

**Marketing Committee  
Direct Marketing Overview for  
Alaska Legislative Salmon Task Force  
November 2003**

There are a growing number of fishermen adapting to dynamic changes in the seafood industry by taking responsibility for direct marketing their own fisheries products.

Small boat operators who sell the fish they catch epitomize Alaskan small business. These are fishermen spend significant time and money in Alaska ports while conducting their business, and most reside in our communities.

Direct marketers are focused on delivering low volume, high quality product to select market niches. They are taking cues from the current marketplace and searching out new and creative ways to market their catch.

While salmon is currently the primary species, many operators are now or are interested in, direct marketing other varieties of seafood.

Unfortunately, direct marketing regulation are not distinct and separate from those established for larger processors. Consequently, many of the tax liabilities and regulatory issues direct marketers confront are overly burdensome for the small boat operator. For instance:

- The tax rate for direct marketers is disproportionate to that being paid by other, larger sectors of the industry. Direct marketers currently pay 5% fisheries business tax, which shoreside processors pay 3%. The factory trawl fleet pays 3% landing tax.
- Point of taxation is not on par with other processors and penalizes direct marketers for adding value to their products. Typically, direct marketers are taxed for the full price they receive for their product – after value is added – unlike other fisheries businesses that pay tax to the state based on the grounds price paid to fishermen, prior to value added processing.
- Paperwork and permit requirements are often inconsistent and frustrating. The three state departments involved with this sector have different definitions, regulatory goals, and reporting timelines. This often results in burdensome amounts of confusing paperwork for a small fisheries business to contend with.

With these things in mind, the Marketing Committee has been working with agency representatives and direct marketers to develop legislative and administrative remedies that accomplish the following goals:

- Develop a category for direct marketers, which recognizes them as distinct from traditional processors and regulates them accordingly.

- Maintain high standards for food wholesomeness by selectively identifying which types of processing can be safely provided for under direct marketing statute and regulation.
- Create a fair tax environment amongst users that is conducive to small business development and ingenuity in the marketplace.
- Streamline the application and reporting process for both fishermen and state agencies.
- Ensure that changes in tax liabilities do not alter values that are used to determine enhanced fish allocation in Southeast or Prince William Sound.

### **Conclusion**

Helping small fisheries businesses create opportunities to expand markets and focus efforts on quality, high value products is in line with the Task Force priorities. While there are many regulatory and administrative tasks ahead, the attached legislation goes a long way towards addressing the above goals. We urge your support for both direct marketing legislation and the ongoing efforts of the Marketing Committee to further improve the program.