

Investment and Infrastructure Advisory Committee Meeting

May 1, 2017

Attendance: Erik Obrien, Julie Decker, Tomi Marsh, Jeff Hetrick, Jeff Curry, Mark Scheer, Trevor Sande

The AC meeting was focused on committee recommendations developed to date. Underlined language represents new discussion.

Investment and Infrastructure AC Recommendations

Infrastructure

Recommendation 1:

Develop an interactive map tool and/or fact sheet to help inform site and species selection. (Near-term)

The I/I AC understands that there is a Seagrant proposal to begin a regional mapping project and that the first phase of the project may begin in 2017. The AC committee supports this project and has discussed that the lack of a cohesive and accessible site containing information on issues such as; ocean conditions, bathymetry and existing support infrastructure for processing and shipping has created significant barriers for potential investors to adequately select sites and formulate business plans. A mapping tool will alleviate some of these limitations, while highlighting remaining research gaps and potential future inputs as they become available.

Recommendation 2:

Develop a seafood processor/salmon hatchery outreach program to inform existing infrastructure owners of potential mariculture and business diversification opportunities. (Mid-term)

Alaska's seafood operators have had to surpass significant challenges with remoteness, transportation, high energy costs and labor. An emerging mariculture industry will face similar challenges and will benefit from extracting lessons learned and building partnerships with existing operators. Numerous seafood processors throughout the state have expressed interest in exploring diversification opportunities through mariculture development. Many potential synergies exist, but information on compatible and potential conflicting conditions need to be better understood. This outreach program would likely follow the completion of the mapping project. The existing expertise of salmon hatcheries could lend well to mariculture seed production and operations.

Recommendation 3

Explore potential frameworks and regulatory mechanisms for funding hatchery operations.

These could include voluntary assessments, marketing tax, value-added tax, fish tax, etc. Reference to the language in HB 128 (allowing a mechanism for self -assessment), as well as HB 76 (allowing non-profits to assess) should be included in the plan.

Investment: Secure and promote investment in Mariculture

Recommendation 1:

Support amendments to the Mariculture Revolving Loan fund to include hatchery eligibility. Encourage opportunities for increased support and funding of hatchery development. (Near-term)

Under the leadership of AFDF, AC and MTF members have advocated for advancing legislation to amend the mariculture revolving loan fund during the 2017/8 legislative session. The I/I AC believes that legislation is needed to allow for fuller utilization of the existing mariculture revolving loan fund and to fill an important funding gap for hatcheries. The committee also believes that there should be a continued effort to align industry needs with private and public funding opportunities.

Recommendation 2:

Support Shellfish Enhancement enabling legislation. (Near-term)

As with the revolving loan fund legislation, AC and MTF members have been advocating for legislation that would provide a regulatory framework for shellfish enhancement and restoration efforts. This legislation is critical in advancing the AKCRRAB program out of research phase and into implementation. Future enhancement projects could provide important opportunities for common property fisheries and potentially help mitigate impacts of climate change on commercially valuable crab fisheries. The I/I AC believes this legislation will be key to advancing a successful mariculture industry.

Recommendation 3:

. Develop an investment package that includes basic statistics, information on the regulatory process, funding sources etc. (Near-term)

The I/I AC has evaluated various public and private programs applicable to mariculture development in Alaska. The committee feels it would be helpful to create a tool for potential investors that identifies these sources, along with other information that would be pertinent to the development of a business plan.

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Recommendation 4:

Promote Cooperative Investment Structures (Long-term)

Cooperative structures are designed to provide member level benefits that may be reflected on a social, cultural and/or economic level. Coops typically offer their members a wide variety of benefits such as access to markets, shared information on technological advancements and efficiencies, shared risk, innovation, common facilities, etc. This type of structure could help build the financial resiliency of an emerging mariculture industry and may be an important component to consider in establishing economies of scales, collective purchasing and in developing selling strength. The committee discussed that the Intertribal Agriculture Council may be a good resource to assist in developing a model for Alaska.

The work product coming out of this recommendation should be a compilation of information related the logistical formation of a coop, available resources and an assessment of relevant existing models. Items specifically mentioned for inclusion:

- Legal entity required for membership
- Antitrust issues

Recommendation 5:

Explore the potential to seed a private/public revolving loan fund program for mariculture planning purposes and start-up costs. Prioritize options to seed additional funding into existing funds. (Mid-term)

Revolving loan funds provide access to a flexible source of capital that can be used in combination with more conventional sources. While the state's revolving loan fund is not presently being fully utilized, the anticipated growth of the industry may quickly surpass the amount of support that the fund provides. A complimentary revolving fund could provide an important bridge for new borrowers trying to leverage private sources. The fund could be initially capitalized through economic development organizations, federal grant programs or local governments.

The committee believes it important to note that prior to the creation of a new loan program, existing programs should be analyzed for their ability to meet the needs of industry participants and evaluated for potential expansion.

Recommendation 6:

Develop a business development training program, which dovetails with workforce development, to help new producers successfully apply for loans and develop business plans. (Mid-term)

The I/I AC discussed the challenges that new entrants faced in developing the business plans required of most lending agencies. The group discussed the value of training opportunities catered specifically to producing and understanding financial projections.

The committee noted that it is important to integrate any new program with technical workforce training and that business and accounting training needs to be catered specifically to mariculture as opposed to a more general farmer's training which may have limited applicability to the unique circumstances of the industry. Committee members mentioned a specific challenge regarding mariculture related accounting was capitalizing labor on balance sheets.

Recommendation 7:

Facilitate partnerships with state and local governments, industry, Alaska Native tribes, Community Development Quota organizations, NGOs and communities. Identify a dedicated lead organization. (Mid-term)

Developing strategic partnerships will help leverage local expertise, knowledge and funding sources.

The committee discussed that other countries that have developed a successful mariculture industry have identified a lead organization that is tasked with coordinating private, public and governmental relationships. These organizations have been critical in carrying strategy forward. At this point, it is unclear who will be charged with implementing the MTF's recommendations. The committee discussed that if this entity was a government agency, it should be one not conflicted with trying to manage as well as advocate. The group also discussed that a logical choice would be AFDF.

Recommendation 8:

Include in the comprehensive plan, a statement of commitment from the State of Alaska expressing support for sustainable mariculture growth and defining its role in helping industry to development and invest. (Near-term)

The AC discussed how the success of the industry is dependent on the state's continued commitment to provide sufficient funding to agencies that are critical to regulating and supporting mariculture efforts. The AC also discussed that that it may be important for the state to reinforce its position on mariculture as a form of agriculture for the purposes of leveraging USDA funds. The committee discussed the value in trying to define an appropriate role for government in the development of the industry.

Recommendation 9:

Support Alaska delegation tours to share and extract lessons learned from mariculture operations and businesses from around the globe. (Mid-term)

Information sharing in the early stages of mariculture development between existing growers and potential investors, both in-state and externally, will play an important role in the efficient growth of the industry.

Recommendation 10:

Develop a fact sheet on survival and growth rates of various mariculture species. (Long-term)

AC members from out of state discussed that the general lack of information on growth rates, survival and predation presented a significant impediment to their ability to develop business plans for investing in Alaska. The committee discussed how some information on growth rates may be available from ADFG and that a comprehensive product may necessitate a willingness from existing operators to share their experience and knowledge base. These types of inputs may be appropriate for a subsequent phase of the interactive mapping project. Region specific information is critical.

Recommendation 11

Develop downstream market support.

The committee discussed the unknowns of future marketing components, particularly for aquatic plants, and that continued engagement with ASMI will be very important.

Recommendation 12

Following the development of the comprehensive plan, coordinate conversations with federal representatives to ensure alignment of state and federal priorities.

For example, the new NOAA administrator publicly expressed interest in reducing the US' seafood trade deficit. The committee discussed the importance of aligning federal initiatives with Alaska's opportunities.