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ALASKA GLOBAL FOOD AID PROGRAM UPDATE

REPORT FOR ASMI ALL HANDS MEETING, ANCHORAGE, ALASKA OCTOBER 2015

Since the last All Hands Meeting, the ASMI Alaska Global Food Aid Program (AGFAP) has been concentrating on solutions for the excess inventory of Canned Red Salmon and expanding the impact of Alaska Seafood in domestic and export food aid programs with new species, product forms and package sizes. We are pushing for more seafood to be included in all programs and to align Alaska Seafood with the priorities of domestic and international food aid markets while anticipating future trends.

We are continually seeking ways to increase the customer base for Alaska Seafood. This year we have had particular success with the addition of Alaska Canned Sockeye Salmon and the expansion in the Kosher market in institutional programs. We continue to advise United States Department of Agriculture (USDA) on Alaska Seafood products: what is available and when, in which product form, and what will help them meet the need for shelf stable, cost neutral products for their new and expanding programs. We make full use of our Washington DC based Food Aid and Nutrition Consultants, and their research networks maintain continuous dialogue with science-based and food aid stakeholder groups. We endeavor to position Alaska Seafood as the “go to” option for the USDA, as it navigates the ever evolving nutrition science and policy, be it in the revision of food baskets in the Special Supplemental Women’s, Infants’ and Children’s Nutrition program (WIC) or the development of the latest Dietary Guidelines for Americans (DGA, 2015). We always keep in mind that today’s program participant could be tomorrow’s retail customer.

This report provides an update on the issues and priorities we are currently addressing.

RESPONDING TO ECONOMIC AND DEMAND ISSUES

Economic and political events continue to redefine the food aid market. As it is in Alaska, the “Budget” continues to shape food aid discussions and appropriations, with most program funding being straight lined. Among these are the USDA funded Market Access Program (MAP) and the domestic and international food aid and nutrition programs. Under these circumstances, cost-effective offerings that provide high quality nutrients are especially important. The demand for nutrient-dense, high quality foods has been steadily increasing in the food aid community – both here and abroad. Canned Salmon is the only US source shelf stable fish available for USG purchase. These USDA programs have not had access to “American Made” tuna and the demand for salmon is higher than ever. Economic constraints remind us that we need to explore new resources, and continue to seek and test alternate products that can be added to the current set of seafood products at an affordable price point. If we can incorporate new options like Canned Herring and Seafood Powder, we will have a food aid supply made to last and new products with global commercial appeal to boost Alaska’s fishing industry and continue our leadership in sustainability by using underutilized species and more of each species.



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An example of this demand came from Seattle in June with the kickoff of Herring Week. It was the result of the frustration felt by herring lovers and their potential retail and food service suppliers at the lack of supply of Herring in the greater Puget Sound area. Eight eating establishments and two retail stores were involved in this event. The customer response was so great at both retail and in restaurants that the limited product we had on hand ran out before the end of the week.

I ate absolutely wonderful Herring dishes twice a day for four days, a testament to creativity of the chefs and the unmet consumer demand for Alaska Herring in the area.





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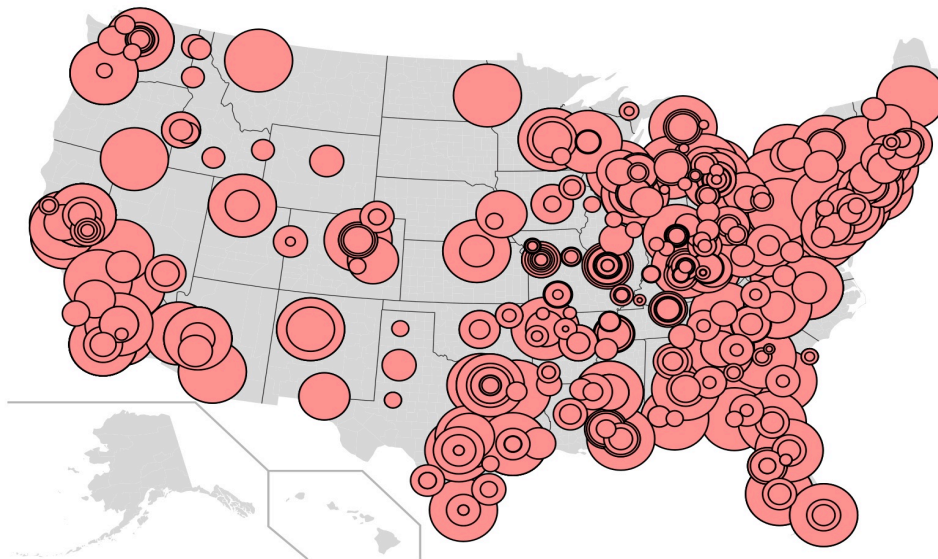
DOMESTIC PROGRAMS PURCHASE 1.1 MILLION CASES OF CANNED PINKS AND CANNED REDS IN FY2015

The food aid market has been a good customer for the Alaska seafood industry to support the balance between supply and demand. Following our successful work with USDA on special purchases of canned Pink Salmon last year, it was clear that the Alaska Canned Sockeye Salmon market would benefit from the same type of help. However, this product had never been bought for USDA food and nutrition programs. This was a new product for the USG so in addition to a complete, economic analysis of the fishery and the market, we worked with USDA AMS and FNS to develop the specifications the USDA needed in order to list the product for a potential solicitation of purchase. The AGFAP team’s collaboration with USDA, US food bank networks, and the Alaska delegation, ended with the Secretary of Agriculture’s decision to purchase Canned Red Salmon under a Section 32 program, culminating in September 2015, with two Bonus Buys totaling just under \$30 million.

USDA Purchase of Canned Pink and Red Salmon, Oct 2014 - Sep 2015

Total Cases: 1,095,200 Total Amount: \$39,387,961

Total Cases per Recipient City



Purchase data is from AMS Commodity Purchasing at www.usda.gov; state plan is from ArcGIS Online Database.

| | | | | |
|------------------------|-------------|-------------|--------------|-------------|
| Solicitation #(s): | 2000002969 | 2000003322 | 2000003591 | 2000003630 |
| Date(s): | 11-06-14 | 06-02-15 | 09-23-15 | 09-29-15 |
| Total number of cases: | 124,800 | 91,200 | 666,400 | 212,800 |
| Dollar Value: | \$5,799,920 | \$3,629,777 | \$22,497,916 | \$7,460,348 |
| Species: | Pink | Pink | Red | Red |

Amounts in Cases (24 ct)

Max: 2,800



Min: 200



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Canned Salmon Helps Mitigate US Food Insecurity and the Alaska Seafood Industry: Through our constant interaction with USDA, they are drawing on Alaska Canned Salmon to meet the need for shelf stable fish in the TFAP program for US food banks and other domestic safety net programs. The recent purchase of canned Red Salmon will take 879,200 cases off the market. Added to the canned Pink Salmon purchased earlier in the year for the regular USDA entitlement programs, we are talking about over 1.1 million cases of canned Red and Pink Salmon valued at \$39.4 million dollars in FY2015. This will provide more than 78 million 3 oz servings of high quality seafood to food insecure Americans that history shows will one day become new retail customers for Alaska Seafood. Many of the food banks will again use the cookbook we developed with healthy Canned Salmon recipes made with affordable ingredients that program participants can find in any supermarket or food bank.

Expanding Markets: Kosher Canned Salmon The 2014 Farm Bill included the a new provision that calls for the USDA to ramp up their sourcing of Kosher and Halal foods. As a result, we are now able to incorporate our Kosher shelf stable products into these programs. I am pleased to say that the Alaska seafood industry was ready and able to fulfill USDA's first specific order for 19,000 cases of Kosher Canned Pink Salmon in 2014 and continues to provide Kosher canned salmon as the demand has increased through 2015, with 67,200 cases of Kosher Pinks and most recently, with 266,000 cases of Kosher Reds. This a great example of the "new customers" that are being realized from the Global Food Aid program.

Expanding Markets: New Forms of Products We have been working with both domestic and international food and nutrition programs to increase their seafood offerings and have been laying the groundwork for expanding the use of Pollock and new product forms of Alaska Seafood into new and existing USDA programs.

RESPONDING TO GLOBAL FOOD AID TRENDS AND PRIORITIES

The USG is continually engaged in an all-of-Government drive to improve the quality of its food aid programs. It has been steadily honing its food aid basket with better products (more nutrient dense and special nutritious offerings), improved supply chain processes and more targeted programming. Specifically, the USDA has increased its purchase of fruit, vegetables, whole grains, and lean protein for its food and nutrition programs. The Dietary Guidelines for Americans (DGA, 2010), which set US nutrition policy, and the American Heart Association (AHA) both recommend at least two servings of healthful seafood weekly (6-8 oz). The USDA/FNS WIC, School Lunch, and other child nutrition programs have been slower to incorporate these recommendations than we would like to see.

US Seafood Consumption & Nutrition Policy: "The US population is not eating enough fish or seafood." Our Nutrition and Food Aid consultant, Dr. Nina Schlossman, and her Tufts University colleagues are actively engaged in the process of updating the DGA and we are making sure that fish consumption (at least 2-3 servings a week) remains a priority recommendation in the 2015 DGA as it was in 2010. Dr. Schlossman made formal testimony in person at one DGA Hearing in Washington DC in March and provided written comments for the record at another listening session in June. AGFAP continues to push hard for this policy to be implemented in all USG food and nutrition programs. Right now, the science behind the DGA 2015 is being questioned in Congress and we are working with the Alaska Delegation to make sure that canned Salmon is included in all food baskets in the WIC program and in school meals. We continue our intensive interactions with USDA and other food aid



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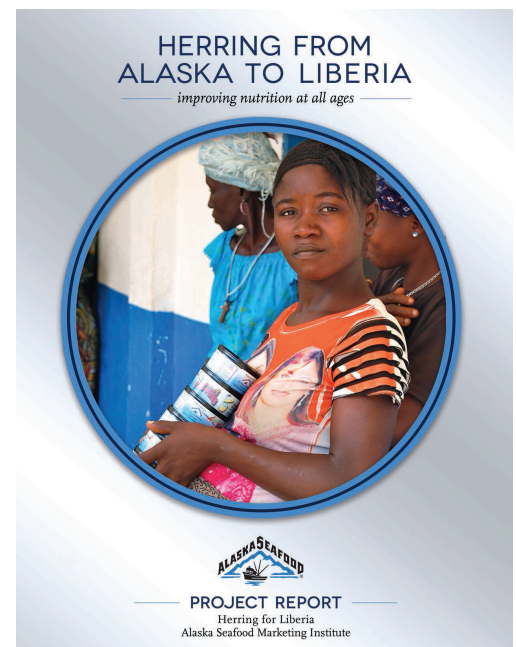
stakeholders on specifications and marketing with food-aid customers. We are focusing on efforts to harmonize USG approaches to include only US origin shelf stable fish and seafood.

Global Nutrition Needs and Marine Protein: On the international side, scientific evidence is shining a spotlight on maternal and child nutrition as a key driver of impact measurement globally. Nutrition solutions for this target group are becoming a growing priority for food aid programmers. In recent years, the United States Agency for International Development (USAID) has added new nutrient dense ready to use supplementary and therapeutic foods (RUSF & RUTF) and strengthened the fortified blended cereals and oil to better support the nutrition of vulnerable people in food security and humanitarian programs. At the same time, USDA/FAS has been pilot testing new fortified food aid products like fortified rice, RUSFs and micronutrient powders to add to school meals in the McGovern-Dole international food for education and child nutrition programs (FFE). Oily fish like salmon and herring are the best sources of essential fats and high quality protein for people of all ages and this is particularly true for mothers and babies during and after pregnancy – the critical first 1,000 days. Protein is gaining recognition as key to healthy growth and development. There is increasing demand for protein and growing international concern about how to provide sustainable, affordable protein to an expanding middle class. Marine source protein will take its place in this debate and we are there to make sure that Alaska Seafood is clearly a best option.

STRENGTHENING THE EVIDENCE BASE

At the request of USDA and other institutional food aid partners, AGFAP has been exploring new marine based products (Herring and Seafood Powder) for some time. We have tested various prototypes during the last several years with consistently high consumer ratings and broad appeal in diverse countries from Guatemala, Ghana, Mozambique, Nigeria, South Africa, Uganda, to the United States. In 2012, ASMI launched a series of more in-depth pilot projects to strengthen the evidence in Liberia, the Republic of Congo (Brazzaville), and Guinea-Bissau to determine how effective other forms of seafood like Canned Herring and Seafood Powder could be in improving nutrition in food and humanitarian assistance programs and how these new products can expand opportunity and value to all sectors of the Alaska Seafood industry.

Canned Herring Improved Nutrition in Liberia: The canned salmon, canned herring and protein powder were all enthusiastically accepted and successfully integrated into local dishes. But even more importantly, we found that these products had dramatic effects on the health of the people that were involved in these development projects and emergency settings. In Liberia, children and adults alike progressed to safe and healthy nutrition levels with nine-months of Alaska Canned Herring consumption. The Herring was particularly beneficial for those living with HIV/AIDS. These positive results warranted further investigation and research because while these products already have proven effective on a small scale, they could have a wider impact for people around the world.



Canned Herring Preventing Malnutrition in Guinea-Bissau:

For these reasons, in May 2015, we began fieldwork on a randomized controlled trial of Alaska Canned Herring with 1,000 children, mothers and fathers as a way to mitigate malnutrition in the lean season in four villages in Guinea-Bissau. We initiated this research study to strengthen our evidence base, which is needed for all of our marketing needs within the world wide Food Aid community that Canned Herring is a nutrient dense food rich in high quality marine protein and essential Omega-3 Fatty acids, which can deliver strong nutritional benefits in very marginal conditions. Researchers from Tufts University Friedman School of Nutrition Science and Policy are working with us on the study – together, we have developed the study protocol and instruments, trained the field staff, supervised the data collection and data entry and are in the process of cleaning and analyzing the data. We expect to have preliminary results by the end of the year. Here are a few images of the baseline data collection.





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Salmon Powder Improving School Meals in Republic of Congo (Brazzaville):



This last year, we pilot tested Alaska Salmon Protein Powder among 9,000 primary school age children. This pilot allowed us to gather evidence about long-term daily consumption of the product over an entire school year. We interviewed staff and students about how they liked the powder and about preparation and handling.

The cooks worked on different ways to mix the powder with rice and beans, the mainstay of the school meals, and the children enjoyed the taste of the dishes and did not tire of it. We are working on a second generation powder that will make this an even better product of choice for our food aid customers as we seek field testing opportunities.





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RESPONDING TO WORLD CRISES

Over the years, we have demonstrated that Canned Salmon is an efficient relief product for emergency situations. The donation of four containers of Canned Pink Salmon in response to the devastating Typhoon Yolanda is an example of what a great emergency product this is. The shelf-stable canned salmon was especially appreciated because it didn't need refrigeration or cooking and could be eaten straight from the can or mixed with local ingredients. Canned Salmon or Herring is perfect for use in crises, whether they are sudden moments of destruction like in Nepal or ongoing demands for humanitarian aid. The world is experiencing three large-scale emergencies at the same time in Central African Republic, South Sudan, and Syria. These unprecedented situations require swift and effective nutritional aid. Disaster preparation, both Domestic and international, is more relevant now than ever and we are pushing for shelf stable canned Alaska seafood to be prepositioned for staging and readiness to meet humanitarian needs anywhere in the world.

THINKING AHEAD

We are continuing our successful approach of identifying promising new products, laying the groundwork with agencies and potential markets, finding partners to work with and opportunities for research and development (R&D) that promote Alaska seafood resources. South East Asian countries exhibit some of the worst nutrition indicators and we have targeted Cambodia for our next herring acceptability project. Based on the results of our pilot project with school children in Congo, we are seeking improved seafood powders—with better sensory characteristics and mild flavor profile that will deliver at least 20% of daily protein requirements in a serving. This R&D phase is the next step to conducting a controlled pilot project to gather evidence on the nutritional effects of the product over a period of time. We are seeking opportunities and have identified the Saltonstall-Kennedy grant program as a potential funding source. We are preparing a grant application (due early November) for a salmon or seafood powder byproduct that is commercially viable and turns fish waste into a human grade highly nutritious product to be tested in several locations.

We look forward to working hard for the industry again this year to support the Industry's priorities with higher use of Canned Salmon and Alaska Seafood while expanding opportunities for new products and applications to address not only the changing nutritional science here and abroad but the dietary preferences of our Alaska Seafood customers.

Bruce Schactler
Global Food Aid Program Director