

# FISH RAP

Highlighting releases, returns, policy and legislation affecting the Southeast Alaskan salmon fisheries



*Commissioner Edgar Blatchford (back to camera) of the Dept. of Community and Economic Development, visits Medvejie Hatchery to observe NSRAA programs and discuss grant funding.*

*From left to right: Bill Paden, Jared Bradner, special assistant to commissioner, Marlene Campbell, Edgar Blatchford and Pete Esquiro.*

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## Sawmill Cove Project Gets High Marks

NSRAA's long-held dream of building a hatchery facility and a value-added processing plant at the City of Sitka's Sawmill Cove industrial site is getting closer to reality.

"We've had an area of that mill site set aside since the city took ownership, we've just not had the money to put something together," said NSRAA operations manager Steve Reifenstuhl.

Late in 2003, that situation began to change, when board member Marlene Campbell informed NSRAA about a new federally funded grant program, through the State of Alaska, called "Access to the Future." Campbell, government relations director for the City of Sitka, thought that Sitka would be eligible for two grants of approximately 5 million dollars each, Reifenstuhl said.

General manager Pete Esquiro worked with Reifenstuhl to develop a conceptual paper for a summer run coho hatchery in conjunction with a value added processing plant for boneless fillets and custom processing, and they submitted the idea to the governor's office and the Department of Commerce and Economic Development.

After further refinement of the idea, and project design and cost estimates completed by KCM Engineering, NSRAA's proposal came out in the top ten of over fifty projects throughout the state.

"The commissioner of

economic development likes this project very much, because it is innovative and forward looking to have a value added plant in conjunction with a hatchery and local high value fisheries. We can design it so the fish will swim right up the raceway for sorting, stunning, and bleeding, and then they could go for processing and be off to market within 36 or 48 hours, which competes head to head with farmed salmon and does them one better, since we'll be working with wild fish," Reifenstuhl said.

At its spring board meeting, after much discussion and Esquiro's and Reifenstuhl's presentation on the project, the NSRAA board gave its approval for staff to continue pursuing grant funding.

A grant of 5 million dollars would complete construction of both facilities. NSRAA would then have to support the operational costs of the hatchery until adult fish returns reach full capacity. That would probably happen in about 2009, if grant money is approved for construction in 2005.

About 2 million summer run coho smolt would be released from the Sawmill Creek hatchery each year, which with average survival rates translates into 200,000 adult coho returning. At least 60 percent of the return would go to the common property fishery, primarily the trollers and net groups in Sitka Sound, a value of \$800,000 each year.

"We expect to utilize

about 30 percent of the return for cost recovery and brood stock, which adds up to about 400,000 dollars annually," Reifenstuhl said.

Permitting for the hatchery is not expected to be a problem, because the summer run coho return sooner than any other wild coho stocks in the area.

"The only other fish that will be around will be our own chinook," Esquiro said.

The value added plant would be leased to an operator, and while the various uses are not fully determined, it would primarily be a fillet portion producing facility. A fish smoker might also be on site, and possibly some specialty small volume canning capability.

"The plan is to lease it out, because our hands are full with production," Esquiro said. "One of the things we want to do with this facility is to create a new revenue stream for us, rental income, which will help offset some of our cost recovery needs."

The plant could process NSRAA's own cost recovery harvest, which enables them to get more money for the same fish, and it may also provide some opportunities for fishermen to custom process and sell their own products.

"Say someone has a small amount of halibut IFQs, they'd have the opportunity to have that processed into a finished form, packed in a licensed facility, and be able to sell it themselves," Esquiro said. "It opens up the ability to

self-market for a lot of fishermen."

The plant is being designed for a start up capacity of about 5 million pounds of fish per year. NSRAA would only supply about 1 million pounds, approximately 20 percent of capacity.

At full capacity, NSRAA would supply only about ten percent of the plant's needs, with the remaining poundage coming from commercial and charter fishermen.

"There's also been some interest from Seafood Producer's Co-op in using part of the facility," Reifenstuhl said.

Esquiro and Reifenstuhl have met with Alan Osterman, the governor's special assistant for fisheries, and Jim Clark, the governor's chief of staff, as well as giving a site tour in early May to Edgar Blatchford, Commissioner of the Department of Commerce and Economic Development. Esquiro is encouraged by the project's continuing presence on the "short list" of Alaska projects scheduled to be in next year's federal appropriations request.

If all goes well, NSRAA board members will know by their fall meeting whether the project can go ahead or not.

"We've got a lot of fish coming back to the Sitka area and this is the logical place to be," Esquiro said. "We could be shipping fish and have them arriving fresh in 30 hours which is competitive with farmed salmon. It makes sense in a lot of different ways."

**General Manager's Notes:**

The topic of chinook salmon is not new around NSRAA. As most of you know, NSRAA has the largest chinook salmon production in the State of Alaska. This program was started over twenty years ago as a means of addressing the diminishing availability of chinook for the Southeast Alaska troll fleet.

NSRAA has worked very conscientiously toward helping the trollers gain more access to chinook off our coast as well as trying to meet the goal of 100,000 hatchery chinook in their holds. We think that we have been at least partially successful in achieving increased access; however, we have still not been able to achieve the goal of getting 100,000 new chinook into their holds.

Part of the reason that we have not been as successful as we would have liked is due in large part to a lower than desired interception rate. While the special hatchery access fisheries have helped a little, they are not providing enough time or area to make a significant difference.

I have observed over the years that returning Medvejie chinook start to show up right at the tail end of the winter troll fishery. As that starts to occur, we either reach the winter troll cap and the fishery has to be shut down, or along comes April 15th and the fishery is closed. At about this same time we hear about all the great



Pete Esquiro

chinook sport fishing around Sitka.

With the increased chinook abundance index, and great market demand, this year would have been the perfect opportunity to keep fishing. Unfortunately, the winter fishery was capped several years ago and no provision was made to allow the winter chinook cap to increase in proportion to the rise in the abundance index.

I understand that some fishermen are considering a proposal to the Board of Fisheries that would do just that very thing. I hope you will lend your support to their efforts. If they are successful, I feel that more time and possibly more area will help increase the interception rate on NSRAA produced chinook, also. Market-wise, keeping a steady supply of chinook available in the marketplace will help stabilize the industry's marketing program.

I hope you all have a profitable and safe fishing season.

**Market Outlook cont.**

quotes have gone up slightly. "This suggests Alaska sockeye has retained some degree of niche-market status," according to the Bulletin.

The Japanese 2003 chum harvest was complete in December and looks to set a new record, at more than 66 million chum salmon. Market implications for Alaska are negative, as the record harvest will increase Japan's exports of frozen chum, and drive down prices for Alaska chum ikura.

The April 2004 issue of the Salmon Market Bulletin covers the domestic salmon fillet market, and Alaska fillet production, noting that there is a "growing acceptance of frozen fillet product in the U.S. market, representing an important opportunity for Alaska producers.

"Large-scale acceptance of frozen fillet solves major cost and risk issues for Alaska salmon processors. Compared to ship-

ping fresh fillets by air, frozen fillets can be brought to market at far lower freight cost and with greatly reduced risk of spoilage loss."

U.S. imports of frozen salmon fillets grew 350 percent between 1997 and 2003, the Bulletin said. Farmed salmon supplies most of the U.S. demand.

Alaska stepped up its production of salmon fillets in 2003, with the Alaska Department of Revenue reporting 14 million pounds of fillet production last year, well above previous years' production. Approximately 1.5 million pounds of fillets were produced by small processors.

Another bright spot is in frozen H&G salmon, which increased in sales by 44 percent during September - December 2003, and doubled in value.

Sockeye accounted for most of the increase, with coho also showing "significant" price improvement, and frozen kings improving in sales volume and price as well.

**Market Outlook**

The bids for NSRAA's cost recovery chum harvest are in, and they are very similar to last year, according to NSRAA's general manager Pete Esquiro.

But after several years of decreasing salmon prices, a steady price, even if it is low, looks like good news.

"Things haven't changed that much," Esquiro said. "At least they haven't gone down, which has been the trend for the past several years. This suggests that maybe prices have bottomed out."

According to the latest edition of the Salmon Market Bulletin, published in February of this year by the McDowell Group in Juneau, both the volume and value of Alaska salmon exports increased in the last half of 2003.

"Exports of Alaska-specific salmon products grew from 186 million to 228 million pounds, up 23 percent compared to the same period in 2002. July-November value increased from \$316 million to \$356 million (13 percent)," according to the Bulletin.

Salmon roe export volume also increased during this pe-

riod from 16 million to 24 million pounds, a rise of 45 percent, while the value increased only 18 percent.

The Japanese frozen roe market sets the tone for Alaska salmon exports, as it has accounted for over 40 percent of the value on average during the years 2000 through 2002, whereas exports to the European Union and Canada, which are more varied and include canned product, fresh and frozen pink and chum, and fresh and frozen high-value species, are just over 20 percent each.

The April 2004 issue of the Salmon Market Bulletin noted that in 2003, Japan received 38 percent of the total U.S. salmon export value for the year.

Five million pounds of fresh sockeye went to Canada for canning, while Japan imported less than 400,000 pounds of all species of fresh Pacific salmon. Likewise, Japanese imports of frozen salmon, trout, and fillets decreased, dropping 22 percent from 273,000 metric tons in 2002 to 214,000 in 2003.

However, while Chilean coho prices have gone down, Alaska sockeye price

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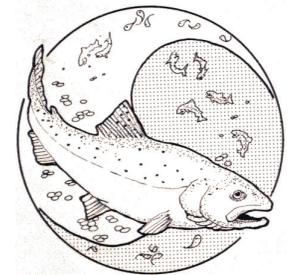
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# Hatchery Reports

## Hidden Falls

Hidden Falls manager Lon Garrison reports that chum incubation went well this winter, with incubation mortality at just 1.5 percent.

"All the fry bound for Takatz looked flawless, a testament to the meticulous work cleaning and picking the eggs before they went into the bulk incubators," Garrison said.

45 million chum fry were ponded into sixteen net pens beginning in late February, and in mid-March staff began ponding the 45 million fry bound for Takatz, using two new ponding raceways. NSRAA contracted with the F/V Heron for transports, which went well.

"Given that we had a new ponding system and a new vessel doing transports we were quite satisfied," Garrison said.

Chum fry are growing and eating well this spring, and just under 90 million fry, a new record, will be released in total. Hidden Falls, like Medvejie, will also rear 15 million fry for "late/large" release.

"These fry have a unique thermal mark so we can evaluate their marine survival in coming years," Garrison said.

Hidden Falls will release 2.25 million healthy coho smolts in late May.

Hidden Falls chinook struggled this past winter. "Initially they did well but in late November had to be treated for Vibrio," Garrison said. "Then in late December and again in February we had Furunculosis outbreaks, and the treatment for this bacterial infection seemed only moderately successful."

Another outbreak in March was left untreated in the hopes of not creating more drug-resistant bacteria, and mortalities have remained higher than normal. Approximately 1.1 million chinook smolts are scheduled for release around June 1.

The new building for coho

and chinook incubation, feed storage, and the new round ponds were completed over the winter.

"Overall the project came out okay but it was a struggle," Garrison said. "The building itself went together nicely. The installation of the fourteen new round ponds was a Herculean task that never seemed to end this winter, but they should be done by late May and they will be a welcome addition."

Hidden Falls staff now intends to focus on establishing a normal routine, with their top priority improving fish culture techniques.

Production goals will remain the same this next year as in the past in order to let staff see how well the new systems work before fully utilizing them, Garrison said. "I think we all have high hopes for getting this place in good working order this summer," Garrison said.

## Medvejie

Medvejie hatchery manager Jim Seeland reports that the new chum incubation building worked "flawlessly" in its first season.

A few problems with incubation kept the staff challenged, but nevertheless, 45 million chum went out to Deep Inlet and seven million to Bear Cove.

"These numbers represent another increase in chum production at Medvejie," Seeland said.

The increase stems from NSRAA's partnership with Sheldon Jackson College (SJC), whose problem-plagued hatchery program has seen poor adult returns recently.

"Using Medvejie surplus broodstock, we were able to take five million chum eggs for their program," Seeland said.

When adult chum return from this release in the years 2006 through 2008, SJC will get their portion of the proceeds from the NSRAA cost recovery effort.

"This partnership is a win-



**New rearing round ponds and incubation building at Hidden Falls made possible with SSSF grant monies.**

win situation, because fishermen will benefit from the additional returns, SJC will benefit financially, and soon they'll be able to do all their own eggtakes," Seeland said.

Medvejie staff will be conducting a "late/large" chum program this summer, in which 12.5 million chum fry are held longer into May, rather than released at the end of April with their 32 million counterparts.

"Other projects have shown this strategy, while challenging, to be very effective at increasing marine survival rates," Seeland said.

Medvejie staff continue to research increasing chinook marine survival rates while reducing overhead.

"Early indicators of our new zero check program, where we release smolt in their first year of life rather than holding them over the winter, shows marine survival rates equal to the traditional smolt program," Seeland said.

Releasing smolts in salt water early saves a lot of feed bills and reduces the possibility of the smolts being exposed to disease, or lost due to other factors.

NSRAA is also working with the Marical company on a new smolting process which may produce more vigorous zero check smolts for early release.

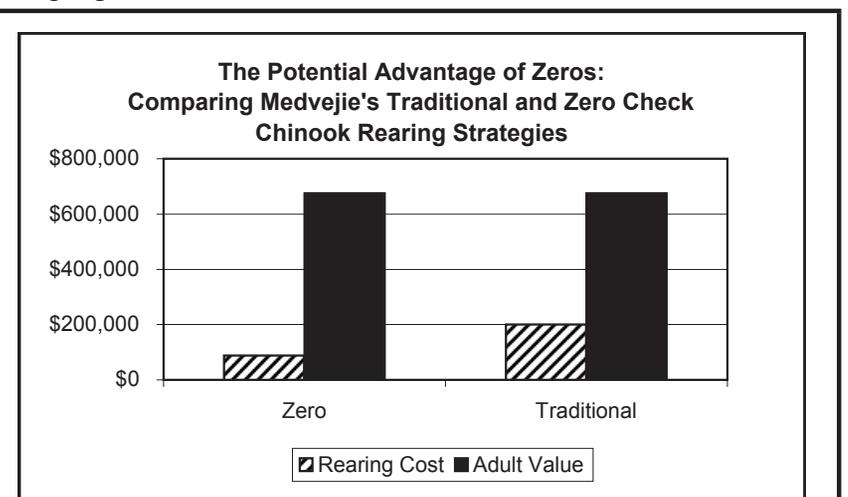
"These new programs will take some time to evaluate as the main criterion for success is marine survival to the adult stage," Seeland said.

The traditional Medvejie and Green Lake programs continue as usual.

"We hope to spend quite a bit of time this summer cleaning up and repairing the buildings and grounds. The old girl is looking pretty good for twenty two years old - isn't that eighty-eight in human years? - but she can always use a makeover."



**Matt Golden keeping the decks clean on the chum pens at Medvejie.**



	Zero	Traditional
smolt	1,250,000	1,000,000
rearing cost / smolt	\$ 0.07	\$ 0.20
rearing cost / total	\$ 87,500	\$ 200,000
survival rate	2.0%	2.5%
adults	25,000	25,000
adult value	\$ 675,000	\$ 675,000

Survival rates are based on long term averages for the traditional program and limited data for the zero program. The first group of zeros is on target for 2.5% survival.

## New Board President

Alust for power is not what led Kevin McDougall to accept the presidency of NSRAA's board of directors at its most recent meeting in March, but rather a desire to communicate with his fellow fishermen, and also a confidence in the democratic process.

"As president of the board I'm not there to achieve my own agenda, I'm there to make the meeting run efficiently and to make sure that the things that are important to the association are dealt with," McDougall said in a recent interview.

Reached in early May at his winter home in Salt Lake City, McDougall was looking forward to gillnetting out of Juneau this summer with his family. McDougall started gillnetting in 1983, and joined the NSRAA board in 1997. He served as board vice-president for a short time.

He describes himself as "outspoken," and knows that other board members would call him that, too.

"I don't go to meetings to twist anybody's arm but I do like to communicate my ideas, especially if I see a better way of doing things, or to advocate for my gear group," McDougall said.

McDougall thought the most recent board meeting, devoted as usual to the spring budget process, went very well, considering all the financial challenges NSRAA faces.

"The general public may not understand just how challenging it is, since we have money in the bank and the staff has done such a great job of getting grants and matching funds," McDougall said. "We meet the budget one way or another, and sometimes we have to take money out of reserves to do that, but you hate to do that very often because that's how you run into deficits."

McDougall noted that NSRAA's overall budget is in the neighborhood of 3.8 million dollars, and that while the budget process is not necessarily contentious, it is always a trick for twenty-five board members to balance the needs of the fishermen with NSRAA's needs for cost recovery.

The possibility of NSRAA obtaining grant money to build a new coho hatchery for itself and a new processing plant for lease at the Sawmill Cove industrial site in Sitka was the most difficult item on the board's agenda, McDougall said.

"I don't see much opposition for the hatchery end of things at Sawmill Creek. I look at it from a business standpoint. Will the

hatchery pay for itself, generate dollars, or be a burden on the association? I'm concerned that a single species hatchery be able to pay for itself," McDougall said.

"Cohos have a tendency to have wider swings in their marine survival, so there are years with huge survival and that's great, and other years when they come in under expectation which might be a burden on NSRAA."

Some fishermen are opposed to the idea of NSRAA constructing a processing facility.

"This comes from the viewpoint that we're a hatchery, we exist to produce fish for fishermen," McDougall said. "If we get into the processing business we're too close to being a fish farm. But this isn't being set up for NSRAA to process fish, they don't want the headache. NSRAA would just lease the facility to a traditional processor."

"This would probably be a good opportunity for a land based operation for a traditional processor. A processor can't get a grant to build a facility like this, and you don't see processors building new processing plants these days. And NSRAA wouldn't spend a couple million of its own money to build one. But if NSRAA could do it with grants, it will be attractive to a traditional processor to come in and lease the space."

Another issue close to McDougall's pocketbook are the cost:benefit analyses done several years ago on all NSRAA's projects to determine which programs were "winners" and which were "losers," monetarily speaking.

"When you have a tough time meeting your budget, you have to decide how best to provide benefit to each of the gear groups, and not all species cost the same," McDougall said. "NSRAA spends money on things in the Haines area which on a cost to benefit ratio are not as efficient as some other gillnet projects, and so, as a gillnetter, I'd like to see money shifted to other projects where we get more bang for our buck."

"But to do that is hard. It would be to eliminate projects, and that's a big move for the board, more so in a community like Haines where you feel like you're there, doing something for the community as well as for the fishermen," McDougall said.

## Board Member Profile

Lifetime fisherman Chuck Olson was born in Astoria, Oregon, and grew up in a fishing family.

"I gillnetted on the Columbia River with my father as a young boy, and started going to Kodiak seining with my father at the age of fifteen," Olson said.

Since then he's seined salmon all over the state of Alaska, and lived in Kodiak for about eight years.

"I decided to settle down in Southeast, and about five years ago I moved to Sitka and decided to make this my home," Olson said. "The opportunities provided by NSRAA in the Sitka area make it a more viable local fishery. It's nice to be able to fish close to home."

Olson joined the NSRAA board two years ago and holds a Southeast resident seine seat.

Olson fishes with his crew on the F/V Hukilau; the Fishrap reached Olson by cellphone on his boat as he was gearing up for blackcod.

"We basically do halibut, blackcod, Sitka herring, and the Hoonah Sound roe on kelp fishery, as well as salmon," Olson said.

Like most board members, Olson prefers to remain out of the limelight, but has well developed ideas about

his role on the NSRAA board.

"We're faced with a very serious financial situation, and I think finding ways to remain fiscally responsible is the most important issue for every board member," Olson said.

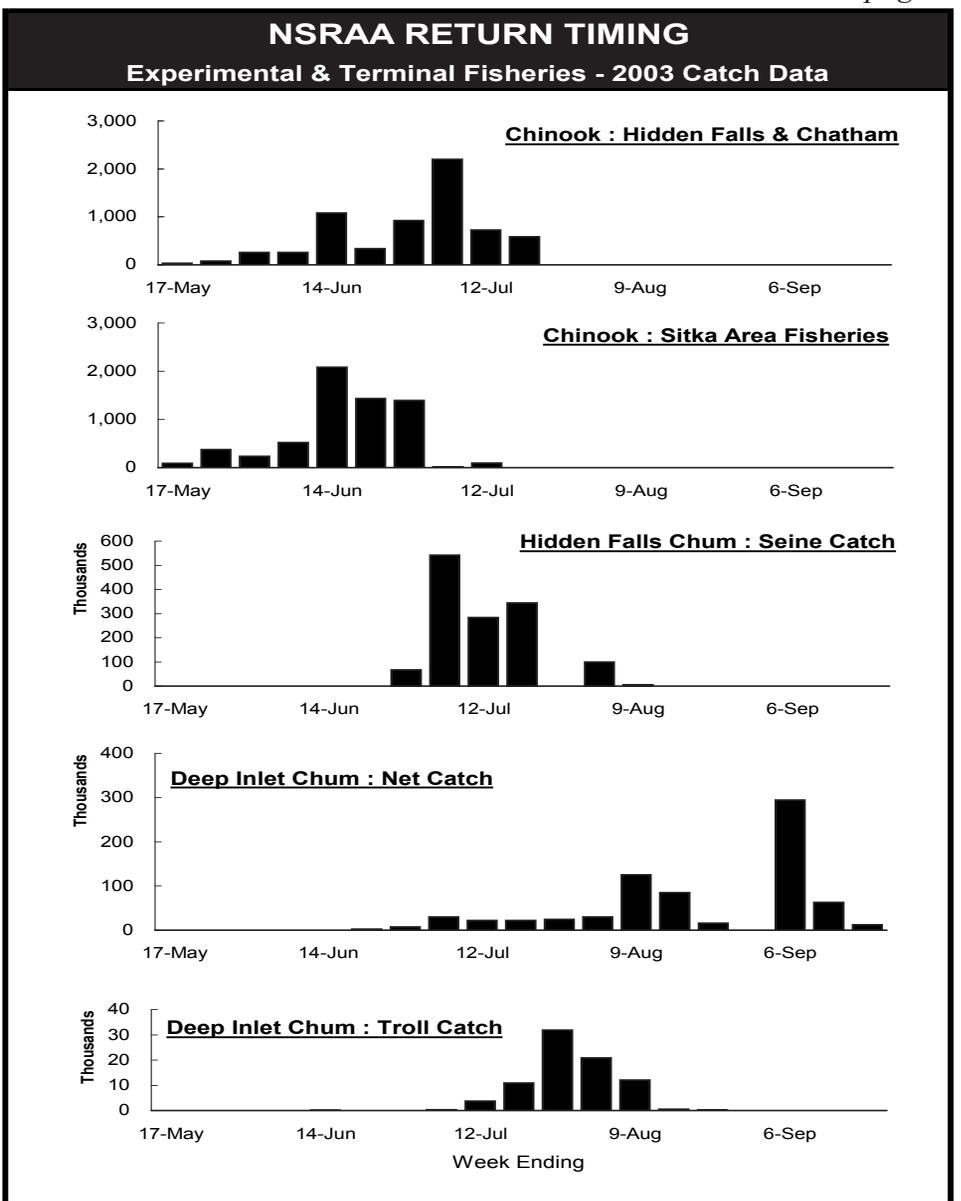
With that goal in mind, Olson believes that the possibility of a new coho hatchery and value added processing plant in Sawmill Cove is a good opportunity.

"Value added product is the direction all the processors are going to have to go, and it gives NSRAA an opportunity to be on the leading edge of that," Olson said.

"The Sawmill Creek facility is a way to increase revenue in the long term, and to keep that cost recovery number at a reasonable level," Olson said. "For most seiners, the idea of building another coho hatchery doesn't set very well because we won't benefit directly from coho. But the way we benefit is that it contributes to the revenue side of the budget, and that means taking less cost recovery harvest, which means more chums in the water for seiners and gillnetters."

"I think what a lot of people don't recognize is that even though cost recovery numbers are

*cont. page 6*



# NSRAA Forecasts

## Chum

"All of our major chum projects are expecting higher returns than last year," reported NSRAA data analyst Chip Blair.

4.6 million fish are expected this year, an increase of over 1.1 million from 2003.

The return for Hidden Falls is projected to be 2.5 million fish, with roughly equal numbers of 4- and 5-year-olds.

"Normally we see more fours than fives, but a high number of fives is anticipated for two reasons," Blair said. "The overall survival rate by the 1999 brood year is projected to be higher than the 2000 brood year, and we believe a portion of the 1999 brood year fish stayed out to grow an extra year because of poor ocean feed conditions in 2002. Thus, some fish that normally would have come back as fours last year will return as fives this year."

The low number of threes and their small size last year was probably due to the poor 2002 growing season. Since the 3-year-old return is a large factor in the projection of 4-year-old projections, it is possible that the Hidden Falls return could be higher.

"If the cause of the lower number of threes in 2003 was more due to slower growth than a reduced survival rate for the 2000 brood year, we could see more fours than projected," Blair said.

Deep Inlet should see 1.8 million chum, with brood year 2000 4-year-olds making up about 75 percent of the return.

Unlike Hidden Falls, there was a healthy number of 3-year-olds at Deep Inlet last year, and for the same reasons mentioned above, there could be a even bigger return than projected.

"A lot rides on ocean feed conditions last summer. If conditions improved dramatically from the poor conditions of 2002, we could see higher returns. If not, we've been fairly conservative in our forecasting, so hope to at least come close in our projections," Blair said.

Boat Harbor's projected return is 182,000 fish, up from 103,000 in 2003, and Limestone Inlet should see 99,000, up from 68,000 last year.

Boat Harbor and Limestone Inlet projections are made by Douglas Island Pink and Chum (DIPAC), who has been running these projects cooperatively with NSRAA. DIPAC makes projections using a similar method as NSRAA.

"The Boat Harbor forecast shows the largest percentage increase from last year's returns. A strong return of three-year-olds in 2003 coupled with a larger fry release for brood year 2000 point to a return 75 percent above the 2003 return," Blair said.

## Chinook

Numbers of chinook at Hidden Falls will be about the same as 2003, with 26,000 fish projected to return.

"Most of our chinook return as three-ocean fish which is brood year 1999 for this year's return. Survival is projected to be down, at about 1.5 percent, compared to a long term average of 2.4 percent for this group," Blair noted.

Medvejie chinook's marine survival for this age class is also down in the 1.4 percent range, compared to the long term 2.6 percent average.

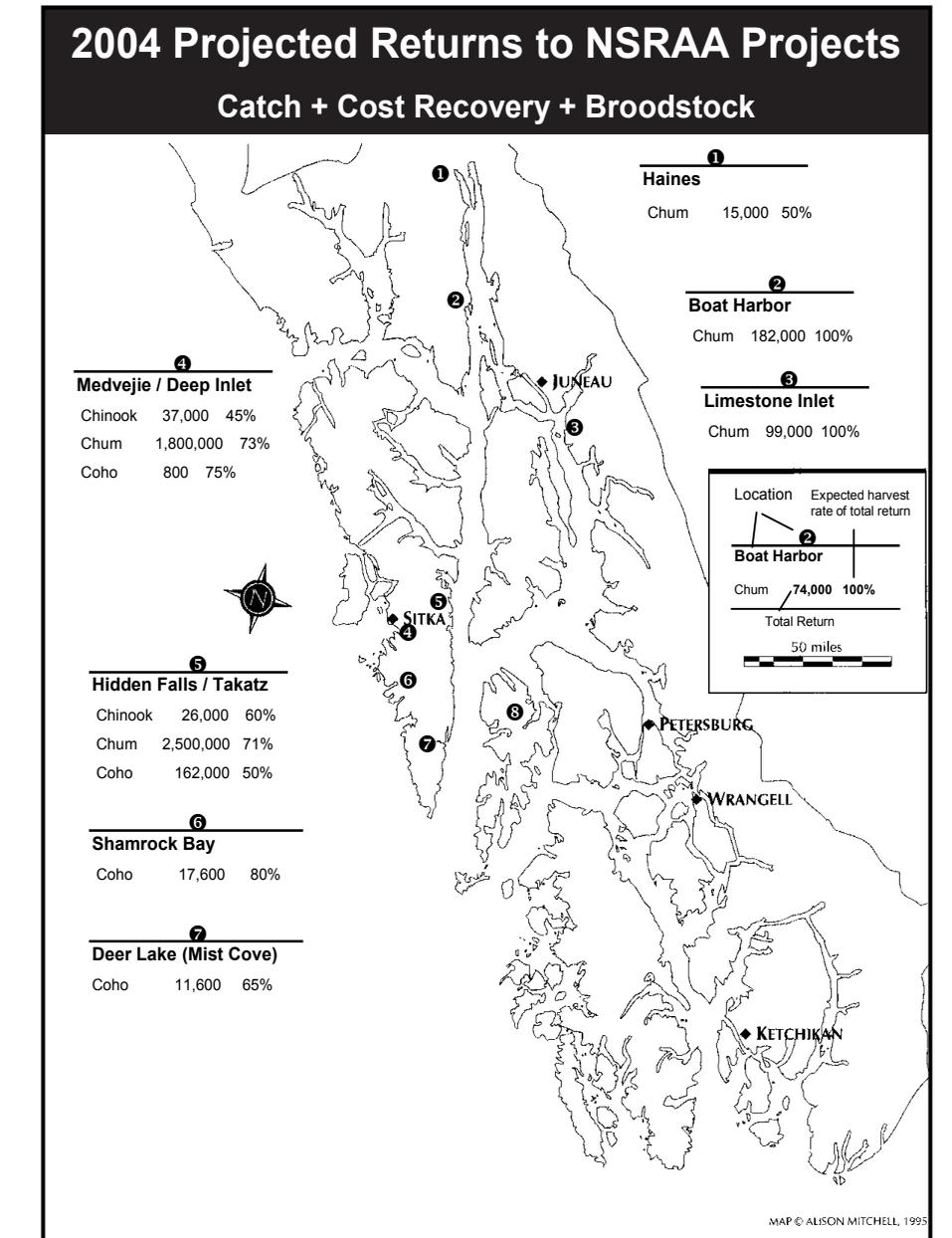
About 37,000 chinook are projected to return, down from 47,000 in 2003.

## Coho

Total coho return to all NSRAA projects is projected at 192,000 fish, compared to 263,000 in 2003.

Cohopredictions are difficult because there are no prior age classes returning to help gauge marine survival rates. NSRAA uses a "relatively conservative" 8 percent marine survival for their coho projections.

Hidden Falls should see 162,000 coho, although average



marine survival for this site is 16 percent, meaning the actual return could be over 300,000 fish.

Deer Lake's return will be quite low due to the smallest smolt release ever last year. About 11,600 fish are projected, although with an

average survival rate of 14 percent, over 20,000 fish might show up. This is still well below the average 130,000 adult return at Deer Lake.

Shamrock Bay is projected to see 17,600 fish, but the average survival rate of 6 percent would produce only 14,000 adults.

## NSRAA 2004 Return Projections / Expected Utilization

Site	Projected Return	Range		Commercial	Sport	Cost Recovery	Brood Stock
		Low	High				
<b>Chum</b>							
Hidden Falls	2,500,000	2,000,000	3,000,000	1,787,000	-	593,000	120,000
Medvejie/Deep Inlet	1,800,000	1,300,000	2,300,000	1,323,000	-	427,000	50,000
Boat Harbor*	182,000	132,000	232,000	182,000	-	-	-
Limestone Inlet*	99,000	49,000	149,000	99,000	-	-	-
Haines Projects	15,000	10,000	20,000	7,500	-	-	7,500
	4,596,000	3,491,000	5,701,000	3,398,500	-	1,020,000	177,500
<b>Chinook</b>							
Hidden Falls	26,000	21,000	31,000	15,600	500	6,900	3,000
Medvejie	37,000	32,000	42,000	14,800	1,850	17,350	3,000
	63,000	53,000	73,000	30,400	2,350	24,250	6,000
<b>Coho</b>							
Hidden Falls	161,900	121,400	242,900	81,000	4,000	66,900	10,000
Deer Lake	11,600	8,700	17,400	7,000	1,000	3,600	-
Medvejie	800	600	1,200	528	72	-	200
Shamrock Bay	17,600	13,200	26,500	14,600	2,100	900	-
	191,900	143,900	288,000	103,128	7,172	71,400	10,200
<b>Sockeye</b>							
Chilkat Lake Stocking	-	-	-	-	-	-	-
Chilkat Lake Incub. Boxes	-	-	-	-	-	-	-

\* Cooperative Project with DIPAC

## Field Reports

### Deer Lake

Deer Lake project leader Craig Chisam is counting his blessings this spring.

"We're blessed with a terrific, strong, reliable, and dedicated crew. We were fortunate to have very little accumulated snowfall to deal with this year, along with an ice-free lake, which made spring set-up much easier. The crew had the weir installed on the creek by March 17, the earliest it has ever been completed," Chisam said.

In the past, crews have had to deal with as much as ten feet of snow some years, and two out of three years the lake is covered with ice, making it necessary for the crew to pack equipment and food up from the salt water, sometimes using snowshoes and ropes.

Chisam, along with crew leader Josh Homer, made adjustments to project operations in an effort to streamline operations, increase efficiency, and boost morale.

"They're working out very well thus far," Chisam said.

Last year NSRAA stocked approximately 2.3 million coho fry in Deer Lake. Most of them reached target size by season's end.

"Judging by previous plants, we expect about 1.1 million smolt to emigrate from the lake to saltwater this spring, which will be the largest since 1999," Chisam said. The crew will be enumerating and processing emigrants from late April through mid-July.

Approximately 1.7 million coho fry will be stocked in mid-June, about twenty percent less than planned due to an airlock incident that caused egg losses during incubation.

"Although we'll be stocking less numbers-wise, we plan on stocking larger-sized fry to approximate the same coho biomass as in the past," Chisam said. "This should enhance growth potential and reduce size-dependent mortalities."

The lake was not stocked in 2002, so last year's emigration was small, at just 145,000 two-year-old smolts. Based on an average marine survival of 8 percent, approximately 12,000 adult coho are expected to return this year.

"However, marine survivals for two-year-old smolts have been as high as 30 percent in recent years, so we could see substantially more than predicted," Chisam noted.

This year will be the first since 1997 in which a full comple-

ment of smolts will emigrate from the lake in the spring and a successful summer growing season is expected.

"In short, we plan on putting Deer Lake back on track this season," Chisam said.

### Haines Projects

Haines project leader Todd Buxton occupied himself with paperwork this winter, writing grants in order to gain funding for the chinook supersmolt programs at Medveje and Hidden Falls, a salmon education and marketing program for these same facilities, for thermal marking chum otoliths at incubation boxes and restoring spawning channels in the Haines area, and for funding sockeye smolt and limnology studies at Chilkat Lake.

A myriad of fry monitoring responsibilities, site improvements, and incubation site expansions will keep Buxton busy for the summer season.

Buxton monitored chum fry outmigration from incubation boxes at Herman Creek and the Herman spawning channel from March 1 until mid-May.

"So far, with the chum fry migration half started, it's looking like we may have at least doubled the number of fry produced in the channel simply by changing our method of taking eggs from the spawning channel," Buxton said.

He also will operate the smolt weir at Chilkat Lake beginning May 15 through July 1. By operating the smolt weir, NSRAA will be able to quantify this year's smolt population so that projections of future sockeye harvests and returns can be made.

"We will also measure the proportion of one-, two-, and three-year old smolt and the average length and weight of fish in each age class," Buxton said.

These data will indicate the quality of rearing conditions in Chilkat Lake.

Later this summer, Buxton will be working with the Alaska DOT in modifying 37-Mile Creek at its confluence with the Klehini River to allow chum access to that incubation site, and also in modifying the culvert at 17-Mile Creek to allow chum access to the incubation site.

Chum incubation capacity at Herman spawning channel and 17-Mile will be expanded to 1.6 and 1.2 million eggs respectively.

Improvements are planned at the 31-Mile and Spring



**Josh Homer, Deer Lake project biologist, adjusts de-watering device this spring. Weir and pipeline in background.**

Pond incubation sites as well.

"Our total permitted number of chum eggs that we can take for incubation will increase to 3.8 million, up from 2.8 allowed last year," Buxton said. "The condition of this increase is that we thermally mark our enhanced chum."

Chum eggtakes occur in September and October, and thermal marking the chum otoliths in December will round out the season at Haines.

### Limestone Inlet/Boat Harbor

Limestone Inlet and Boat Harbor projects have been operated jointly between Douglas Island Pink and Chum (DIPAC) and NSRAA for sixteen years, with DIPAC holding the release permits for these sites.

In addition, DIPAC manages the adult broodstock and incubates the eggs.

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high, we're still below that thirty percent cap that was established by NSRAA years ago," Olson said. "People are probably questioning why we're not using reserve funds more, but we have to view this as a long term situation."

"We could have five or six more years before this turns around, and a half a million dollars a year out of reserves leaves nothing left. We have to insulate ourselves against the return of the salmon market, which I think will happen."

Now, this year marks the first time that NSRAA has entered into a contractual arrangement with DIPAC for them to conduct the program from start to finish.

"We simply offered them the operational budget approved by the NSRAA board for the two field projects and asked Eric Prestegard, DIPAC's executive director, if they were willing to do the project within the budgeted monetary guidelines," said NSRAA operations manager Steve Reifensstuhl.

DIPAC agreed. The same people who operated the projects on site are still there: Chris Crowe at Boat Harbor and Mark Guillaume at Limestone Inlet.

"We have good people at both places but DIPAC manages it now," Reifensstuhl said. "It makes things so much simpler, and saves a lot of Lon Garrison's time."

*FAQ cont. from page 7*  
wish and then takes the budget and cost recovery figures to the full board at the March meeting.

The process isn't foolproof. Last year, for instance, we overestimated the price per pound we'd receive for our chum, and then the fish came back smaller than anticipated, which forced us to ask the board for some cost recovery goal changes mid-season. But ideally, by March we've got a sound estimate of cost recovery fish figured out needed to balance the budget.

## Wild Fresh Fillets

People who enjoy eating Alaska salmon know that when it comes to taste and texture, wild salmon beats farmed salmon every time.

Unfortunately for Alaska fishermen, in recent years, farmed salmon has grabbed more market share with its price and freshness advantage, because farmed fish kept in pens can be processed right out of the water, on demand.

Seafood processors like Norquest Seafoods in Seattle, who process wild Alaska salmon, and who regularly bid on NSRAA's cost recovery harvest, are responding to the farmed salmon competition by developing new ways of processing, and new products for niche markets.

At the Boston Seafood Show in mid-March of this year, Norquest debuted its new wild, fresh, sockeye fillets, according to Norquest president Terry Gardiner.

"It's the largest seafood show in North America each year, and while most of the people there

are Americans, there are European and Asian buyers too, and suppliers from all over the world. Thousands and thousands of people. It's huge," Gardiner said.

Norquest's wild, fresh, salmon fillet product has been several years in the works. Two years ago Norquest began processing live-hauled sockeye in Chignik, and this year they plan to expand on that small success by doing the same with coho from NSRAA's cost recovery harvest. They may also do a small amount of chinook.

The Chignik project was based on working with the fishermen's co-op in a partnership, called the Chignik Seafood Producers Alliance. Norquest is working in a similar way with NSRAA.

"The key is that fishing, tendering, and processing all have to be altered to develop a live bled wild salmon product," Gardiner said. "This takes a partnership encompassing the catching to the processing."

Last year Norquest processed 100,000 pounds in Chignik and this year they hope to up that to one million pounds.

"The fish are hauled live from the fishing grounds to our dock, and then they're stunned and bled at the plant," Gardiner explained. "You're able to make a very high quality super fresh product, whether it is fresh or frozen. Essentially it is sashimi grade, for eating raw."

Norquest has branded the new product as "Iki-Jime," which is a Japanese word that means "live-bled."

"We wanted to communicate that this wild salmon is a unique quality of product," Gardiner said.

Gardiner said they've sold the wild fresh fillets to very high-end customers in Europe, the U.S., and Japan.

"People are really excited about it because it creates an exceptional quality salmon. The only thing comparable is frozen at sea troll salmon. There are

a limited number of trollers who do that in Southeast Alaska and they've created a niche market for themselves," Gardiner said.

High-end customers would include restaurants, mostly Japanese type restaurants that want to serve sashimi, and salmon smokers. Both need a very fresh product.

"We're also finding markets with high quality retailers who want to do re-fresh (labeled "previously frozen" in the case) salmon year round, so we're selling them vacuum packed fillets," Gardiner said.

Developing a customer base and then expanding the market is Norquest's goal.

"When you have any new technology like this you've got to fork out the bucks, go out and develop the customers, and then as we gain experience we'll increase the volume," Gardiner said. "We're in the embryonic stage of this, but based on our success in Chignik, it looks good."

## Deep Inlet Harvest Plan

1.8 million chum are forecast to return to Deep Inlet this season, up from 1.1 million that returned in 2003, according to NSRAA data analyst Chip Blair.

The commercial harvest will begin on May 30. The early fishing will be a double rotation (two seine, four gillnet, four troll days/week) from May 30, then switches to a single rotation (one seine, two gillnet, and one troll day/week) from when cost recovery fishing begins in late June or early July, until cost recovery is complete.

The cost recovery and commercial harvest areas will remain unchanged from last season.

The NSRAA board set the cost recovery harvest goal in pounds of fish rather than numbers of fish this year. The harvest target is 3.42 million pounds, which will be about 427,000 chum at an 8 pound average weight.

This compares to 230,000 chum harvest for cost recovery in 2003, which added up to 1.42 million pounds averaging 6.2 pounds per fish.

Percentage-wise, the cost recovery goal is about 24 percent of the expected return, just slightly higher than 21 percent last year.

"We have a substantial increase from a year ago," Blair said.

"This will actually be our largest cost recovery harvest at Deep Inlet, which is a reflection of the lower fish prices. We should still see well over seventy percent of the return going to the commercial fleet, which is one of NSRAA's long term goals."

Last year Deep Inlet was closed to commercial fishing inside the mouth of the inlet beginning on July 20 to create a sanctuary for cost recovery fish. This allowed some fish to build up in the inlet for cost recovery while still allowing commercial fishing to continue in the outer area.

This year the board strongly supported using this strategy earlier in the season, with the inlet closed around July 1, about the time the cost recovery harvest begins.

"We're hoping this will help us keep on schedule. The plan is to harvest about fifty percent of the cost recovery fish in July and fifty percent in August," Blair said.

If all goes smoothly Blair hopes cost recovery fishing will be complete by August 20.

The past several seasons, fishermen have seen a closure in commercial fishing while NSRAA worked to meet its cost recovery goals, and this year will probably not be any different.

"It seems that when we're harvesting twenty percent or more of the return some kind of closure

is necessary to get the job done, so although ideally we try to conduct the harvest with the least impact on the fleet, we'll have to have extremely good luck to reach the goal without some sort of closure this year," Blair said. "If a closure is necessary, we'll do our best to keep it as short as possible."

### Frequently Asked Questions

#### "How is the number of cost recovery fish determined?"

NSRAA operations manager Steve Reifentstahl answers:

The process begins each year in November, when we initiate development of the operational and capital budgets for the following fiscal year. Each project budget is reviewed and fine tuned with the managers. The last couple years, since things have been financially tight, we've tried to put off capital improvements if they weren't threatening to the facility. This budget developing process takes about two months.

By late January I review budgets with the general manager, Pete Esquiro, and more adjustments are made either up or down, then Pete takes that budget to the board's budget committee about four weeks before the spring

board meeting for their review. Pete meets with the budget committee for a day, and the committee either accepts it, or modifies the budget and then approves it for presentation to the full board of directors. Pete also comes to that meeting with the figures of what it will take on the revenue side to meet the budget.

NSRAA has some relatively stable, known sources of income, including rental income, interest income, and the estimated "three percent" income from fishermen. The balance remaining to meet the budget is what we need to earn in cost recovery operations.

We know what the harvest rate is on NSRAA's produced chinook and coho, so we can forecast the number of fish we'll get back to our facilities. We also know about what price we'll get per pound on those fish, and since those fisheries aren't managed by NSRAA, we simply get whatever comes back, and we count that as income.

NSRAA manages the chum fishery, so we make an educated guess about what the price per pound will be, and figure out about how many fish we'll need to sell to balance of our income needs.

The budget committee fine tunes those amounts if they

*cont. opposite page*

## Fisherman Opinion

### Desperate times require desperate measures: Bid out all hatchery fish; pay a dividend

by Cheyne Blough

#### The Reality

We are at a very critical point in the salmon fishing business, or should I say, salmon fishing “crap shoot.” There is no doubt in my mind that there are those of us fortunate enough to be involved in the Southeast Alaska salmon industry who can drag ourselves through the mud for many more years to come, but why?

Consider the factors that contribute to the wealth of opportunity from which Southeast Alaska’s salmon fishermen already benefit: the best logistics in the state to get fresh and frozen fish to market; diversified multi-species salmon runs that extend from Dixon Entrance to Lynn Canal; the longest seasons in the state; arguably, the most successful hatcheries in the country; many other fisheries that we are able to tap into to supplement our salmon seasons. We can continue relying on these benefits to survive, or we could make some major changes, become a model for the rest of the salmon industry, and start thriving instead of just being content surviving.

The fact that Alaska once controlled 80 percent or more of the world salmon market and now only represents around 15 percent should be viewed as positive rather than negative. We now have many more markets to tap into with the demand for a healthier and higher quality product. Imagine, we fisherman take a superior resource; spend lots of money de-valuing it through improper handling and harvesting methods, giving the farmed salmon industry an edge with their inferior product. Salmon farmers only dream about being as inefficient as the Alaska salmon industry and still remain viable.

Currently, there are those of us who work for Fish and Game, elected to hatchery boards or appointed to the board of fish, who are making decisions based on anything but good business. We make decisions based on allocation or politics. Yet we are trying to compete in the very competitive world marketplace. For example, we vote on, or support projects, that are not based on a cost-to-benefit scenario, but on how it will benefit a certain gear

group or hatchery. There is also a large segment of fishermen that are anti-hatchery, based on the fact the hatcheries are taking more and more cost-recovery to attain their budget needs. These same fishermen would like to believe that prices would bounce back to the 1980’s levels if we just simply eliminated hatchery fish altogether.

In 2003 early estimates showed that there were about 10 million chum salmon produced by hatcheries in Southeast. To put this into perspective, we are not even in the Hokkaido chum runs margin of error that had a return of 66 million chum salmon for 2003, not to mention the billions of pounds produced by the world’s salmon farmers. As you can see, producing less hatchery fish in Southeast would have little, if no affect, on the world marketplace.

#### The Hurdles

It appears that most fishermen have one of two mentalities. One, how can we catch more next year to make up for decreasing prices? Two, if we improve quality, handling techniques, and technology (such as pin-bone-out or better freezing methods) then we can turn rocks into gold. One can dress up a pig but it’s still a pig. Although, catching more fish, improving quality, and having better processing technology will certainly help things, it does not take aim at the fundamental problems in our industry. The Southeast salmon industry must start operating as a business, making hard decisions as any other private corporation would make to turn a profit.

A couple of the greatest problems that we must overcome are our harvest methods and our attempt at splitting up the pie between hatcheries and gear-groups. Many of our other problems, such as quality, logistics, marketing practices, and, ultimately, our bottom line, stem from these two issues.

The value of cost-recovery fish over the course of the last few years has been worth about 30 percent more than fish harvested

by fishermen. The reason is that there are many more elements under control with the cost-recovery fish versus the gear-group harvested fish. For example, a processor can bid and attain his minimum threshold, calculate where and when he will process, and better predict how much labor and hardware he will need to do the job. Quality would also be consistent, and egg and flesh recoveries would be much higher. The processor would then have the ability to know long before the season even begins how much volume that it has to take to the marketplace. Many other benefits would result from being able to answer questions before the season even begins.

The flip side, buying from fishermen, has many more unknowns and much riskier calculations, such as the following: How many boats will fish for the buyer and stay with him throughout the season? Will the fish avoid areas open to fishing or will they come in gang-busters on a huge bell curve, creating havoc for processors? Will there be enough labor and tender capacity or too much labor and tender capacity? All these factors contribute to great inefficiencies and cost everyone money. This ultimately trickles right down to the shock absorber of the industry, the fishermen.

#### The Solution

We will never be able to control or eliminate all of the risks associated with our salmon runs, but we can certainly limit the risks in many ways, especially, when it comes to hatchery-produced fish. Infrastructure for this change is already largely in place. It is called cost-recovery. Let the regional associations contract with processors for the hatchery returns. All permit holders could share in a cooperative, receiving dividends annually based on hatchery-produced dollars. Some of the benefits would be that fishermen could profit from the difference of current common stock fishery prices and the prices hatcheries are currently receiving from their cost-recovery fish. Fishermen could fish closer to their communities on wild stock with smaller fishing periods, decreasing their overhead significantly. Wild stocks would increase

in value due to shorter fishing periods, less volume, and more time for handling and marketing of fish. Salmon fishermen would also have more time throughout the summers to participate in other fisheries such as crab and shrimp, utilizing their vessels in other ways. A non-local fisherman or a non-fisherman may find it worthwhile to own a permit for its annual dividend value but may not find it worthwhile to participate in the smaller wild stock fishing openings which would ultimately benefit local Southeast fishermen. This would decrease competition for local fishermen without having to find means to pay for a permit buy back program.

In essence, we would become the world’s largest salmon farm without some of the huge disease and environmental hazards that salmon farmers are currently facing. Hatcheries would not need to dye fish the proper color or have the great expense of feeding fish through adulthood, not to mention, the health benefits Southeast salmon have opposed to farm raised fish.

If we were to review the IFQ system we would find that there were those who were left out and others that simply fought change; however, we now clearly see the benefits that IFQ’s have brought to the fishing industry and the Alaskan economy. Ten years ago, who would have thought halibut would be exceeding \$3.00/lb., or that IFQ shares would bring more than \$15.00/lb.? If we were to start receiving a dividend for simply owning a Southeast salmon permit, what could our permits possibly be worth ten years from now?

The desperate measure we must take is severe changes for the 21st century. We, in the salmon industry, must galvanize ourselves and take on the world salmon market with ideas that some may perceive as radical or we will continue to lag further and further behind. We have the resources, now we must take on the attitude of, ‘we can’, rather than, ‘we can’t’. In doing so we could end up being the envy of the salmon industry. This is what we must do, and eventually will do, to survive in the global market place. It is just a battle between our ability to change and our acceptance of the status quo.