1986

Care of Halibut Aboard the Fishing Vessel by Donald E. Kramer and Brian C. Paust
Marine Advisory Bulletin No. 18, May 1985

Packaging and Shipping of Seafood Products

Brian Paust

Marine Advisory Program, University of Alaska Fairbanks

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In many cases, shipping and handling will determine success or failure for seafood processors and direct marketers. Strict adherence to proper shipping strategies and a good working relationship between the shipper and carrier are essential to assure delivery of a high-quality product. While most West Coast seafood suppliers use truck transport for their deliveries, many Alaskans and others working in remote regions must use air freight to get their product to market. Air and ground carriers serving these areas play an important role in the regional seafood industry. Additional shipping options are available to those involved with frozen product.

Packaging

Proper packaging is necessary to maintain fish quality. Packaging protects the fish from physical damage and temperature abuse during the transport period. Containers must not leak, as fluids can damage transport vehicles and aircraft. Many different types of cartons are available. Most small-scale fish shipments are still done in wax-impregnated “wetlock” cartons, but there is a trend toward use of boxes with heat reflective outer surfaces and an inner layer of insulation.

You should consult the carrier for specific requirements. The following general packing procedures are recommended:

- Use a proper-sized box for the product being shipped. Check with your carriers along the entire route for their box-weight limits. Some allow weights of up to 100 pounds per container, but the trend is to smaller, more manageable boxes. It is important that the box is easy to handle yet provides adequate space for the product, internal insulation, and gel or dry ice packs. In most cases, boxes of 80-pound capacity or less are most suitable. Most air carriers require that wetlock boxes have gusseted corners. The box should have at least four staples per corner to maintain strength. Do not use strapping tape in place of staples. If multiple

containers are being shipped at one time, contact your air carrier concerning the use of pallets and other cargo containers.

Packaging protects the fish from physical damage and temperature abuse during the transport period.

- Use plastic liners to protect against leaks. Air carriers require a minimum of 4 millimeters of plastic in the box. Some shippers use two 2-millimeter liners. Precautions must be taken to prevent punctures of the liners.
- Chill the product to approximately 32° F before boxing. To protect product quality, it is important to maintain proper temperatures. Pre-chilling can be accomplished using slush ice or chilled sea water (CSW), refrigerated vans, or cold storage. Advantages and disadvantages of some of the popular methods are discussed in Appendix D. Some carriers will ship products in dry ice, but many will not, so check with your shipping companies. Likewise, some will not carry product in wet ice because of leakage concerns.
- Fish must be packed carefully. The visual quality of the product is important to most consumers. Fish should be placed flat and straight so they look natural. The box should fit the fish rather than making the fish fit the box. In most cases, skin-to-skin contact can cause product discoloration — a blemish that can lead to the downgrading of the product. Some markets require separation of product by plastic sheets or sleeves to prevent discoloration. Be certain to ask your client about product shipping specifications. Most shippers make use of some form of product separation to prevent skin abrasion and scale loss during shipping.
- Use gel packs or dry ice to protect the product from outside heat. (Generally, dry ice is prohibited in boxes shipped by air.) The correct placement of the packs is critical to maintain the temperature inside the box. Most shippers recommend using gel packs on top

Good insulation will help maintain refrigerated temperatures and protect product quality.

of the product to intercept heat. Extra protection can be provided by placing gel packs along the sides of the box. Gel packs must be completely frozen and leak free. Depending on type of coolant involved, a leaky

gel pack has the potential of tainting product. If there is a question about the integrity of the pack, throw it away. Use two 1.5-pound packs in a 50-pound box or four 1.5-pound packs in an 80-pound box. Avoid direct contact between frozen gel packs and unfrozen product surfaces — skin discoloration via superficial freezing can result. Wrap packs in several layers of newsprint to prevent this problem.

- Use of box insulation is strongly encouraged, and is one of the best forms of insurance a shipper can buy. Good insulation will help maintain refrigerated temperatures and protect product quality. Cardboard and wetlock boxes have very low insulating capacities. Although insulation reduces the volume and carrying capacity of the box, it provides significant protection at a modest cost. Box insulation is especially necessary when shipping to areas where the product may be unprotected during transfers or in hot weather, when shipping by unknown freight handling systems, and when the product is to be transported far beyond the airport. Several types of box insulation have become available in recent years, and polystyrene has long been a favorite, but now some jurisdictions charge service fees to cover recycling costs.
- Securely tie the plastic liners to prevent leakage if the box is tipped. Wrap and twist the liner and close with a heavy rubber band. Airlines occasionally conduct “tip tests” to determine whether containers are properly packed and sealed, and shipments that fail this test are returned to the shipper for re-packing. Live shipments frequently contain substantial amounts of water, so live shippers must take additional precautions to prevent leakage.
- Use strong plastic or metal strapping to secure the box. Plastic strapping should be secured using metal clips rather than friction welds. The general rule is to use at least two separate wraps around the girth of the container. In some cases, extra protection can be gained by using a single wrap of lengthwise strapping. The use of filament tape is to be avoided because it can fail during rough handling.

- All boxes should bear the identity of the product, shipper and receiver and should carry appropriate product handling labels. It's a good practice to include the words “Alaska” (or the point of origin) and “wild.” Some shippers also include product handling sheets for new customers. Others include specific marketing information about the shipment such as area caught, vessel name, gear type and, in some cases, suggested recipes. Many jurisdictions will require additional labeling, including the species being shipped and processor identification numbers.

These practices should be considered the minimum needed for proper protection of shipments where transit times are short and no problems are anticipated. In all cases, consult with the receiver for additional specifications. However, during long transit times (in excess of 24 hours), complex airline transfers, live shipments, or shipping into hot-weather areas, minimum packaging specifications are not sufficient. In these cases, extra packaging is needed to maintain product quality and container integrity:

- Quilted pads placed on the bottom of the cartons will absorb excess liquid that may accumulate during shipment. These pads can also be used to wrap individual fish, preventing scale loss and product shifting within the container. Fish may also be protected by the use of individual plastic bags. Additional gel packs and the purchase of shipping insurance will further secure long or difficult shipments. The use of horizontal dividers in large boxes separate layers and, when properly used, will prevent crushing.
- Gel ice comes in 1.5-, 2.5-, 5- and 10-pound packs, but the 2.5-pound size appears to be the most popular. It is possible to buy the plastic bags and the powdered gel, and make your own packs (check commercial listings for suppliers). Of course, before use, the packs have to be frozen solid. Also, keep in mind that gel ice is of no significant value for the refrigeration of product - it is intended to slow the inflow of heat into the interior space containing the pre-chilled product.
- Several alternatives to gel packs are available and most of them work fairly well. Ice pillows are plastic bags containing slush ice. Bead blankets are rolls of plastic material containing tiny gel cells and can be cut to size.

Time and Temperature Control

Time and temperature determine the rate of product quality loss and higher storage temperatures shorten shelf life (Table 1). A rule of thumb is: for every 10° F increase in temperature above 32° F, shelf life is reduced by half. Controlling the product temperature and holding time will go a long way to minimize quality loss and maximize shelf life. Ideally, all product will be kept in chilled storage at a temperature slightly above 32° F until the last possible moment, then delivered to the airport before shipment and loaded as the last cargo. Because of the negative implications associated with quality loss, the use of proper packaging strategies (gel packs, box insulation, absorbent materials, etc.) is recommended.

Table 1.
Effects of temperature on shelf life (days).

Storage Temp (Degrees 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

Packing and Handling

Package handling practices also affect product quality. The boxes used and how they are handled influence the condition of the product on arrival at its destination.

Generally, shippers use cartons having a burst strength of 250 pounds — the industry standard for many years. However, as costs have risen, some shippers have cut corners by using nonstandard boxes with as low as 150-pound burst strength, which are about 40 percent weaker than the standard, presenting potential problems in handling. Dropping a 150-pound burst-strength box even a short distance may cause seams to rip.

It is not easy to distinguish between 250-pound and 150-pound test boxes during handling. Major carton manufacturers test the strength of their boxes and print limits on the bottoms that tell purchasers and handlers if the proper weight box is being used. Unfortunately, many boxes do not have this testing seal and those involved cannot be certain of box strength. Ask about this information before making container purchases.

Any box dropped on its corner can easily rupture. This is another reason to use staples instead of filament tape to construct the box.

A wetlock box is rigid because of wax impregnation. While wax imparts strength and the ability to repel moisture, it also makes the box brittle. Rough handling can easily break sides and seams. Fold creases, where maximum stress occurs, can cause problems. Any box dropped on its corner can easily rupture. This is another reason to use staples instead of filament tape to construct the box. The metal staples help maintain the strength of the box.

Product can also suffer damage due to poor packing. Loosely packed fish can shift during shipment, losing scales and quality in the process. Use the proper size boxes and fill them to their rated capacity. Individual bags or packing material such as quilted pads placed between the fish help prevent scale loss. “Leakers” in the cargo holds of aircraft can cause substantial damage to the airframe. Similar damage will occur to truck bodies. It is not just the leaked liquids that cause this damage but the bacteria that grow in the liquid and produce acids that corrode metal. If a spill is cleaned up immediately and thoroughly, there will be little need to worry about corrosion. The recommended cleanup procedure is to blot up the spill, scrub the area with a neutral detergent (for example, hand dishwashing detergent) and then rinse the area with a weak chlorine solution.

Shipment Planning, Insurance Coverage and Limits

Successful fresh seafood shipments require careful investigation of factors that can affect product quality and on-time delivery. These include airline schedules, weather along the flight path, airplane transfers and required documentation. Maintaining good communication channels among the shipper, carrier and receiver is critical. All airlines have perishable product handling specifications and fee schedules, so be sure you are familiar with those that pertain to your business.

Shipping Considerations

Ask the following questions when planning shipments:

- 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 are needed to ensure product quality? Are extra gel packs needed? Should the box contain supplemental insulation? Is extra packing material needed to prevent shifting?
- When does the customer prefer 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?

One of the most overlooked aspects of shipping fresh seafood is the availability of insurance coverage. Each air carrier offers a slightly different choice of insurance policies.

Airlines provide basic coverage and charge for anything above the minimum. It is necessary to understand the policies of each airline and use them to protect the value of the product. In general, there are three levels of coverage: no declared value, declared value and full insurance coverage.

If no value is declared, air carrier liability is set at a fixed value with an upper limit usually around \$50 per shipment. Declared value coverage protects the shipment against loss and is an additional charge. Full insurance coverage protects the shipment against loss, damage, and spillage. It usually costs more than declared value coverage.

Considering the value of the product being shipped, the cost of insurance is small and can help recoup losses when the product has been delayed or lost. For insurance to be effective, shipments must be examined at the airport by the customer. If a problem exists, claims should be made immediately.

If the insurance issued by the air carrier is inadequate, you can go to your commercial insurance broker for supplemental coverage. Be certain of the nature of your insurance coverage — read the fine print.

Be certain of the nature of your insurance coverage — read the fine print.

Contingency Planning

When shipping fresh seafood, expect the unexpected. The shipment could be delayed or miss a connection, or the customer could refuse the product. A shipment contingency plan should include the following:

- Ready availability of addresses and telephone numbers of alternate customers or brokers for the product
- Locations of and contact information for local cold storage facilities that can handle and repack the product if needed
- Alternate means of transportation and routes to the final destination
- Pertinent information (air bill number, flight numbers, transfers and routing) so the shipment can be traced
- Access to automatic shipment tracking services, if available
- Contact numbers for key airline personnel and local representatives who can personally handle the product
- Procedures to quickly retrieve the product from the destination and direct it elsewhere
- Insurance information.

Having this type of information available will speed the handling of problem shipments and save money.

Freight Forwarders

Using freight forwarders to handle product shipments is another form of insurance that may be worth the cost. A wide range of services is available.

Freight forwarders act as agents for the shipper and ensure that the perishable shipments are handled properly at transfer points and destinations. They provide personal service that may be essential when establishing new markets or dealing with large volumes of product.

Forwarding companies should be chosen for their track record in handling seafood shipments. The size of the operation may be important in getting personal attention for problems. The facilities of the freight forwarder are also important. The company should be able to hold product in cold storage or refrigerated storage and repack if necessary.

Kkeep it cool, keep it clean, keep it moving and handle it gently.

Conclusions

To be successful in the seafood business, you must control packaging, time, temperature and product handling.

Keeping seafood cool and preventing rough handling will eliminate many of the problems encountered in shipping perishable product. Proper planning for shipments, understanding the freight system, and having contingency plans are important parts of the total program for handling seafood. Good communications with customers, air cargo employees and freight forwarders are also essential for ensuring that seafood shipments get to their destinations successfully.

One final point about shipping: you will pay for the full weight of the shipment, including contents, box liner and gel packs. Ethically, though, you can only charge your customer for the contents. There may be a difference of seven to 10 pounds per individual wet lock box full of product.

Remember the four basic rules of quality handling that apply to harvesters, processors, and seafood transporters: "Keep it cool, keep it clean, keep it moving and handle it gently."

Marketing Internationally

7

Pete Granger

Washington Sea Grant Program

Bennett Brooks

formerly with Alaska Department of Commerce & Economic Development

You've had some experience and success in marketing your seafood to domestic markets and you've heard that export markets may be more profitable. Or, you have an opportunity to exploit a specialty product that is sold only into an international market. Be prepared to encounter a variety of new opportunities and challenges.

Frozen-at-sea trollers in Oregon and Washington have created opportunities in selling under 10-pound king and under six -pound coho salmon to Japan. Pacific cod longliners have a ready market for their product in the Far East. Divers for sea cucumber in Southeast Alaska ship their product to Hong Kong. Coastal Oregon fishermen are experimenting with live shipment of crab and rockfish overseas to Taiwan.

The challenges are found in dealing with the 17-hour time difference with the Far East and the foreign languages, international trade regulations, changes in packaging, and different business practices to be encountered when entering the export market.

Exporting means selling your seafood products in new markets, often in new ways or new configurations. There is much that will be unfamiliar to first-time exporters. Gaining success in the midst of this "newness" means a substantial amount of work requiring new commitments and resources. For those of you facing the decision to export or not, we offer a list of some of the issues commonly faced in deciding if exporting is the right choice for your seafood operation at this point in time:

- Do you have someone you can hire or contract who is familiar with seafood export procedures? *Traders and brokers with a long history of international sales abound in Washington, Oregon and Alaska. Larger foreign buyers have company representatives with offices in Seattle.*
- Can you afford to dedicate the time and energy required for an export project? *If you are part of your fishing operation, are you willing to come ashore and tackle the selling and marketing of your product?*

- Do you have the production capacity to accommodate export sales? *Domestic niche markets can often accommodate less-than-truckload sales, but foreign markets for such commodities as frozen salmon, bottomfish, and crab demand sales in vanload quantities.*

- Do you have the capital to invest in developing export markets? *If you do not have your own dollars or those of a financial backer, selling to a trader who is familiar with the export market and is willing to take possession of your product is an option.*
- Are you willing to do things (product configuration, including boxing and labeling, production, selling, etc.) in new ways? *Often times you must find a custom processor or packer who is familiar with export requirements or must be taught by you or your representative those requirements.*

When you have considered these issues and feel you are ready to move forward, there definitely is a steep learning curve.

Five Steps to Success

Step 1. Selecting Possible Markets:

You must make choices of export markets that suit your product. To do that you need to ask several questions, including:

- Which markets are importing fish like ours? *There are some standards such as medium coho to France, chums to England and Germany, cod to Spain and*

Exporting means selling your seafood products in new markets, often in new ways or new configurations. There is much that will be unfamiliar to first-time exporters.

Eastern Europe, sockeye to Japan and specialty shellfish to the Far East. However, there are emerging markets in China, Russia and other locales, where a burgeoning middle class is just acquiring tastes for salmon and halibut and can pay for them.

- Where are our competitors selling their products? *You have to gauge whether a market is not already saturated or if some one is already there and needs more product. Perhaps it is more to your advantage to partner and combine production capabilities with a fishermen who has already pioneered a market.*
- Where do we have a cost advantage? *You need to figure out the following costs for your product and then compare them to dock prices for similar product to see whether there is enough margin for you to make it worthwhile:*

Processing costs including grading, boxing and cold storage

Insurance, financing and transaction costs

Loading, transfers and overseas freight

Certification or inspection fees

Documentation

Customs duties, tariffs and taxes

Exchange rate differences(if applicable)

Sales brokerage (if applicable)

Product testing (if applicable)

Additional overhead such as time spent on this new venture

- Where do we have a product quality advantage? *This may be the most important advantage you have — the one that sets you apart from the competition and gets you the extra profit you are seeking. How do you maintain that product integrity for the long journey overseas?*
- Which markets have contacted us? *Should you be so fortunate as to be approached by a foreign buyer or a trader or broker looking for product, by all means, investigate and decide if you should exploit that market with them or on your own.*

Resources for International Marketing Assistance

State Marketing Officials

(for expertise, statistics, foreign offices and contacts, and knowledge of regulations)

- Alaska Seafood Marketing Institute, www.alaskaseafood.org, 800-806-2497
- World Trade Center Alaska, www.wtcak.org, 907-278-7233
- Washington Department of Agriculture, International Marketing & Export Assistance, www.agr.wa.gov/marketing/International, 360-902-1915.
- Washington Office of Trade & Economic Development, www.cted.wa.gov, 206-256-6100
- Oregon Department of Agriculture, Export Service Center, <http://egov.oregon.gov/ODA/LAB/esc.shtml>

Trade Publications and Web sites

- Worldcatch – The Wave, www.thewaveonline.com
- Intrafish, www.intrafish.com
- Alaska Fishermen's Journal, www.afjournal.com
- Pacific Fishing Magazine, www.pfmag.com
- Seafood Business, www.seafoodbusiness.com
- Infofish, www.infofish.org

Other

- Western U.S. Agricultural Trade Association (which covers seafood products as well). www.wusata.org/
- International Boston Seafood Show, www.bostonseafoodshow.com
- European Seafood Expo, www.euroseafood.com
- China Seafood Show, www.chinaseafoodshow.com
- International West Coast Seafood Show, www.westcoastseafood.com
- Northwest Trade Adjustment Assistance Center, www.taacenters.org

Step 2. Investigate Foreign Regulations and Trade Barriers

There is the story of a salmon fisherman who shipped a short vanload of frozen coho to Japan and added two boxes of kings as a gift to his buyer. Japan customs agents seized the entire load, thinking the fisherman was misrepresenting his product. By the time the buyer and his legal representative had untangled the mess, all of the fisherman's profit had been sucked out of the shipment in legal fees. His letter of credit expired in the process and payment was delayed another two months!

Doing business across borders is a tangle of regulations and paperwork. Precision counts and mistakes — particularly when shipping fresh seafood — can be costly. Most important, you must be aware that exporting your seafood involves a series of bureaucratic hurdles, with laws and requirements that vary from country to country.

Every shipment of seafood you send abroad must be accompanied by several documents, regardless of country of destination. At a minimum, these include a certificate of origin, commercial invoice and a packing list.

Many countries require a general certificate of wholesomeness, issued by a state or federal agency, depending on the shipment's origin. Others may require more specific testing, depending on the type of product, especially if it is live shellfish.

It is not impossible for you to handle these requirements by yourself. However, with all the other worries of your business, you would be advised to seek help from freight expeditors, customs brokers and your financial institution.

You must also consider tariff rates — the tax imposed by each country on imports. These tariffs vary greatly and must be considered in pricing your product, so as to cover this added cost and provide a profit margin as well. The Web site of NOAA Fisheries (formerly, National Marine Fisheries Service) contains information on tariff schedules for various countries and the European Union at www.nmfs.noaa.gov/trade.

Every shipment of seafood you send abroad must be accompanied by several documents, regardless of country of destination. At a minimum, these include a certificate of origin, commercial invoice and a packing list.

Step 3. Learning Foreign Business Practices

You've identified a market and learned what paperwork is needed to qualify and ship your product. Now you need to familiarize yourself with the culture and business norms of your product's international destination. It is also important to know any trade terms used in international circles. Some of these are defined in the appendix attached (Appendix K).

As simple a notion as sending faxes on time will go a long way toward cementing relationships with others, including buyers in Japan. Late replies to faxes will send a signal to would-be customers that you may not be trustworthy. Even more than in domestic US markets, good relationships with foreign buyers spell the difference between failure and success. Once you've established a trustworthy relationship — one based on honesty and fairness — with a buyer in the Far East or Europe, that sales option for you will last a long time. After they've established such a relationship, foreign buyers tend to be far less fickle than domestic customers.

Step 4. Financing Your Transaction and Covering Your Risk

Marketing your fish internationally adds several layers of risk and costs that must be considered when putting together your business plan and calculating your costs.

Extra costs can involve such things as additional time and energy overseeing the operation, international travel to make arrangements and meet customers, and shipping and insurance to cover contingencies that occur once the product leaves the U.S.

You must be prepared for any and all contingencies. For example, what if your fresh shipper left your shipment of sockeye on the tarmac at Seattle/Tacoma International Airport and it spoiled? What should you do if your product arrives in Taipei and the buyer backs out of the deal or even worse, he picks up the product and refuses to pay? You obviously need to take protective measures to deal with these and a myriad of other contingencies. These include: proper product, transport and customs insurance; secure payment methods including Irrevocable Letters of Credit (most big regional or national banks have international business departments that handle these); and establishing a trustworthy relationship with the buyer before any transactions occur.

Pay particular attention to how you are getting paid! Is payment in US dollars or foreign currency? What is the exchange rate at time of transaction? Is the selling price quoted covering your freight and insurance costs to destination (CIF – fish cost, insurance, freight or C&F – fish cost, freight) or does the foreign buyer cover those costs (FOB – free on board)?

Is payment in US dollars or foreign currency? What is the exchange rate at time of transaction? Is the selling price quoted covering your freight and insurance costs to destination . . . does foreign buyer cover those costs?

Step 5. Choosing Partners

After you have identified some target markets that fit your seafood product and have learned about the different regulations, business practices and financial aspects of exporting, you are still going to need some assistance from partners or direct representatives who can help with sales, transporting and financing.

We've already discussed the benefits of freight expeditors, customs brokers and financial institutions. However, if you really are committed to exporting and simply don't have the time or expertise to initiate all this by yourself, you need to engage a sales agent or partner. Sales agents can help answer these critical questions:

- What are the habits of consumption? How are they different from or the same as our home market?
- What do consumers expect from the products?
- What is the pricing for these products?
- What are the trade margins?
- How are the products packaged?
- What will be the cost of product adaptation?

Two types of sales partners — traders and brokers — are available to you. Traders buy your product, usually at your place of processing or storage in the U.S. By taking possession of the product, they remove the financial and product quality risks. However, the price they pay you will reflect their assumption of those risks. Traders will generally keep your product in your packaging and promote it as such when it reaches its destination market.

Marketing Internationally: Top Seven Suggestions

- Be patient, persistent, committed. Short-term wins in international trade are the exception. Be ready to spend years developing a market
- Start small and don't promise more than you can deliver. Your credibility as a reliable supplier is essential.
- Develop an international marketing plan that focuses on just one or two countries. Don't chase orders from around the world.
- Pay attention to your overseas buyers, even when the domestic market booms. Long-term, stable relationships are critical.
- No two markets are alike. Be willing to modify your product's processing, packaging, etc. to meet the needs of your foreign buyer.
- Know the import laws and norms of your buyer's market and don't deviate. If necessary, hire experienced intermediaries such as expeditors, brokers and traders, to ensure you are satisfying all regulations.
- Communicate frequently and clearly with your buyer. Be prompt in answering all queries.

Brokers are sales agents who sell a seafood product for you on commission. Usually brokers do not buy or acquire ownership of your product. They generally handle much of the paperwork, including arranging the financial instruments, for a fee that is negotiable. On seafood, this fee ranges from two percent to five percent of the sales price, but it can also be on a cents-per-pound basis.

Once you've used a sales agent or broker to get your export business started, there may come a time when you want to take over that function yourself.

Appendix A

Where to Obtain Financing in Alaska

Many business owners get started without commercial financing by borrowing from friends and relatives. Only after a business is operating and a level of stability has been met is bank financing sought. Commercial banks, however, are the traditional source of small business financing and are a good place to begin the search for capital. Contact with a commercial banker to describe the business plan prior to completing any formal application could be very beneficial. The banker will provide helpful feedback about the business and the environment in which it will operate. Developing a relationship with a banker is critical in becoming a successful business owner. This relationship will ease future financial needs that the company may discover because of the rapport that was developed.

State and federal governments offer a variety of loan programs for small businesses that involve a different scope than traditional banks. Many of the programs available through these sources target Alaska Natives, veterans, women and other minorities. Some of these sources for financing are listed in the following section.

Technical and Financial Resources

- **Alaska Business Development Center, Inc. (ABDC)**
3335 Arctic Blvd, Ste 203
Anchorage, AK 99503
Phone: (907) 562-0335 Toll Free: (800) 478-3474
Fax: (907) 562-6988
www.abdc.org

The Alaska Business Development Center, Inc. (ABDC) is a nonprofit corporation that offers personalized technical and financial services to Alaskan small businesses, with a specialized focus on Alaskan commercial fishermen and seafood businesses. ABDC also offers workshops for business training in various topics such as cash flow management, loan packaging and strategic planning.

- **Division of Community Advocacy**
Alaska Department of Community & Economic Development (DCCED)
550 West 7th Ave. Suite 1770
Anchorage, AK 99501
Phone: (907) 269-4501
Fax: (907) 269-4539
www.dced.state.ak.us/dca
www.commerce.state.ak.us/dca
The Division of Community Advocacy provides a variety of resources for small business owners, including economic and community information statewide in the Alaska Economic Information System. DCA also produces the Economic Development Resource Guide and the publication Establishing a Business in Alaska. **Not a source of financing, but of general business development information.**

- **Alaska Minority Business Development Center (MBDC)**
Tanana Chiefs Conference (TCC)
122 1st Avenue, Suite 600
Fairbanks, AK 99701
Phone: (907) 452-8251
Toll Free: (800) 478-6822
Fax: (907) 459-3851
www.tananachiefs.org

TCC is a nonprofit tribal consortium of 43 villages located in Alaska's interior, and offers business assistance through the MBDC. This program provides assistance to minorities in business plan writing, loan package preparation, financial planning, accounting procedures and general management.

- **Alaska Regional Development Organizations (ARDORs)**
Department of Community and Economic Development (DCED)
550 West 7th Avenue, Suite 1790
Anchorage, AK 99501
Phone: (907) 269-4587
Fax: (907) 269-4539
www.dced.state.ak.us/dca/ardor/ardor.htm

ARDORs were created as a means for the state to work with communities to stimulate economic development. These nonprofit organizations are located throughout the state and provide assistance with business plan writing, business workshops and technical assistance.

- **Alaska Village Initiatives (AVI)**
1577 C Street, Suite 304
Anchorage, AK 99501
Phone: (907) 274-5400 Toll Free: (800) 478-2332
Fax: (907) 263-9971
www.akvillage.com

AVI is a nonprofit membership based rural community development corporation which offers a variety of business assistance and loan programs to both members and nonmembers. These programs include business education and development, various loan funds, demonstration economic development, computer training and assistance and cooperative development programs.

- **Bureau of Indian Affairs (BIA)**
P.O. Box 25520
Juneau, AK 99802
Phone: (907) 586-7103 Toll Free: (800) 645-8397
Fax: (907) 586-7037
www.doi.gov/bureau-indian-affairs_

The Credit and Finance Office of the BIA offers business assistance and referrals for Alaska Native-owned and -controlled new and expanding businesses. BIA contracts with tribes and regional nonprofits to provide credit and finance services. BIA also provides loan guarantees for small business owners on loans made by a commercial bank.

- **Small Business Administration (SBA)**

510 L Street, Suite 310
Anchorage, AK 99501
Phone: (907) 271-4022 Toll Free: (800) 755-7034
Fax: (907) 271-4545
www.sba.gov

SBA is a federal agency that offers financing, training and advocacy for small businesses. SBA has multiple programs that assist small businesses in becoming successful. Many of these programs focus on minority-owned businesses. SBA also offers online training in short format or week-long seminars.

- **University of Alaska Sea Grant Marine Advisory Program (MAP)**

1007 West 3rd Ave. Suite 100
Anchorage, AK 99501
Phone: (907) 274-9691
Fax: (907) 277-5242
www.uaf.edu/MAP

MAP has a marketing specialist, and has publications written for commercial fishermen on preparation of financial statements, borrowing alternatives and completing loan applications. MAP agents are also located in Ketchikan, Petersburg, Homer, Dillingham, Bethel, Kodiak and Anchorage. Three MAP agents helped produce this marketing manual.

- **University of Alaska Small Business Development Center (SBDC)**

430 West 7th Avenue, Suite 110
Anchorage, AK 99501
Phone: (907) 274-7232 Toll Free: (800) 478-7232
Fax: (907) 274-9524
www.aksbdc.org

The University of Alaska SBDC offers business assistance and provides workshops and programs focused on Alaskan small businesses. SBDC has offices located in various communities throughout the state as well as a Rural Business Outreach Program.

Appendix B

Working with the IFQ Program

John Kingeter, Assistant Special Agent in Charge of Alaska, NOAA Fisheries Office for Law Enforcement

Fishermen who legally harvest halibut and sablefish under the IFQ program may direct-market their catch, provided that they comply with all the pertinent state and federal regulations. The Federal regulations are summarized below.

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. Permits are issued annually, at no charge, to persons holding fishable Pacific halibut and sablefish quota.

IFQ Card: Any individual who commercially harvests halibut or sablefish with authorized gear must have a valid IFQ card issued pursuant to an IFQ permit, be aboard the vessel at all times during the fishing operation, sign any required fish tickets, and sign the IFQ landing report. IFQ cards are not specific to vessels except for hired skipper IFQ cards which authorize named individuals to harvest IFQ fish on one particular vessel only.

Processing: Processing definition includes cooking, canning, smoking, salting, drying, freezing but does not mean icing, bleeding, heading, or gutting. It is unlawful to possess processed and unprocessed IFQ species on board a vessel during the same trip except when fishing exclusively with IFQ derived from vessel category A quota share (QS). Only category A sablefish may be processed at sea. Halibut may not be processed at sea except that only category A halibut IFQ cardholders may freeze whole halibut at sea. All halibut must be either gutted and gilled or headed and gutted only. Halibut may not be filleted or further processed on a vessel.

Fish other than IFQ halibut or IFQ sablefish may be processed on a vessel, as long as no persons aboard the vessel are authorized to harvest IFQ halibut based on allocations of IFQ resulting from QS assigned to vessel categories B, C, or D. In other words, no processing of any fish may take place on a vessel when any person on board is authorized to harvest halibut that cannot be processed at sea.

Prior Notice of Landing (PNOL): The operator of any vessel making an IFQ landing must notify NOAA Fisheries Office for 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 hours of 0600, Alaska local time, and 2400 hours, A.l.t. A PNOL must contain information as listed by the regulations.

Transshipment Authorization: In addition to the PNOL and landing report requirements, to transship frozen IFQ halibut or processed IFQ sablefish ("A" category QS only) between vessels, vessel operators must obtain authorization from a local OLE Officer or Special Agent. Authorization must be obtained for each instance of transshipment at least 24 hours before the transshipment is intended to commence. Vessel operators must submit information as listed in the regulations.

The purpose of the PNOL and the Transshipment

Authorization are to facilitate enforcement monitoring and auditing of offloads to verify accuracy of catch reports. In addition, PNOLs facilitate biological sampling by the International Pacific Halibut Commission.

A **Registered Buyer Permit** is required for any person to receive IFQ halibut or sablefish or CDQ halibut from the person that harvested the fish. It is unlawful to make an IFQ halibut or sablefish landing other than directly to (or by) a Registered Buyer. Permits are non-transferable, issued annually, on request, and at no cost by NMFS RAM Division.

Nothing in the regulations prevents a fisherman from obtaining a Registered Buyer permit and becoming his own permitted receiver of IFQ fish. In fact, this permit is required of any person who harvests IFQ halibut or sablefish or CDQ halibut and transfers such fish in a dockside sale, outside of an IFQ regulatory area or outside of the State of Alaska. A fisherman who legally harvests IFQ halibut or sablefish may transfer (including selling) his catch to entities other than permitted fish processing facilities if he has a Registered Buyer's permit and complies with the recordkeeping and reporting requirements of that permit.

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 under which the catch was harvested. The vessel operator is legally responsible for the act of 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 by OLE and the IFQ cardholder's account is properly debited. If a fisherman wishes to transfer or sell only a part of his or her load (either halibut or sablefish) to one Registered Buyer, he or she must offload, weigh, and report the entire load. The remaining catch may then be put back aboard the vessel and held for subsequent transfer to other receivers. If IFQ fish are loaded back onto the harvesting vessel after landing, they must be recorded as "retained" on the IFQ landing report or the Registered Buyer must submit a Product Transfer Report (See PTR section below) prior to the transfer back to the vessel.

Landing Report: The registered buyer must report an IFQ landing within 6 hours after all such fish are landed, prior to shipment of said fish away from the landing site, and prior to departure of the delivery vessel from the landing site. An IFQ landing may commence only between 0600 hours, A.l.t., and 1800 hours, although there is no regulatory limit on how much time is taken to complete the offload once it is commenced (begun), regulations require the offload to be continuous in a manner that does not defeat enforcement monitoring.

Electronic landing reports must be submitted to OLE. NMFS now offers two electronic options by which Registered Buyers may report IFQ landings and CDQ halibut landings: Automated Transaction Machines (ATMs) or the Internet. It is the responsibility of the Registered Buyer to locate or procure an ATM and report as required. Or, if reporting the landing via Internet, it is the responsibility of the Registered Buyer to obtain at his or her own expense, hardware, software and Internet connectivity to support Internet submissions and report as required.

The IFQ cardholder must initiate a landing report by using his or her own magnetic card and personal identification number (PIN) as well as supplying the area of harvest information. The Registered Buyer must accurately submit the rest of the information for the landing report as listed in the regulations.

An IFQ landing report must be completed and the IFQ account(s) properly debited within 6 hours after the completion of the IFQ landing. 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.

If processed IFQ sablefish or frozen IFQ halibut ("A" category quota share only) is offloaded from a vessel, the scale weight of the halibut or sablefish processed product actually measured at or before the time of offload may be reported on the IFQ landing report. 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 enforcement inspection and auditing during offload.

After the Registered Buyer enters the landing data and a receipt is printed, both the IFQ cardholder and the Registered Buyer's representative must sign the receipt to acknowledge the accuracy of the landing report. Legible copies of the receipt must be retained by both the Registered Buyer and the IFQ cardholder.

Nothing in regulation specifically prohibits the transfer of IFQ catch to tenders for delivery to processors. However, an electronic landing report must be filed, IFQ accounts debited, and signatures obtained on-site at the time of offload. As of mid-2003 no operators had successfully devised a way of filing electronic landing reports from tender vessels at sea. So, from a practical perspective, the practice of tendering IFQ fish is prohibited until a reliable system of legally filing electronic landing reports at sea is operational.

Dockside Sales: Dockside sale means the transfer of IFQ halibut or IFQ sablefish from the person who harvested it to individuals for personal consumption, and not for resale. A Registered Buyer's permit is required of any person who harvests IFQ halibut or sablefish and transfers such fish in a dockside sale. A registered buyer conducting dockside sales must issue a receipt in lieu of a shipment report, that includes the date of sale or transfer, the Registered Buyer permit number, and the fish product weight of the IFQ sablefish or halibut transferred to each individual receiving IFQ halibut or IFQ sablefish. All IFQ fish must be off-loaded, weighed, and a landing report submitted as described earlier before transferring them in a dockside sale.

IFQ Departure Report: A vessel operator who intends to make an IFQ halibut or IFQ sablefish, or CDQ halibut landing outside of Alaska must submit an IFQ Departure Report, by telephone, to OLE at 800-304-4846 (select option 1) between the hours of 0600 A.l.t., 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 the same time and place as the first landing of any IFQ species. 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: A Registered Buyer that also operates as a shoreside processor and receives and purchases IFQ landings of sablefish or halibut must submit annually to NMFS a complete IFQ Buyer Report not later than October 15 following the reporting period in which the IFQ Registered Buyer receives the IFQ fish. The Registered Buyer must submit information as listed in the regulations. The Cost Recovery percentage is set annually. In 2002, it was set at 2.0 percent of the ex-vessel value of IFQ harvests. Fee Summaries (billings) are mailed to IFQ permit holders in November. Payments are due by January.

State Sablefish Fisheries: Federally permitted IFQ sablefish fishermen commercially fishing for sablefish in the State of Alaska's Prince William Sound fishery or under a State of Alaska limited entry program are not subject to the IFQ regulations requiring their accounts be debited. However, in all other State sablefish fisheries (such as North Gulf or Aleutian districts), all sablefish caught must be debited against an IFQ account if any persons on board the vessel currently holds IFQ sablefish quota shares, IFQ sablefish permits, or IFQ sablefish cards during the fishing trip regardless of the IFQ area in which they hold quota share and regardless of their remaining account balance. Note: fishermen holding only halibut IFQ quota share, IFQ permits, or IFQ cards and fishing in these State sablefish fisheries are not thusly restricted.

Vessel Activity Reports: Catcher vessels greater than 60 ft L.OA, all catcher/processors, and all motherships holding a Federal fisheries permit and carrying fish or products onboard must complete and submit a Vessel Activity Report (VAR) by FAX or electronic file to OLE 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. The vessel operator must submit accurate information as listed in the regulations. If a vessel is carrying only IFQ halibut or IFQ sablefish, or CDQ halibut onboard and the operator has submitted a Departure Report, a VAR is not required.

Groundfish

Any person or vessel that receives unprocessed groundfish must have a Federal processor permit (FPP) and must comply with the recordkeeping and reporting requirements. Consult the regulations for descriptions and requirements for recordkeeping and reporting. Requirements could include the following:

- Catcher vessel Daily Fishing Logbooks (DFL)
- Catcher/processor Daily Cumulative Production Logbooks (DCPL)
- Buying Station Reports
- Shoreside Processor Electronic Logbook Report (SPELR)
- Product Transfer Reports (PTS) see below

Check-in/check-out reports
Weekly Production Reports (WPRs)
Daily production report (DPR)
Commercial Operator 's Annual Report (COAR)

Product Transfer Report (PTR): Except as specifically exempted, federally permitted processors and IFQ Registered Buyers must complete and submit to the NOAA Fisheries Office for Law Enforcement (OLE) a separate PTR for each transfer of groundfish, IFQ and CDQ fish from their possession.. PTRs must be completed within 2 hours of transfer and must be submitted by FAX or electronic file a copy of each PTR to OLE, Juneau, AK (907-586-7313), by 1200 hours, A.l.t., on the Tuesday following the end of the applicable weekly reporting period (Sunday through Saturday) in which the transfer occurred.

PTR Exemptions:

- 1) Exemption: Bait sales (non-IFQ groundfish only). See regulations.
- 2) Exemption: Retail sales. For one day's retail sales weighing less than 10 lbs. each may be aggregated record on one PTR during the calendar day.
- 3) Exemption: Wholesale sales (non-IFQ groundfish only).
- 4) Exemption: Dockside sales (IFQ only). A person holding a valid IFQ permit, IFQ card, and IFQ Registered Buyer permit may conduct a dockside sale of IFQ halibut or IFQ sablefish to a person who has not been issued an IFQ Registered Buyer permit. An IFQ Registered Buyer conducting dockside sales must issue a receipt to each individual receiving IFQ halibut or IFQ sablefish in lieu of a PTR. This receipt must include the date of sale or transfer, the IFQ Registered Buyer permit number, and the weight by product of the IFQ sablefish or IFQ halibut transferred.
- 5) Exemption: transfer directly from the landing site to a processing facility (IFQ only). A PTR is not required for transportation of unprocessed IFQ species directly from the landing site to a processing facility for processing the IFQ species, provided the following conditions are met: A copy of the IFQ Landing Report receipt accompanies the offloaded IFQ species while in transit, is available for inspection by an authorized officer, and the IFQ Registered Buyer still completes a PTR for each transfer of IFQ halibut and IFQ sablefish from the processing facility.

For detailed explanation of any of the above requirements, contact your nearest NOAA Fisheries Office for Law Enforcement.

Appendix C

Safety and Sanitation Requirements

Dr. Donald Kramer, 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.

The University of Alaska Marine Advisory Program teaches the three-day course developed by the Seafood HACCP Alliance. 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 web site at seafood.ucdavis.edu/haccp/training/reg-cal.htm.

The availability of HACCP courses in Alaska can be found on the Alaska Sea Grant web site at www.uaf.edu/map/haccp/index.html. For more information on these courses, contact Donald E. Kramer in the Anchorage Marine Advisory Program office (phone: (907) 274-9691 Extension 5, fax: (907) 277-5242, email: afdek@uaa.alaska.edu).

In Washington, contact Richard Dougherty, Food Processing Specialist at Washington State University at (509) 335-0972 and dougherty@wsu.edu. North West Food Processors Association co-sponsors some HACCP training conducted by Dr. Dougherty. Contact Connie Kirby at (503) 639-7676 and ckirby@nwfpa.org. Another Washington source is Bart Cox at Surefish, at (206) 284-2686 and bart@surefish.com. Surefish also does training in Oregon and other states.

The first two days of the three-day Seafood HACCP Alliance course can be taken as an internet course through Cornell University. To access the Internet course, go to <http://seafoodhaccp.cornell.edu> to review course structure and requirements. Completion of the internet 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 which 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 not a 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.

Appendix D

Salmon Roe

Terry Johnson, Marine Advisory Program, University of Alaska Fairbanks

With depressed salmon prices, more fishermen are looking into the prospects of separately extracting and selling what often is the highest value component of their catch — the eggs. Salmon roe values have remained remarkably stable in the face of declining fish prices and new international markets are developing.

Salmon roe may be processed into either of two high-value food products. One is *ikura*, or salmon caviar, which is lightly-salted individual eggs. The other is *sujiko*, or roe in the intact skeins. *Ikura* is roughly twice as valuable as *sujiko* but is made with very mature large eggs, and requires more expensive and demanding processing. Several steps are involved, including brining and rubbing on specially-sized screens to separate the eggs from the connecting tissue. 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. However, the bulk of the total salmon catch produces roe of a quality or state of maturity not suitable to *ikura* production, so most roe goes into *sujiko*.

Little *ikura* or *sujiko* is sold in domestic markets. Most *sujiko* and much of the chum *ikura* goes to Japan and nearly all the rest to Europe, Russia and Israel. Specifications, packaging and marketing are very specific to the demands of those markets. Immigrant communities inside the U.S. — particularly Japanese, Jewish and Russian, are consuming small but growing amounts of salmon caviar.

Bait

A third roe product is fishing bait. Several companies buy roe and process it for use by trout, salmon and steelhead anglers. Bait processors pay relatively low prices for “green” (unprocessed) roe but will take lower quality eggs than processors who make *ikura* or *sujiko*. Bait processing is something that individual fishermen can do on their own, without concerns about processing permits and other regulations that pertain to human food products. However, the bait markets generally are well-supplied so a direct marketer is advised to research the demand and the price structure for bait before making the commitment to bait processing, to avoid making a product that will sell at a loss if at all.

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 — for example, purse seiners with freezers — could do processing on board if they got the equipment and a processing permit.

Most fishermen currently dealing in eggs are selling green roe, extracted from the fish, to processors. For trollers and those gillnetters who already dress their fish it is a relatively easy step to remove the roe and sell it separately. For other salmon fishermen the shift requires some planning and additional effort.

Following are some considerations:

- You have to do something with the carcasses. It is a violation of Alaska’s wanton waste law to remove the roe and dump the carcasses. Some processors will not purchase fish from which the roe has been removed, especially mature chums and humpies. Fortunately, in areas like Southeast Alaska, some buyers take low grade carcasses for use in inexpensive smoked products, fertilizer or garden mulch. The law doesn’t require use for human food only for something. It is important to establish a market or use for the rest of the fish before you attempt to market the roe.
- Quality control is essential. Green roe buyers pay based on the grading report on the roe, and pay nothing for roe that is poor quality. Temperature and time out of the water are critical parameters, as is cleanliness of containers. Buyers generally won’t take 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, and only a few companies process it, 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 will 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 clean seawater or a 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 full, seal the buckets. Flake ice and RSW are not suitable. Trollers or others with ice holds should keep an insulated tote of slush for storing the roe buckets.
- 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.

Caviar processors generally only take roe from fish harvested in terminal fisheries, not from outer coasts where fish are feeding or migrating on to distant spawning districts, because roe likely is to immature. On the other hand, some in-river fisheries produce roe that is already separated and has hard shells, which also is undesirable.

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.

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 from the environment or from the fish guts, and can cause serious illnesses.

Appendix E

Refrigeration Considerations

Brian Paust, Marine Advisory Program, University of Alaska Fairbanks

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 sea water (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 sea water (RSW) system uses sea water 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 sea water 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 added 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 sea water be used for whole fish, not for fish that are dressed or partially dressed.

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 intended for sale. 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 F

Box Insulation Values and Gel Pack Effectiveness

Brian Paust, Marine Advisory Program, University of Alaska Fairbanks

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 50 percent 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 75 percent 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.

Appendix G

Processing and Storage Costs

In some cases direct marketers can do all the tasks involved in getting their product directly from the boat to the buyer. Usually they must pay to have some of the work done for them, and they must use services such as cold storage to keep the product during part of the process. Furthermore, even if the fisherman does all the work, his or her labor has a value that should be included in the profit/loss calculations.

Following is a sample of the common services involved in direct marketing, and sample rates charged for providing those services, derived from the *tariff* of a major cold storage company. Keep in mind that these rates have been charged by a large company that deals in large volumes and has good economies of scale. Actual charges at local facilities may be significantly higher.

Processing

(all rates based on finished product weights)

Salmon and Sablefish	\$
Western cut dress and freeze	.26
Wash and freeze H&G	.105
Western dress/layer ice in totes	.17
Fresh Packing in boxes or totes	.11
Fresh heading	.025
Domestic pack (frozen)	.085
Export pack (frozen)	.12
Excess grading	.015-.03
IQF fresh salmon fillets and tote	.18
Frozen salmon heading	.035
Un-bagging frozen salmon	.018
Packing in 10# (fillet only)	.18
By-product disposal	.03
Fresh Halibut	
Heading	.0
Wash and freeze	.075
Grade	.12
Packing in totes or boxes	.085
Van unloading	.03
Frozen Halibut	
Trim, grade, glaze and tote	.08
Pack H&G (random weight)	.05
Re-glaze and tote	.04
Re-grade	.025
Trim, glaze and pack	.11
Layer ice in totes	.035
Poke ice	.02

Other Services

Fresh bottomfish fillets and tote	.37
Apply labels	.16 each
Print labels	.16 each
Van cleaning, de-icing	hourly @ \$36/hr
Inspection and glaze testing	hourly @ \$73

Overtime is 1.5 x regular rate. Prices do not include bags, cartons, liners, film or other materials. Additional charges for orders less than 5,000 lbs, and minimum charge of \$55.

Warehousing, Storage and Handling

Rates based on gross CWT (hundredweight)

	Handling	Storage per month	Total
Salmon, halibut, sablefish			
Toted	\$1.70	\$1.10	\$2.80
Boxed – under 100 lb	2.41	1.22	3.63
Boxed – over 100 lb	1.96	1.13	3.09
Shellfish, including crab			
Bulk pack - over 40 lb	1.92	1.42	3.34
Finished pack < 40 lb	2.03	1.60	3.63
Whole cooked	2.08	1.88	3.96
IQF steaks, fillets, portions	1.87	1.28	3.15
IQF shrimp or scallops	1.48	1.13	2.61
Block, shatterpack bait, roe	.97	.89	1.86
Across dock rates			
Sorted, palletized, unload and load			.90
Sorted, palletized, unload or load to van crew			1.60
Van crew offload to van crew load			2.35
Minimum charge			47.00

Note: The above 2001 rates are the most recent available from the company providing them, but that company no longer provides many of the services.

Appendix H

Permits, licenses, reports, bonds, and taxes required for processing or selling seafood products from Alaska

Allison (Sunny) Rice, University of Alaska 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 food business, and food is a highly regulated industry. Direct marketers are required to comply with a number of license, tax, inspection, and reporting requirements depending on the precise nature of their operation.

Each state has its own agencies and requirements; in Alaska most activities will require that you comply with regulations of three main entities:

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

You may also need to work with the following agencies:

- National Marine Fisheries Service, if product comes from a federally-managed fishery
- Division of Measurement Standards. Scales used to weigh product must be certified.
- Local city governments for local vendors licenses, regulations, and city sales taxes if you sell within a local municipal jurisdiction
- U.S. Food and Drug Administration (FDA) for:
 - Mandatory one-time registration as a food processing facility
 - Random processor inspection for sanitation and HACCP compliance
 - Nutritional labeling on any retail size packaging that may be used
- U.S. Department of Commerce for services under voluntary inspection and certification programs.

Note: This appendix does not address the processing and sale of “shellfish”, such as clams, oysters, geoducks and mussels. Some of the regulations covered herein apply, but there is a different set of shellfish-related sanitation and processing regulations. However, “shellfish” in this context does not refer to crabs and shrimp, which are covered by the regulatory provisions outlined in this appendix.

Complying with agency requirements

Disclaimer: Requirements and regulations pertaining to seafood processing, handling and sales are complicated and subject to change, due to legislation or regulatory interpretation. Because agencies regulating the industry use different terms specific to their regulatory requirements, similar terms can have different meanings for different agencies. Terms in common use—such as “direct marketing”—may have specific regulatory meaning that differs from common use. What follows is a summary of pertinent Alaska and federal requirements, as of February 2005. Use it for general informational purposes only. Consult with each of the relevant agencies for detailed and up-to-date instructions before engaging in seafood processing or sales activities.

While the regulating agencies have attempted to simplify the permitting process for many activities, you may still have questions as you complete the applications. It will save considerable time if you contact the agencies early in the process with questions. Establishing a good working relationship with the agency will help you more easily resolve any problems that may arise later in the process.

Your first step in determining which permits, licenses, reports, bonds and taxes you will be required to complete is to determine which of the following kinds of operations you will be running. Following are classes of operation, based on state agency criteria:

A. Processor - Processes or places seafood products in commerce and includes:

1. Inshore Floating Stationary Processors
2. Floating Processors greater than 65 feet in length (>65'). A vessel of less than 65' that buys and process on board can also be licensed as a processor if it meets all the DEC requirements.
3. Shore-based Processors
4. Canneries
5. Selling live (Dept. of Revenue considers lives sales to be “processing”)

B. 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/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 - Under DEC interpretation, 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, are engaged in “roe recovery” and need to be licensed as such.

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 regulatory agency.
2. Buyer/Exporter - Buys unprocessed seafood product from harvesters for transport out of the state to processing facilities under the regulatory oversight of a governmental health agency.

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

E. Catcher/Seller – Sells his or her own catch as unprocessed and unpackaged fishery resources in Alaska at the dock directly to the consumer, or to food establishments that have a DEC Seafood Processing Waiver. If you sell to food establishments with a DEC Seafood Processing Waiver, they must pick up the product off the boat or you must have a DEC permit to transport the product to the establishment. Can also sell product for use as bait.

F. Waivered Buyers – Markets, restaurants, groceries or lodges who have a DEC processing waiver. May buy up to 500 lbs./ 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 – Transports and sells salmon, herring or Pacific cod, and legally taken by-catch species in those fisheries, as an agent of the fishermen who caught the fish. They do not buy or process fish.

The scope of this Direct Marketing Manual covers only these categories:

- Catcher/Floating Processor
- Direct Marketer
- Catcher/Exporter
- Roe Recovery
- Catcher/Seller.

Operations in categories A, B-2, C-2 and most in D should begin by completing the “Alaska Seafood Processor and Exporter License and Permit Application and Intent to Operate” (called “Fisheries Business License Application” by the Dept. of Revenue).

Direct Marketers (Category B-1), Roe Recovery (B-3), Catcher/Exporters (C-1), can use the new Direct Marketing Application, Form 04-576. Catcher/Sellers, Waivered Buyers and Independent Buyers apply using separate forms from ADFG.

Those in categories E, F and G should begin by contacting ADFG, DEC and DOR to determine which permits, licenses, taxes, or bonds are required. Fees, taxes and permits other than those listed may be required of operators in these categories.

Transporters need a Fish Transporter Permit, issued by ADFG, as well as a valid commercial fishing vessel license from

the Commercial Fisheries Entry Commission. See **Instructions for Fish Transporters** for full information on permits, operating requirements, fish ticket reporting requirements and other regulations, available from ADFG at www.cf.adfg.state.ak.us/geninfo/permits/transporter/transporter_app.pdf.

Transporters are exempt from posting bonds, paying fish processing taxes, and from filing a Commercial Operators Annual Report.

Your operation may fall into more than one of these categories. Depending on your operation, this can become a complex effort. If you are unsure which permits and licenses are required of you, your first step should be to contact the agencies directly. Their addresses are listed at the end of this chapter. Additionally, consultants who specialize in providing assistance in securing these permits, licenses, bonds, etc. can generally be located in trade publication advertisements or the Marine Yellow Pages under “consultants.”

Both 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:**

1. Head or butcher product
2. Recover roe
3. Shuck
4. Pickle
5. Cook in water/steam
6. Hot or cold smoke
7. Salt/Brine
8. Dry
9. Mixing/formulating
10. Freeze
11. Make surimi
12. Create retorted thermal packaging

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

U.S. Food and Drug Administration (FDA) Requirements

The Public Health Security and Bioterrorism Preparedness and Response Act of 2002 requires that all food processors, including fisheries enterprises in Alaska that meet the definition of seafood processing, must 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 on-line at <http://www.access.fda.gov>, by mail using Form 3537, or by CD-ROM, for which the PDF can be downloaded at <http://www.cfsan.fda.gov/~furl/papercd.html>.

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.

Seafood products sold in retail-size packaging are required to have nutritional content labels. Nutritional content information for individual fish and shellfish species is available at www.nal.usda.gov/fnic.

State Requirements for Catcher/Processors

1. ADF&G Intent to Operate, Seafood Processors Permit, and Fisheries Business License

Catcher/processors, direct marketers and those doing roe recovery operations can apply for all permits with one application, either the "Direct Marketing Application" or the "Alaska Seafood Processor and Exporter License and Permit Application and Intent to Operate." On the Dept. of Revenue web page, under "forms" these are listed as "Direct Marketing Fisheries Business Application" and "Fisheries Business License Application", respectively.

Direct Marketers who

- Hold a commercial fishing permit or quota share
- Are sole proprietors (not incorporated)
- Own or lease the vessel on which they operate
- Process and export only their own catch
- Will not purchase fishery resources for resale or processing for sale, and;
- Work from a vessel less than 65 feet in length
- can use the "Direct Marketing Application." You can download an application at www.tax.state.ak.us.

If you do not meet all of the above qualifications, you can apply for all permits with the consolidated "Alaska Seafood Processor and Exporter License and Permit Application and Intent to Operate."

Note: If your proposed operation involves any form of processing, as defined above, be prepared to submit scale drawings of your vessel or facility along with the seafood processors permit. These drawings must indicate location of toilet and hand-washing stations, plumbing lines, locations and types of processing equipment, how processing waste will be discharged, and other specified information.

DEC will review your application and, depending on what and how you plan to process, 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. E.P.A.

• Food Service Permit

The Fisheries Business License has a fee of \$25. Annual DEC fees levied on processors are determined based on the type and amount and processing being permitted. Fees in 2004 were:

Shore-based facility processing < 5000 lbs./day	\$490
Shore-based facility processing ≥ 5000 lbs./day	\$1,290
Cannery processing < 5000 lbs./day	\$690
Cannery processing ≥ 5000 lbs./day	\$1290
Exporter only	No fee
Direct Marketing Vessel < 65'	\$200
All Other Vessels	\$1,290

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

2. HACCP Plan

Federal law requires each processor to have a Hazard Analysis Critical Control Point (HACCP) plan on file which identifies the critical points in the processing cycle where contamination and hazards could occur and which specifies how contamination will be prevented and hazards controlled. DEC includes HACCP inspections as part of their regular seafood processing facility inspections. See the section on HACCP elsewhere in this manual.

3. Alaska Commercial Operators Annual Report

A Commercial Operator's Annual Report, accurately and completely summarizing your activities for the past year, must be submitted to ADF&G no later than April 1 of each year. Forms are available online or at your local office. Most who file a Seafood Operator and Exporter Permit Application and Intent to Operate, or Direct Marketing Application, must complete this form, whether you engaged in the proposed activities or not. Catcher/Sellers are not required to file a COAR.

4. Fish Tickets

ADF&G also requires that fish tickets be completed for each landing of fish. You apply for a number code plate and blank fish tickets with your Intent to Operate or Direct Marketing application. You may then either purchase your own stamping machine or arrange with your local ADF&G office to stamp your completed tickets in their office after your 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.

5. 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. The device must be checked annually and bear an inspection sticker. The fee is based on the capacity of the scales.

6. Taxes

The Alaska Department of Revenue (DOR) is responsible for collecting taxes on fishery products. A Fisheries Business Return must be filed every year by March 31. When you sell your fish to a processor, these taxes normally are paid by that company. In most cases, you become responsible for those taxes once you start direct marketing your own product. As a direct marketer, you may face one or more of five different taxes:

1. **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. As a direct marketer, the first processor or exporter is likely to be you. If you have your product custom processed, you are responsible for paying the tax. If you sell your catch 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)	5.0%
Shore-based processor.....	3.0%
Canned Salmon.....	4.5%
Direct Marketer.....	3.0%

Rates are lower for “developing species.” Contact the DOR for a current list of these species.

2. **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 3.3% (3% tax plus .3% ASMI assessment.)
3. **Salmon Enhancement Tax** is paid by fishermen where regional aquaculture associations exist. The tax is 1-3% 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.
4. **Seafood Marketing Assessment** is paid by processors handling more than \$50,000 worth of product annually. Processors must pay .5% of the ex-vessel value of all seafood processed to fund the activities of ASMI.
5. If you are selling your product within the limits of a city or state that has a *local sales tax*, you will be required to collect this tax on all sales of your product. Contact the city or local government for information concerning reporting and payment requirements.

6. Tax and Other Surety Bonds

1. 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.

You may prepay your estimated tax or secure your credit by submitting:

- 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 3 times the estimated tax liability (see schedule B-1 for more information on this option).
2. Surety bonding is required if you purchase fisheries resources from other fishermen or if you have an Unemployment Insurance Contribution obligation for any of your employees. Operations that process more than 30,000 lbs. of raw resources annually are required to post a \$10,000 bond. Those that process less than 30,000 lbs. annually are required to post a \$2,000 bond. You may secure your credit for this bond in any of the ways listed above.

7. Other DEC-required permits or plans:

- 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. Environmental Protection Agency (EPA)
- Food Service Permit

Be prepared to submit scale drawings of your vessel or facility, indicating toilet and hand-washing stations, plumbing lines, and locations and types of processing equipment. Consider where you will get approved water for processing and how processing waste will be disposed.

8. HACCP Plan

Federal Hazard Analysis and Critical Control Point (HACCP) regulations require each processor to conduct a hazard analysis identifying significant hazards in the species and processing method and to specify in a HACCP plan 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 this manual.

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 fishery quota (CDQ), you must comply with applicable federal laws. See Appendix B, which addresses direct sales of fish caught under the federal IFQ program.

Requirements for Catcher/Exporters¹. ADF&G Intent to Operate and Fisheries Business License

You can apply for these permits with schedules A, B, and C of either the “Direct Marketing Application” or the “Alaska Seafood Processor and Exporter License and Permit Application and Intent to Operate.”

2. Seafood Processors Permit

This permit can be held by a custom processor that you have handle your seafood product for you, or an “approved source”/Permitted Processor to which you sell your product. (If you sell it before it leaves the state you are not an exporter.) If you do not have the product handled by a custom processor, you will need to become an approved source/Permitted Processor yourself by filling out the seafood processors permit form in either the Direct Marketing Application or the Alaska Seafood Processor and Exporter License and Permit Application and Intent to Operate. See above for details.

3. Alaska Commercial Operators Report

See above for details.

4. Fish Tickets

See above for details.

5. Certification of Measuring/Weighing Devices

See above for details.

6. Taxes

See above for details.

7. Tax and Other Surety Bonds

See above for details.

8. Federal Laws Enforced by the National Marine Fisheries Service (NMFS)

See above and Appendix B for details.

9. DEC permit – If you are exporting you need a DEC permit to package and ship product.

10. Exporting salmon in the round

A special law applies to the exportation of salmon in the round. Contact Department of Revenue 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 health agency.

11. Salmon Enhancement Tax

This tax applies to all fishermen harvesting salmon in a salmon enhancement area. Catcher/Processors, Catcher/Exporters, Catcher/Sellers and Direct Marketers are all required to pay the tax.

Requirements for Catcher/Sellers

1. Catcher/seller application

Catcher/Sellers are those fishermen who sell only their own catch, unprocessed, directly from their boat to the public in Alaska. The required application is available online at www.cf.adfg.state.ak.us or at your local ADF&G office.

2. Alaska Commercial Operators Report

Not required for Catcher/ Sellers

3. Fish Tickets

See above for details.

4. Certification of Measuring/Weighing Devices

See above for details.

5. Salmon Enhancement Tax

Catcher/Sellers are liable for payment of enhancement taxes and must remit with a completed Fisheries Business tax return.

6. Federal Laws Enforced by the National Marine Fisheries Service (NMFS)

See above for details.

7. Mobile Vending License

This license is required by DEC if your product will be transferred to a cart, car, or truck for sale.

Requirements for all other categories

Categories A and D, as identified in this appendix, should begin by completing the “Alaska Seafood Processor and Exporter License and Permit Application and Intent to Operate.”

Categories F and G, as identified in this appendix, should begin by contacting the Alaska DEC, DOR and ADFG to determine which permits, licenses, taxes, or bonds are required.

Addresses and Web Sites

Alaska Department of Environmental Conservation (ADEC)

Division of Environmental Health, Seafood Section

555 Cordova Street

Anchorage, Alaska 99501-2617

Phone: (907) 269-7640

Fax: (907) 269-7510

<http://www.state.ak.us/dec/>

Email: manny_soares@dec.state.ak.us

Seafood Processors Permit Information: 907-269-7501

Division of Measurement Standards

Section of Weight and Measures
12050 Industry Way, Building O
Anchorage, Alaska 99515
Phone: (907) 345-7750 Fax: (907) 345-2313
Email: jamesecomiskey@dot.state.ak.us
<http://www.dot.state.ak.us>
Juneau office: 907-789-9763

Alaska Department of Fish and Game

Alaska Department of Fish and Game (ADF&G)
Division of Commercial Fisheries
P. O. Box 25526
Juneau, Alaska 99802-5526
Phone: (907) 465-4210
Fax: (907) 465-2604
<http://www.cf.adfg.state.ak.us>
Email: cfweb@fishgame.state.ak.us
Intent to Operate and Catcher/Seller Permit Information:
(907) 465-6131 or www.cf.adfg.state.ak.us/geninfo/permits/forms_cs.php#catchsel

Alaska Department of Revenue

Tax Division
P.O. Box 110420
Juneau, Alaska 99811-0420
Fishery Business License Information: (907) 465-2371
Fax: (907) 465-2375
<http://www.tax.state.ak.us>

National Marine Fisheries Services

Restricted Access Management Division
P. O. Box 21668
Juneau, Alaska 99802-1668
Phone: (907) 586-7221
Fax: (907) 586-7131
<http://www.nmfs.noaa.gov>
Email: Alaska.webmaster@noaa.gov

U.S. Food and Drug Administration (FDA)

Federal Bldg. U.S. Courthouse
222 West 7th Ave. #25 Rm. 122
Anchorage, AK 99513-7504
(907) 271-5018
Fax: (907) 271-5014
E-mail: jim.vik@fda.gov
<http://www.fda.gov>

Many permits are available online:

NMFS Registered Buyer Permits are available at http://www.fakr.noaa.gov/ram/reg_buyer_app_inst.pdf

NMFS Federal Processor Permits are available at <http://www.fakr.noaa.gov/ram/applications.htm>

Alaska Seafood Processor and Exporter License and Permit Application and Intent to Operate forms are available at www.tax.state.ak.us (Called "Fisheries Business License" and "Direct Marketing Fisheries Business License" applications at this site) www.cf.adfg.state.ak.us/geninfo/permits/forms_pb.php This packet includes applications to Department of Revenue, Alaska Department of Fish and Game, and Department of Environmental Conservation.

Direct Marketing Applications are available at www.tax.state.ak.us and at the DEC and ADF&G websites. This packet includes applications to Department of Revenue, Alaska Department of Fish and Game, and Department of Environmental Conservation.

Appendix I

Fisherman To Consumer Marketing: State and Local Regulations in Oregon

Commercial fishermen, accustomed to fluctuations of supply and demand, often look for new ways to market their catch. Some consider selling directly from their boat, truck, or small roadside stand.

Such a decision requires giving careful thought to potential problems: regulations, licenses, transportation, cold storage, price monitoring, packaging, sale location, and time away from fishing. In the long run, you might decide it's to your advantage to sell your catch to a processing plant so you can spend more time fishing.

If you decide to sell your catch directly to the public, you will need to obtain a number of licenses and forms—from several different state and local agencies—and pay the necessary fees. This fact sheet lists the required forms, licenses, and fees. Remember, fees (current as of 2003) are subject to change.

Here are the agencies you'll need to contact.

OREGON DEPARTMENT OF FISH AND WILDLIFE (ODFW)
2501 SW First Avenue
P.O. Box 59
Portland, OR 97207
Licensing: 503-872-5275

It's important that all commercial fish landed in Oregon be documented. That's why Oregon law requires that all commercial fish landed in the state be sold to a wholesale fish dealer and reported on a fish ticket. The only exception is that a fisherman may sell fish from his or her boat under a limited fish seller's permit and report total trip sales on fish tickets. The dealer, or limited fish seller, is responsible for landing fees for any salmon sales of 3.15% of the ex-vessel value plus \$0.0575 per pound dressed weight (or \$0.05 per pound in the round) and 1.09% of the ex-vessel value for all other fish and shellfish. Additional fees are paid directly to one or more of the four commodity commissions, depending on the species sold from the boat.

If you want to sell your own catch, you have three options.

1. LIMITED FISH SELLER'S PERMIT

A limited fish seller's permit is a limited retail permit that authorizes you, as a licensed commercial harvester, to sell from your boat, food fish and shellfish caught by your boat. You can sell the fish only to the final consumer, defined as the person who will consume the fish. At this time, a restaurant is considered a final consumer. You cannot sell away from the boat, nor can you appoint anyone else to sell your fish in your absence. Further-more, you cannot sell under the permit to anyone who will resell the fish (for example, a fish market or a grocery store).

After you have sold the fish to the final consumer and have recorded the sale on a numbered receipt, you may conduct or allow loining or filleting of the sold fish on your boat. Check with the Oregon Department of Agriculture for sanitation recommendations.

You must make a numbered receipt for each sale (you must keep the receipts on your boat for six months and make them available for inspection for three years). You must record your sales on fish tickets and send the tickets to ODFW. You need to prepare monthly reports for ODFW and pay landing fees to that agency. Further-more, you must pay commodity fees to the commodity commissions. You do not need a retail license from the Department of Agriculture.

Costs and equipment: \$20 fee, \$200 refundable deposit, a certified scale, and numbered receipt books. ODFW furnishes fish tickets, fish ticket envelopes, and monthly report forms.

2. WHOLESALE FISH DEALER'S LICENSE

A wholesale fish dealer's license is required if you process your fish or sell it to retailers. It is a license for one specific, fixed business location, often your home. No other dealer may be licensed at that location. If you receive any fish at a location other than the licensed location, you must buy a buyer's license, which costs \$150.

If you have a wholesale fish dealer's license and a buyer's license, you can—like the limited fish seller—sell fish caught by your boat directly from your boat. However, if you sell retail away from your boat, you will need a retail license from the Department of Agriculture unless you are selling at a farmers' market.

Costs and equipment: \$350 fee (whole-sale license only); \$1,000 bond, assigned savings, or refundable deposit; certified scale and receipt books or invoices. ODFW furnishes fish tickets, fish ticket envelopes, and monthly report forms.

3. SELLING FISH TO—THEN BUYING FISH BACK FROM— A WHOLESALE FISH DEALER

If you sell fish to a wholesale fish dealer and then buy fish back from the dealer, you in turn can sell only to a final consumer. You cannot sell the fish from a commercial fishing boat, and you cannot sell to a retailer. The wholesale fish dealer must record the sale of your landing at current market price on the fish ticket. In turn, the wholesaler will need to recover from you the landing and commodity commission fees as well as other ex-penses. No license is required from ODFW. However, you need to keep very good records.

To buy fish from a wholesaler and then resell to a retailer, you will need a license from the Department of Agriculture, unless you are selling at a farmers' market.

OREGON DEPARTMENT OF AGRICULTURE (ODA)

635 Capitol NE
Salem, OR 97310
Contact: Administrator, Food Safety Division, 503-986-4720

1. No ODA license is required if you sell only raw agricultural products (whole or dressed fish) directly from your boat. Guidelines for safe fish filleting are available from ODA. Inspection is not required.
2. If you sell from a vehicle or stand, an ODA retail license

(\$75 minimum) is required. A food processor's license (\$75 minimum) is required if you do any processing, except for filleting raw fish for the final customer. If you have the product processed in an ODA- licensed facility, you do not need a processor's license.

3. You must use an ODA-approved scale for all sales (see Measurement Standards Division).
4. Keep the temperature of your catch under 40°F at all times. Proper icing should be sufficient.
5. Except for boats that sell raw fish only, sales locations are subject to provisions of the retail Food Code.

MEASUREMENT STANDARDS DIVISION

503-986-4670

1. You can purchase new or used scales that are legal for trade (known as Class III weighing devices) from a reputable scale dealer. You won't find these in your local hardware store. Several companies listed under "scales" in Portland offer them. Be sure to determine that a scale is accurate and certifiable by the Oregon Measurement Standards before you buy it.
2. Obtain a scale license application from the ODA Measurement Standards Division. Once you have filled out the application and sent it in with the annual (July 1–June 30) fee (\$20 for scales up to 400 pounds capacity), you may use the scale if it is an accurate Class III weighing device. Appointments for scale testing can be made at the Salem metrology lab at 503-986- 4672. You do not need to have the scale tested before you use it if it is a licensed, accurate, Class III device. A license certificate will be mailed to you.

OREGON DRIVER AND MOTOR VEHICLE SERVICES (ODMV)

1. If you transport your catch to another location, no special license is required if your gross vehicle weight (loaded) is under 8,000 pounds.
2. If your loaded vehicle weighs more than 8,000 pounds, contact the ODMV about licensing and permit requirements. You can contact your local ODMV office, or call the central customer assistance line at 503-945- 5000.

COUNTY

COURTHOUSE

1. Check the county planning department regulations on zoning requirements for selling from a vehicle or stand on the public right-of-way. Also, obtain permission from the appropriate body (state Highway Division, county road office) before setting up a stand.
2. If you want to sell from private property, get permission from the owner and check with the county for zoning regulations.

CITY

CITY HALL

1. If you want to sell from a vehicle or stand within a city limits, check to see if you need a business license, a vendor's license, or both. Prices vary considerably from town to town.
2. If you want to sell on private property, be sure to get the owner's permission, buy a business license, and make sure you meet city zoning requirements.

OTHER

Additional requirements for individual species:

1. Crab: Obtain poundage fee forms from the Oregon Dungeness Crab Commission. P.O. Box 1160, Coos Bay, OR 97420; 541-267-5810.
2. Albacore: Obtain poundage fee forms from the Oregon Albacore Commission, P.O. Box 1160, Coos Bay, OR 97420; 541-267-5810.
3. Salmon: Obtain poundage fee information and forms from the Oregon Salmon Commission, P.O. Box 983, Lincoln City, OR 97367; 541-994- 2647.
4. Bottomfish, shrimp, scallops (trawlcaught): Obtain first purchaser's report forms from the Oregon Trawl Commission, P.O. Box 569, Astoria, OR 97103; 503-325-3384.
5. HACCP: You do not need to have an FDA/ODA HACCP or sanitation plan unless you are processing on board (not including troll-dressing salmon). Processors may place HACCP-related requirements on albacore boats.

FOR FURTHER INFORMATION

Oregon Sea Grant and the OSU Extension Service offer many publications that may be useful to fishermen wishing to market their own catch.

Please order by publication number; when fees are charged, prepayment is required.

The following publications are available from
Oregon Sea Grant Communications
Oregon State University
322 Kerr Admin. Bldg.
Corvallis, OR 97331-2131
Phone: 541-737-2716

Oregon Sea Grant Publications Directory.
No charge.

Albacore Tuna: A Quality Guide for Off-the-Dock Purchasers.

ORESUG-95-003. 50¢. Also on the Web at
seagrant.oregonstate.edu/sgpubs/onlinepubs/g95003.pdf

Ensuring Food Safety . . . The HACCP Way: An Introduction to HACCP & a Resource Guide for Retail Deli Managers.

T-030. \$1.

Hazard Analysis and Critical Control Point Applications to the Seafood Industry.

ORESU-H-92-001. \$4.

Preparation of Salt Brines for the Fishing Industry.

ORESU-H-99-002. 50¢.

Quality Control and Quality Assurance for Seafood.
(Conference proceedings.)

ORESU-W-93-001. \$15.

Understanding and Controlling Histamine Formation in Troll-Caught Albacore Tuna: A Review and Update of Preliminary Findings from the 1994 Season.

ORESU-T-01-001. No charge.

Also available on the Web at seagrant.oregonstate.edu/sgpubs/onlinepubs/t01001.pdf

The following publication is available from Extension and Experiment Station Communications, Oregon State University, at <http://seagrant.oregonstate.edu/sgpubs/onlinepubs/g03015.html>

Parasites in Marine Fishes: Questions and Answers for Seafood Retailers

Compiled by Ginny Goblirsch, Extension Sea Grant agent. Please address requests for information directly to the agency or office responsible for the aspect of direct marketing that concerns you.

Appendix J

Marketing Your Own Catch: State and Local Regulations in Washington

Sarah Fiskén, Washington Sea Grant Program

Fishermen in Washington may sell their catch themselves by either obtaining a *Direct Retail Endorsement* or a *Wholesale Dealers License*, in addition to meeting other requirements. With both of these options, start with the Department of Fish and Wildlife Department Licensing Division, (360) 902-2464.

Tax Registration Number

Because the state collects taxes from the sale of fish, you are required to have a tax registration number. A tax number valid for the duration of the business is available for \$15 (a temporary tax number, valid for up to 30 days, is also available at no charge) from the Department of Revenue, 1-800-647-7706.

Direct Retail Endorsement

This applies only to current holders of salmon or crab licenses. Salmon must be sold uncut and unprocessed except for gutting and removal of the head. Crab must be sold live. Below are general requirements. Please contact the state Department of Fish & Wildlife and your local health department for any additional requirements.

Requirements:

- Only the person who owns the license may apply.
- The applicant must obtain a letter from their county health department certifying that their method of operation (transporting, storage and display of product) meets county and state standards for a food service operation. This letter must be presented to the Department of Fish & Wildlife before a direct retail endorsement will be issued.
- Holders of direct retail endorsements must complete fish/shellfish receiving tickets. This procedure is similar to that required of wholesale dealer license holders.
- Any salmon or crab caught by the holder of a direct retail endorsement must be landed in the round and documented on fish tickets, as provided for by the Department of Fish & Wildlife, before further processing.
- The fee for this endorsement is \$50.
- The applicant must also obtain a food and beverage service worker permit, available from their county health department.

Wholesale Dealers License

A Wholesale Dealer's License is available from the Department of Fish & Wildlife Licensing Division at an annual fee of \$250. An additional fee may be required if your operation is a company or corporation.

**Washington Department of Fish & Wildlife
Licensing Division**

Mailing Address: 600 Capital Way N.

**Physical Address: 1111 Washington St. SE
Olympia, WA 98501
(360) 902-2464**

A Surety Bond of \$2000 is required to make certain that fish receipts are reported in a timely and accurate manner. Information and forms are available from the Department of Fish & Wildlife Licensing Division.

Inspected & Approved Scales

The scale you use for weighing your product must be accurate. It must be certified annually by the Washington State Department of Agriculture, Division of Weights & Measures, Olympia, (360) 902-1857.

City or County Business Licenses

Contact your local city or county licensing department or clerk to find out if you need a business license to operate in your chosen area.

Additional Requirements or Regulations

Some counties require additional permits and regulations for selling seafood. Please contact the appropriate county:

Pacific County

**Pacific County Health Department Courthouse
South Bend, WA 98586
(360) 875-9356
Health Inspector, Faith Taylor**

Grays Harbor County

**Grays Harbor County Environmental Health Division
100 W. Bdwy., Suite 31
Montesano, WA 98563
(360) 249-4413
Janna Denning, Food Program Coordinator**

Bremerton –Kitsap County

**Environmental Health Division
109 Austin Dr.
Bremerton, WA
(360) 337-5235/5726
Bonnie**

Clallam County

**223 East 4th St.
Port Angeles, WA 98362
(360) 417-2589
Joe Graham**

Jefferson County

**Environmental Health
615 Sheridan St.
Port Townsend, WA 98368
(360) 385-9436
Larry Fay**

Seattle-King County

**Environmental Health
2124 4th Ave.
Seattle, WA
(206) 205-3485**

Whatcom County

**Environmental Health
509 Girard St.
Bellingham, WA 98225
(360) 676-6724**

Appendix K

Sources of Information and Materials

Following are partial lists of sources for information, services and materials that may be of use to direct marketers.

Inclusion does not imply endorsement by the Alaska or Washington Sea Grant programs, nor does it indicate that authors have investigated or tested the products or services offered by the companies listed.

Sources for Information on Potential Markets

Alaska Seafood Marketing Institute. Directory of Alaska Seafood Suppliers, sales aids and literature catalog. *www.alaskaseafood.org* (800) 478-2903

Chain Store Guide. Directories of chain and independent restaurants, food service distributors and wholesale grocers. *www.csgis.com/csgis-frontendl*. (800) 927-9292

ContactDirect.Com. On-line directories of food and beverage industry companies. *www.contactdirect.com*. (757) 599-4644

Food Logistics. Business journal of food shipping industry *www.foodlogistics.com*. Circulation (920) 563-1648

Seafax Yearbook. Seafood industry financial information *www.seafax.com*. (800) 777-3533

Seafood Business. Publishes Seafood Business (monthly journal of the seafood industry) and Seafood Handbook (a buyers guide). *www.seafoodhandbook.com*. (207) 842-5682.

Urner Barry Publications, Inc. Seafood market newsletters, business directories, wall charts, fish- and seafood-related books. *www.urnerbarry.com*. (800) 932-0617

Sources of Shipping, Insulating and Related Materials

Eastern Seaboard Packaging. Insulated shipping containers and container insulation. *www.easternseaboardpackaging.com*, *info@thermashield.net*, *info@easternseaboardpackaging.com*. (704) 895-7277

Packaging Products Corporation. Shipping boxes, insulation, and gel packs. (800) 225-0484

Stock America Inc. Packaging systems *www.stockpackaging.com*. (262) 375-4100

Peterson Pack Systems Inc. Shipping packaging and liners. *www.beck-liner.com*. (206) 575-3037; Fax: (206) 575-3224.

A. Mindle & Associates. Tray packaging for processes products. *www.amindle.com*. (831) 425-6625

Stoffel Seals Corporation. Product package labels. *www.stoffel.com*. (770) 574-2382

American Thermal Wizards International, Inc. Insulated shipping packaging. *www.ATW-International.com*. (866) 568-3289.

Cox Technologies. Temperature data loggers. *www.coxtec.com/tracer.htm*. (704) 825-8146.

Yerecic Label. Product package labels. *www.yereciclabel.com*. (724) 334-3300

Victory Packaging Boxes, bags, plastic wrapping, shipping supplies. (800) 790-8457

QuickLabel Systems. Product package labels *www.quicklabel.com*. (877) 757-7978

Ketchum Manufacturing Inc. Seafood and aquaculture tags, merchandizing products. *www.ketchum.ca*. (613) 722-3451

Tech Pak Solutions, Inc. Shipping containers, insulation, and gel packs. *www.techpak.com*. (800) 832-4725.

Sources of Shipping, Handling, Logistics and Cold Storage

Old Dominion Freight Line. Product shipping and logistics services. *www.odfl.com*. (800) 432-6335

P&O Cold Logistics. Seafood product freezing, shipping, and warehousing. *info@pocold.com* (310) 632-6265

United States Cold Storage. Cold storage services, refrigerated and logistical services. *www.uscoldstorage.com*. (510) 471-1705

AmeriCold Logistics. Refrigerated product logistics services, warehouses, consolidation. *www.americold.net*. (888) 808-4877

Global Perishable Logistics Group. Air and sea freight, storage, distribution, and logistics. *www.gplg.org*. (617) 5599-2333 (Australia)

Oceanair, Inc. Perishable logistics services, inventory management, containers, freight and insurance services, etc. *Perishables@oceanair.net*. (800) 456-4176

Seafreeze Cold Storage. Cold storage *www.seafreeze.com*. (206) 767-7350.

Astra Information Systems. Seafood distribution, importing and processing technology. *www.astrainfo.com*, *sales@astrainfo.com* (800) 305-5567 ext. 111

DeltaTrak. Temperature recording produces, in-transit data management *www.deltatrak.com*. (800) 962-6776

Sources of Insurance, Inspection and Credit Services

U.S. Department of Commerce Seafood Inspection Program. Product inspection services. Federal Standards for Fish Plants. Policy for Advertising Services and Marks (800) 422-2750

Seafax. Business reports, creditors index, company credit reporting, collection service, credit insurance. (800) 777-3533, *www.seafax.com*.

Alaska Manufacturers' Association. Quality seafood program. Consulting, grading, inspection. *www.alaskaqualityseafood.com*, *seafood@alaskamfg.com*. (907) 565-5655

Capitol Risk Concepts. Product insurance and produce liability insurance (914) 683-8048

Shorepoint Insurance Services. Cargo insurance, business and product liability insurance. *www.shorepointinsurance.com*. (800) 350-5647.

InsureCargo Insurance Services, Inc. Cargo insurance. *www.insurecargo.com* (888) 286-5647

Northeast Analytical Inc. Product quality testing and assurance. *information@nealab.com*. (518) 346-4592

Surefish. Seafood inspection, chain-of-custody certification, HACCP audits, training. *www.surefish.com*. (206) 284-2686

Appendix L

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 3 percent to 5 percent 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 which 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 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 food service or retail outlets.

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

Drayage – transport, usually by truck, usually from airport or other transportation terminal to a separate location for distribution.

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 which 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.

Food service 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 which 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.

Liquidation – 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 your product line within the geographic limits of your 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 which 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 food service 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 are commonly 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.

Vertical integration – A form of corporate ownership whereby the same company owns several levels of the production and distribution system. An example would be a fisherman who also processes, ships and sells his own product.

Wholesale – The level in the distribution chain prior to direct sale to the consumer. Product may be sold wholesale to food service or retail outlets.

Wholesale price – The price paid by restaurants, retailers and food service establishments, not to be confused with the “first wholesale” or “producer” price, which the processor receives.

Appendix M

Business Plan Outline

Michelle Kern, Alaska Business Development Center

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.

Business Plan Outline

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 to 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 page they are located on.

Description of Business

- Mission statement
- Type of business/industry
- Status of business (start-up/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
- Current market share
- 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
- Competitor's products/services
- Evaluation of product/service (similar/dissimilar)
- Market share (steady/growing/increasing)

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 start-up capital
- Inventory control system
- Accounting system
- Three years profit and loss statement (income and expenses)
- Three years balance sheet (assets, liabilities and owner equity)
- Cash flow (projected monthly breakdown of when money comes in and goes out; where it 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 tax returns (company and principals(s))

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

Fishermen's Direct Marketing Manual

Terry Johnson, Editor

Marine Advisory Program
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