

PROMOTING CALIFORNIA'S SUSTAINABLE SEAFOOD

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Recommendations for a Marketing
Assistance Program to Support the
California Sustainable Seafood Initiative
(CSSI)

Prepared for the State Coastal Conservancy and the Ocean
Protection Council

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Promoting California's Sustainable Seafood

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EXECUTIVE SUMMARY

The world's oceans provide California with a wealth of ecological resources, including seafood. Unsustainable fishing practices can, however, have adverse consequences on ocean ecosystems, placing wildlife and resources at risk. One market-based solution for this pressing issue is to certify fisheries that follow sustainable practices and then distinguish them in the marketplace through a label. By informing the consumer of the public and private benefits of the product, theory shows that the market creates a price premium and increases sales volume for "greener" products; therefore incentivizing other fisheries to adopt sustainable practices.

This is the concept behind AB 1217 (Monning, 2009), the California law that created the California Sustainable Seafood Initiative (CSSI) to "encourage fisheries to obtain sustainable certification and then promote the purchase and consumption of certified seafood." The California Ocean Protection Council (OPC) is charged with developing a program to certify and then promote California sustainable seafood, and in 2011 adopted a protocol to certify fisheries in California as sustainable. The next step requires the development of a marketing assistance program, which the OPC is responsible for creating in consultation with the California Department of Food and Agriculture (CDFA).

This report was undertaken with the goal to provide specific recommendations for the marketing program's structure, funding, and priority actions. The study involved literature and document reviews, meetings with agency staff, as well as phone interviews with marketing experts from other organizations. Applicable lessons and best practices were drawn from other marketing assistance programs as possible alternatives for the CSSI program. In addition, a survey of the industry was conducted to gauge support of some of the alternatives, as well as to gather insight into the general landscape the program will exist in.

The following are broad considerations to keep in mind while developing a marketing program for the CSSI:

- CSSI is a voluntary program. California commercial fisheries are not required to obtain sustainable certification.
- Certification will happen over time.
- The program will not be representing a homogenous industry. This program is aimed at sustainable seafood, a broad category in which the specific product may vary from squid to Albacore tuna.
- Certified entities will be eligible to use a California eco-label to distinguish their products, but will not be required to.
- California fisheries are already a very managed industry. Although this is a voluntary program, this factor should still be considered when creating the program so as not to over burden the industry.
- California fisheries exist in a very politically-charged environment and feasibility of implementing a marketing program needs to be considered when creating a program aimed at the fishery community.

Sample of Applicable Lessons from Case Studies

| On a program's structure and funding: | On a program's marketing and communication efforts: |
|--|--|
| <p>The ability to advocate for management alternatives and participate in discussion on regulatory and legislative actions provides for an additional opportunity beyond marketing to support the represented industry.</p> <p>Programs change over time, and there are examples of programs in which members grew dissatisfied. The structure of the program should be designed to allow for such fluctuations without crippling an existing program.</p> <p>The composition of the Board of Directors may be limited to certain industry members; but it can be written into the program statute that separate committees of supporting industries (e.g., wholesalers) are to be created for the purpose of broadening participation.</p> <p>Funding is the main barrier for action. Programs with smaller budgets (less than \$100,000/ year) were unable to launch large marketing campaigns, instead relying on the media and press releases.</p> | <p>Understanding the market for the product (regionally or demographically) allows for focused marketing efforts.</p> <p>Using California as a function of the brand is even more beneficial with the current trends toward local food</p> <p>Focusing on the food service industry is a very important component for promotion.</p> <p>Market research allows for the program to self-assess and make changes over time. The ability to measure ones own impact is a very valuable component of a thriving program.</p> <p>Access to information is important for maintaining a strong relationship between the program and industry. A well structured and user friendly website can be used to accomplish this as well as a newsletter.</p> <p>Meetings with industry on research and marketing goals held on a regular basis can facilitate feedback and foster collaboration.</p> |

Summary of Recommendations

STRUCTURE

In consultation with CDFA, the OPC should create an independent marketing organization aimed at benefiting the entire supply chain that interacts with CSSI-certified products, from fisheries to retailers with the following features:

- Active stewardship by commercial fisheries that land the certified seafood, which become signatories once certified.
- Voluntary participation in the program by commercial fisheries, as provided in AB1217.
- A long-term leadership board composed of:
 - Self-elected representatives from each certified fishery
 - Representatives of handlers, processors, and wholesalers who will interact with certified products, and therefore should be nominated by the certified fisheries.
 - Non-voting advisory committee(s) made up of retail and restaurant partners that will contribute to the program their own expertise and knowledge of the seafood marketplace.
- An interim leadership board consisting of representatives from potential fishery candidates as determined by the OPC, as well as seafood and sustainable product marketing experts, to manage the program until fisheries are certified and using the label.
- An advisory relationship with State Government (OPC and CDFA), with a stronger relationship at the onset of the program.

LONG-TERM FUNDING

For the purposes of long-term funding it is recommended that the program be financially supported through an assessment on the catch of certified seafood landed in California by the fisheries in the marketing



program. The assessment should be based on the value of the product at the first point of sale (ex-vessel). The level of the assessment should be voted upon by the leadership board and renewed on a yearly basis, so the board can evaluate whether the program has been successful at increasing consumption and the economic value of the products.

ACTIONS

The recommended long-term goal of the marketing program is to identify the California label as a smart choice when buying seafood, with a sub-goal of promoting the individual fisheries that are sustainably certified. The following priority actions are recommended to accomplish this goal:

Outreach and Education

A newly-established program requires substantial efforts to incorporate industry into the organization and familiarize consumers with the certified products. For these reasons the first priority of the program should be large-scale actions to outreach to and educate the stakeholders in the sustainable seafood community. Specific priorities include outreach with California commercial fisheries on the benefits of CSSI certification and the marketing program; education of the entire supply chain and consumers on the eco-label and what it means about the seafood product; and education of the public on benefits of certified products for both their health and ocean sustainability.

Traditional Marketing and Promotion

Using traditional marketing and promotion tools such as press releases, radio, TV, billboards, and/or social media the program can launch campaigns that feature the California logo as well as specific seafood products. The campaigns should focus on the following themes for the highest level of effectiveness: the health benefits of eating certified seafood, the sustainability of the product, California, and the story of the fisherman/woman.

Partnerships

Creation of partnerships across the supply chain for seafood is essential for a successful program. At the onset, creating partnerships with commercial fishing organizations to engage in identifying issues will help create a relationship with industry that will be needed for a successful long-term program. In addition, partnerships to carry and promote CSSI certified products at the retail and food service level are needed to start bringing labeled products to the attention of the public. Finally, joining efforts with other sustainable seafood programs to find instances where similar goals could be accomplished together could prove to be essential.

Research

Once established, research on the sustainable seafood market and the role CSSI and the California label will play within it should be conducted. For instance research is needed on the current market(s) and economic value of potential candidates for certification as a way of understanding how each species can benefit from the certification and the marketing program. Once established the program should conduct market research to measure the impact and success of its campaigns and efforts.



CALIFORNIA SUSTAINABLE SEAFOOD INITIATIVE (CSSI)

Assembly Bill 1217 (Monning, 2009) requires the California Ocean Protection Council (OPC) to develop and implement a voluntary seafood certification program for California fisheries. The intent of AB 1217 is to encourage California fisheries to seek certification in accordance with internationally accepted standards for sustainability and to promote the purchase and consumption of certified sustainable California seafood¹.

The role of the OPC is to:

- Develop a protocol to guide entities on how to be independently certified to internationally accepted standards for sustainable seafood.
- Implement a marketing assistance program for such seafood in cooperation with the California Department of Food and Agriculture (CDFA).
- Develop a competitive grant and loan program to help fisheries become certified as sustainable when funded by the legislature.
- Design a label or labels that may be used exclusively to identify seafood caught in California.

CSSI's GOAL: TO ENCOURAGE FISHERIES TO SEEK SUSTAINABLE CERTIFICATION AND THEN PROMOTE THE PURCHASE AND CONSUMPTION OF CERTIFIED SEAFOOD

Fisheries that qualify for certification under the developed protocol will be eligible to use the label as a way to distinguish their product in the marketplace. A protocol for certification was developed and adopted by the OPC in December 2011. The currently adopted protocol utilizes the certification protocol developed by the Marine Stewardship Council (MSC), with some additional requirements relating to stock status, toxicity, and by-catch of endangered, threatened, and protected species². The success of CSSI is dependent on not just OPC encouraging fisheries to become certified, but eventually market forces from increased economic value and market access of certified products also encouraging fisheries to seek the certification process.

THE TASK

As part of the AB 1217 legislation the OPC is charged, in consultation with the CDFA, with developing a marketing assistance program for fisheries certified as sustainable. Certification of fisheries may begin as early as the end of 2012; therefore a marketing program should be ready soon thereafter. Recommendations on the structure, funding, and priority actions are needed prior to establishing the program.

Methodology

This study was undertaken to determine recommendations for a marketing assistance program for fisheries certified under the CSSI protocol. It was conducted for the State Coastal Conservancy and the OPC. The study involved literature and document reviews, meetings with agency staff, as well as phone interviews with marketing experts from other organizations. Quantified impacts of marketing programs have been included when available. In addition, in order to make sure recommendations can be implemented and supported, a survey of industry members to elicit feedback on alternatives was administered and analyzed.

¹ California Assembly Bill No. 1217, Chapter 279 (2009)

² California Voluntary Sustainable Seafood Program Protocol, December 2011, Ocean Protection Council

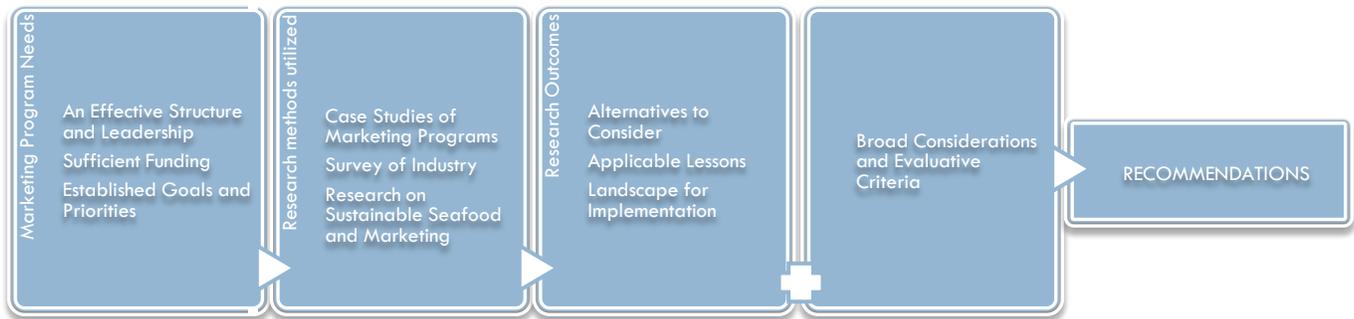


FIGURE 1: SCHEMATIC OF METHODOLOGY

BACKGROUND

Sustainable Seafood and Eco-labeling

The Crisis in our Oceans

What some scientists have described as a “mass extinction” has been happening in our oceans for decades as a result of anthropogenic impacts such as climate change, habitat loss, and over-fishing³. Estimates of the number of fisheries that have either collapsed or are over exploited are reported at 70%⁴. The loss of fisheries is a crisis for both our oceans and our future because of the important role seafood plays in our global diet. Worldwide fish provides more than 1.5 billion people with almost 20% of their average per capita intake of animal protein, and 3.0 billion people with at least 15% of such protein⁵. Fisheries also represent a valuable part of the economy both in the United States and abroad. The Environmental Defense Fund (EDF) has estimated that due to declining stocks and lost fishing opportunity, more than 72,000 jobs have been lost in the Pacific Northwest alone⁶. The solution to this problem is not simple, but several varied approaches are being tried across the globe including updating fishery management practices and changing how consumers think about and purchase seafood.

Eco-Labeling

There is currently seafood available in the marketplace that comes from over-fished fisheries or seafood that was caught in way that causes further damage to our vulnerable marine ecosystems, therefore the consumer has a chance to play a very important role in the health of our oceans. Using the market as a way to drive change is not a new concept, in agricultural or other industries. Letting consumers know the adverse health effects of smoking cigarettes by putting the warning right on the package is a classic example of how information can be used as a public policy tool. In recent years the trend towards making better choices about

³ Jackson, J.B.C. (2008). Ecological extinction and evolution in the brave new ocean. *Proceedings of the National Academy of Sciences* 105: 11458-11465.

⁴ Environmental Defense Fund. *By the Numbers: Oceans in Crisis*. Retrieved April 19, 2012 from <http://www.edf.org/oceans/numbers-oceans-crisis>

⁵ Food and Agriculture Organization (2010) *The State of World Fisheries and Aquaculture 2010*. [page 2 overview]

⁶ Environmental Defense Fund. (2007). *Sustaining America's Fish and Fisheries: An Evaluation of Incentive-Based Management*.



how and what we consume impacts the environment has given way to many innovative approaches, and these days seeing a label that describes the environmental impact of a product is not a rarity. These eco-labels have become prevalent in the seafood community, with the largest practitioner being the Marine Stewardship Council (MSC). The role of the MSC, and similar programs, are touted to:

- Recognize and reward fisheries that fish sustainably
- Work with fishery and commercial partners to build a market for sustainable seafood
- Give buyers and consumers an easy way to find seafood from a sustainable fishery by using an eco-label⁷

By using the market and the eco-conscious consumer as a driver, the hypothesis is that the products labeled as more sustainable will receive a price premium and increased sales. The market impacts will therefore incentivize the rest of the industry to adopt the same practices. Fisheries are often used in introductory economics classes as the classic example of the “tragedy of the commons”, over-exploitation that arises because individuals acting rationally in their own self-interest will eventually deplete a common resource even when it is clear that it is not in the long term interest for everyone⁸. In order to make an impact, the practice of eco-labeling seafood assumes that consumers will acknowledge the public benefits that are shared by the society at large by purchasing the sustainable product. By providing the information of how some products are better for society than others, the goal is that the consumer will have less of a penchant to free ride and under-contribute to sustainability by purchasing products that are not mutually beneficial. Without this action by the consumer, the signal of the market will not reach the fishermen and therefore will not encourage them to act more sustainably⁹.

The economic theory behind eco-labels as a way to encourage the purchase of more sustainable products relies on individuals incorporating the public benefit of the product into their decision-making. If the label could also highlight a private benefit for the consumer, such as a health benefit, the market force may be stronger. This is relevant to the CSSI program because if there is no toxicity issue with the seafood, then it is a very healthy source of protein. Therefore, focusing on health benefits along with sustainability will create a larger incentive for the consumer. A recent study out of the University of Arkansas examined consumers' willingness to pay for organic chicken breast, and compared the price premium between a general organic label and the USDA organic eco-label. The survey results were very interesting; consumers are willing to pay a premium of 1.193\$/lb (34.8%) for the general organic label and 3.545 \$/lb (103.5%) for the USDA organic label. The consumers' willingness to pay more for the organically labeled product differed between

Economic Theory of the Eco-Label

Consumers will internalize the benefits of the product, both public and private, and drive the market to a price premium and increased sales volume for labeled products.

This would then provide an incentive for other producers to adopt sustainable practices in order to receive these benefits.

⁷ Marine Stewardship Council. Vision and Mission. Retrieved on April 15, 2012 from <http://www.msc.org/about-us/vision-mission>

⁸ Nechyba, Thomas J. (2011) Microeconomics: An Intuitive Approach with Calculus. Chapter 21.

⁹ Smith, Martin D. (2012) Fish, Sustainability, and Used Cars. Retrieved on April 15, 2012 from <http://theseamonster.net/2012/01/fish-sustainability-and-used-cars-guest-post-by-dr-martin-smith/>



the type of consumer the individual was and the frequency they purchased organic products¹⁰. The consumers who buy organic products more frequently are willing to pay a higher premium. This could suggest that these consumers have made a decision about the benefits of organic products that not only makes them more habitual but also incentivizes their willingness to pay a higher price. Organic produce and protein products are considered better for both the consumer's health and the environment, so this example of a large price premium is suggestive that highlighting health benefits may have a greater effect on the market than just sustainability. In addition, the study showed that for all buyers USDA organic certification was valued more than a general organic label. This implies that there are labels that consumers trust more than others, suggesting that the CSSI label needs to establish itself as legitimate and trustworthy within the marketplace in order to garner the greatest results.

Another way that eco-labels can be effective is by using them as a way to enter specific markets, and keep non-sustainable products out of them. By excluding non-sustainable seafood, the label effectively accomplishes the same goal to provide an incentive to the industry to adopt different practices. Many large retailers have committed to only carry sustainable seafood. For example, in 2011 Target committed to only stock sustainable seafood by 2015 through their partnership with FishWise¹¹.

Whether eco-labels have accomplished any of these intentions in the marketplace is still under general debate. One thing is for certain; eco-labels are becoming more prevalent in the marketplace, and have been around long enough for some analyses of their impacts to be conducted. A study in the United Kingdom sought to understand whether the MSC label was fetching a price premium in the market, a very important indicator of whether there is a return on the investment of sustainable practices that provides an incentive. An analysis of frozen processed Alaska pollock products with the MSC label in the London metropolitan area showed a statistically significant price premium of 14.2%¹². This is good news in that there is a market differential for the product, but whether this trickled down to the fishery practices has yet to be analyzed. The MSC aimed to measure the environmental improvements from their program in a 2011 study. The results showed that fisheries are showing significant improvements both before and after certification, with the largest quantifiable change in stock status¹³.

¹⁰ Loo et al. (2011) Consumers' willingness to pay for organic chicken breast: Evidence from choice experiment. *Food Quality and Preference*, Volume 22, Issue 7, Pages 603-613

¹¹ Associated Press (2011) Target to stock only sustainable seafood by 2015. Retrieved on April 25, 2012 from <http://www.businessweek.com/ap/financialnews/D9QBH7FO0.htm>

¹² Roheim et al. (2011) The Elusive Price Premium for Ecolabelled Products: Evidence from Seafood in the UK Market. *Journal of Agricultural Economics*, Volume 62, No.3, Pages 665-668

¹³ Marine Stewardship Council (2011) Researching the Environmental Impacts of MSC Certification Programme. Retrieved on April 15, 2012 from <http://www.msc.org/business-support/environmental-improvements>



GETTING THE MOST OUT OF THE ECO-LABEL

Highlight the public (healthier oceans) and private (healthier food) benefits of the product for the consumer.

Use it as a barrier to enter a market: for example a product needs the label to be sold at a large retail chain or popular restaurant.

Consumer trust in the label is an essential component of getting a price premium, so building that trust with the public through education and awareness is essential.

Public Perception of Sustainable Seafood

The issues of over-fishing in our oceans and seafood sustainability have been in the public eye for some time, but how this translates to changed behavior among consumers and the seafood supply chain is still unclear. The issue is currently being championed by many international organizations including EDF, the Monterey Bay Aquarium, FishWise, and many others. The Seafood Choices Alliance has conducted extensive public opinion polls in Europe and the United States on the issue of sustainable seafood. Their 2008 report, *The U.S. Marketplace for Sustainable Seafood: Are We Hooked Yet?*, researches the awareness of sustainable seafood among the seafood wholesaler, distribution, and retail segments of the supply chain. The report had several interesting findings, but the ones that apply most directly to the CSSI program are:

- Sustainable seafood is a rising trend among chain restaurants, retailers and wholesalers and each sector **sees significant growth in the percentage of their seafood that will be sustainably sourced in the future.**
- The majority of respondents are concerned about the health of the ocean and the its impact on their businesses, and **respondents believed their personal concern about the ocean was often greater than that of their customers.**
- Concerns among respondents include **verification of sources and chain of custody as well as securing adequate supplies of popular seafood.**
- **The perceived importance and value-added of seafood labeling is mixed across the sectors.** Retailers believe that USDA organic labeling for farmed seafood will have a significant impact whereas seafood wholesalers are the most aware of sustainability labeling for wild fish such as the Marine Stewardship Council label¹⁴.

A Coastal Opinion Poll administered in Southern California by a researcher at California State University, Channel Islands aimed to gauge the perception of sustainable seafood by the consumer. The results suggest that the consumer may be less informed or concerned about sustainable seafood than the seafood supply chain polled by Seafood Alliance. 45% of respondents never asked about the source when purchasing seafood, and just 10% always or nearly always ask. Even more relevant to the CSSI program, only 26% had heard of sustainable seafood, and the Marine Stewardship Council was only known to 11% of respondents.

¹⁴ Seafood Choices Alliance (2008) *The U.S. Marketplace for Sustainable Seafood: Are We Hooked Yet?*



The Dolphin Safe label and the Monterey Bay Aquarium Seafood Watch were the most well-known among respondents¹⁵.

California Fisheries

Commercial fishing in California has a very rich and varied history. The booms and busts of several significant species have changed the landscape of California fisheries several times. The state is not a stranger to the issues facing the rest of the world's oceans, but it is still a very productive region for many species and the commercial fishery industry adds great value to California's economy. According to California's Department of Fish and Game in 2010, commercial fisheries landed an estimated 197,956 metric tons of fish and invertebrates from California ocean waters. 2010 landings represent a nearly 22% decline from the peak landings of 252,568 tons observed in 2000, and each year sees significant fluctuations in the amount of fisheries landed¹⁶. The ex-vessel (at point of sale at the dock, not retail value) economic value of commercial landings in 2010 was approximately \$180 million, an increase of 56% from the \$112 million in 2009. The total value of commercial fisheries in California's economy is estimated at upwards of \$800 million¹⁷.

The question remains, if certified as sustainable how will the value and market of California fisheries change? Without significant further research, it is not clear how each specific fishery will respond to gaining sustainable certification, whether it will result in a higher economic value or change in volume landed and sold remains to be seen.

Potential California Fisheries Candidates

Before beginning to analyze how to structure a marketing program for certified seafood in California, there needs to be an understanding of who will be participating in the program. Certification based on the established protocol can apply to a fully managed fishery, or it is also possible that all or part of a fleet at a particular port could seek certification for some or all of their catch. Based on various expert opinions potential candidates could include (but are not limited to) the following fisheries, or segments therein: Market squid, Dungeness crab, Spiny lobster, Sea urchin, Spot prawn, and the California segment of the West Coast Albacore fishery. As a way of understanding these fisheries and the role they play in the market, 2010 ex-vessel values and landings are described in Table 1. For 2010, these six species represent approximately 77% of the total economic value for California commercial fisheries.

¹⁵ Anderson, Sean (2012). Public Perceptions of Coastal Resources in Southern California. *Urban Coast Journal*, Volume 3, Issue 1, Pages 37-47

¹⁶ California Department of Fish and Game (2011) Final California Commercial Landings for 2010, data extracted from Table 7 and 15

¹⁷ California Seafood Council archive website. Retrieved on May 4, 2012 from <http://www.ca-seafood.org/>



| | Landings (lbs) | Value |
|-------------------|-----------------------|----------------------|
| Market Squid | 288,487,830 | \$74,246,303 |
| Dungeness Crab | 22,022,628 | \$41,221,888 |
| Spiny Lobster | 715,706 | \$11,337,597 |
| Sea Urchin | 11,222,416 | \$7,381,874 |
| Spot Prawn | 245,515 | \$2,649,883 |
| Albacore | 1,633,689 | \$1,767,995 |
| 2010 Total | 324,327,784 | \$138,605,540 |

TABLE 1: 2010 EX-VESSEL VALUE AND LANDINGS FOR FISHERIES DEEMED POTENTIAL CANDIDATES FOR SUSTAINABLE CERTIFICATION

WHAT IS A MARKETING ASSISTANCE PROGRAM?

Marketing Assistance Programs and the CDFA

The CDFA is the administrator of California's existing marketing assistance programs. The CSSI legislation calls for OPC to consult with CDFA on creating the sustainable seafood marketing program. This is interpreted to mean that the program has already been given legislative authority, and therefore does not have to follow the specific protocol laid out by CDFA. Regardless, exploring the standard operation of CDFA marketing assistance programs provides general direction for the CSSI program.

According to the CDFA, marketing assistance programs provide agricultural producers and handlers an organizational structure, operating under government sanction, which allows them to solve production and marketing problems collectively that they could not address individually. Under CDFA general practice, marketing programs are industry initiated and usually do not go into effect without approval by an industry vote. Since all industry members stand to gain from a marketing program's activities, all affected producers and/or handlers of each commodity are required to abide by the marketing program's statutory provisions and share the cost of funding the program's activities. There are over 50 marketing programs in California at this time, but only two of are associated with a seafood product: the Salmon Council and the Sea Urchin Commission¹⁸.



Authorized activities for a Marketing Assistance Program include commodity promotion, research, and maintenance of quality standards. Marketing assistance programs are funded through some kind of assessment on the product as well as possible outside funding, including foundational and governmental grants. There are three basic structures for these programs: a marketing order or agreement (board), a council, or a commission. The structure of the program determines some of the activities of the program as well as who approves the actions. A board made up of industry members governs each marketing program. Some

¹⁸ California Department of Food and Agriculture. Marketing Branch, What are Marketing Programs? Retrieved on January 22, 2012 from <http://www.cdfa.ca.gov/mkt/mkt/about.html>



boards also have public members. The board approves and hires a Director of the program and staff. These three structures are described in detail in Table 2 with more detail available in Appendix 1¹⁹.

| | |
|---|--|
| Marketing Order or Agreement (Board) | <ul style="list-style-type: none"> • Marketing orders are the legal rules and regulations that establish marketing organizations under the California Marketing Act of 1937 and are implemented administratively by the CDFA. • Marketing orders go into effect after a public hearing and an industry vote. • The order creates a body (Advisory Board) that serves to advise the CDFA on market agreements and all actions are subject to approval by the CDFA. |
| Council | <ul style="list-style-type: none"> • Councils are authorized under commodity specific legislation; industry drafts legislation and seeks approval. • CDFA enacts an industry wide vote to certify the council. • Councils can serve in an advisory or marketing capacity (or both). • Councils are advisory to CDFA and all actions are subject to CDFA approval. |
| Commission | <ul style="list-style-type: none"> • Commissions are also authorized under their own statutes and must pass through the legislative process and an industry wide vote. • Generally have a larger scope of activities than a Board or Council. • Industry members are elected directly by industry and are not appointed by CDFA. • Commissions are generally not advisory to CDFA, but most have a CDFA non-voting member position |

TABLE 2: DESCRIPTION OF CDFA MARKETING ORGANIZATIONS

The CSSI and the Marine Stewardship Council

As the protocol currently stands, fisheries certified under the California logo will also be certified under the Marine Stewardship Council (MSC). This presents an interesting dynamic from the perspective of promotion and administrative support. The fisheries certified as sustainable will be part of the California industry but will also benefit from the actions and activities of MSC on behalf of its certified fisheries. Fisheries could use the MSC label, the California label, both or neither; whatever suits their needs and interests. The established marketing assistance program should be aware of this dynamic from the onset allowing them to benefit from MSC when it is appropriate, and also be independent when necessary.

MSC ROLE IN PROMOTION AND MARKETING

The MSC acts as both an administrative body for sustainable certification, and a promotion firm for fisheries and products with the MSC label. Certification is achieved through a third party process, and is required to be renewed every few years. There are certifications for the fisheries themselves and also for the supply chain. Beyond the work of facilitating certification, the MSC promotes the products that are certified as sustainable and the eco-label. The main goal of MSC is to work with the entire supply chain and provide leverage for fisheries, processors, and commercial retailers in the market.

¹⁹ California Department of Food and Agriculture (2006) California Marketing Orders & Agreements, Councils, and Commissions: Comparison of Authority



A conversation with the MSC's Commercial Director of the Americas, Geoff Bolan shed some insight into the role they play in promoting their products. Their role is to "pull the label through, from certification to the customer". In general they are not in the business of direct marketing, but with building broad awareness in the market for what being MSC certified means. This is accomplished by working to build partnerships between retailers, wholesalers, and restaurants with the certified fisheries. Mr. Bolan described MSC's commercial relations as a "giant dating service". At the beginning MSC helps with messaging, especially with retailers that don't have a history with these types of products. Secondly they push for market awareness with the partner. Finally they work on an ongoing basis to create brand recognition of the MSC label, promote regional partnerships, and maintain quality standards within the supply chain of MSC certified partners²⁰.

In 2008, MSC began working with an international communications and marketing firm Saatchi & Saatchi X to improve consumer awareness and recognition of the MSC eco-label. The joint-marketing initiative is designed to increase awareness of the MSC program at the same time as enhancing the sustainability credentials of seafood brands and retailers. According to the MSC website the aims of the marketing incentive are to:

- Generate fresh ideas and new materials for marketing activity
- Improve understanding of the MSC program
- Enhance the sustainability credentials of our partners
- Make MSC-labeled products important to shoppers
- Improve our partners' sales and the demand for MSC-labeled seafood²¹

"In-store marketing is the key to changing shopper behavior..."
 MSC 2011 Annual Report

MSC ran 11 joint marketing campaigns from April 2012 to March 2011 with seafood brands and retailers. In North America MSC worked with Whole Foods Markets, Target and Loblaw. Loblaw Companies is



Canada's largest buyer and sellers of seafood. The company has made a commitment to source all of its seafood from sustainable fisheries, and out of this commitment has grown a relationship with MSC. In the past year Loblaw's has increased its range of MSC products from 16 to 47. MSC is working in partnership with Loblaw's on a joint-marketing campaign to raise customer awareness of the MSC label and Loblaw's sustainable seafood goal. This includes new promotional materials in stores that highlight the label and staff training in explaining the seafood sourcing policy. MSC holds that "in-store marketing is the key to changing shopper behavior" and creative materials are needed to disrupt shoppers normal patterns and remind them of the value of sustainable seafood²².

²⁰ Personal communication with Geoff Bolan, March 5, 2012

²¹ Marine Stewardship Council. Joint- Marketing Campaigns. Retrieved on March 10, 2012 from <http://www.msc.org/business-support/campaigns>

²² Marine Stewardship Council (2011) Annual Report 2010/2011



Case Studies of California Marketing Assistance Programs

The main qualitative research portion of this report focuses on looking at marketing assistance programs in California and in other states that support and promote both seafood and other agricultural commodities. The goal for each case study was to summarize the overall program, if possible interview someone active in the program, and then pull out best practices as well as lessons learned that could be applied to the California Sustainable Seafood Program.

In California there are two marketing assistance programs that promote and support seafood products, the California Salmon Council and the Sea Urchin Commission. They are both relatively small programs, with some similarities including their manager David Goldenberg. As should be expected from two very different products there are also significant differences between the programs, from their structure (a Council versus a Commission) to the annual goals and member composition. While both of the seafood marketing programs have obvious points of comparison for a future program on sustainable seafood, they represent a limited perspective on how these programs operate. Both of them are small programs, with a single person staff and limited budgets. In order to better understand the range of programs in California two non-seafood programs are summarized and analyzed below as well. The California Avocado Commission and California Table Grapes Commission were chosen as case studies from the dozens of other programs because of their strong California brands and longevity in the industry.

California Salmon Council (CSC)

PROGRAM SUMMARY

The CSC was formed in 1989 by a referendum voted on by the majority of commercial salmon vessel operators in California. The CSC serves as a marketing board for commercial salmon fishers and also maintains an advisory relationship with the California Department of Fish and Game (DFG). The CSC is composed of nine voting members—including vessel operators, processors, and exporters/wholesalers. The CSC also includes five non-voting members, with representation from each of the following entities: Department of Food and Agriculture, Department of Fish and Game, Sea Grant, Coastal Fisheries Foundation, and the California State World Trade Commission. An independent contractor manages the council. It is a part-time position that is renewed every year by board approval. The actions of the Council are subject to the approval of both the CDFA and DFG.

Funding for the CSC is generated by a \$0.02 per pound landing tax on salmon harvested in California. Last year \$80,000 in assessments were collected. After overhead costs, including a payment to CDFA, a \$30,000 budget for action will remain for this year's priorities²³. In a more productive fishing season budgets for action have been significantly higher, for example for 2001-2002 the approved budget was \$100,000²⁴. CSC's primary purpose is to market and promote the consumption of commercial salmon and salmon products. The daily activities of the CSC focus on marketing, research, restoration, conservation, and public education on the California salmon fishery. See Appendix 2 for a full program description, and transcript of an interview with David Goldenberg, Council Manager, from which the applicable lessons to CSSI were gathered.

²³ Personal Communication with David Goldenberg, February 8, 2012

²⁴ California Salmon Council, 2001/2002 Proposed Document, Board Documents provided by David Goldenberg



APPLICABLE LESSONS TO CSSI

Funding is the main barrier for action.

With a small budget, very little direct marketing can be accomplished so there is a strong reliance on the media and press releases.

With a commodity that is very susceptible to governmental regulation and environmental variation and a funding structure dependent on catch, funding varies greatly from year to year.

Program actions are subject to approval by the CDFA and the California Department of Fish and Game.

California Sea Urchin Commission

PROGRAM SUMMARY

The California Sea Urchin Commission was established in 2003, following the disbandment of the Sea Urchin Advisory Commission that had been active since 1987. The current Commission was established under the Food and Agriculture Code and was originally composed of 11 voting members: five sea urchin handlers, five sea urchin divers, and one public member. In 2009, the processors and handlers voted to leave the commission, and as a result it now only represents the interests of divers. The five remaining members are elected by an industry wide vote and are elected from within geographic regions (for example San Diego County)²⁵.

Funding for Sea Urchin Commission activities and administration comes from a \$0.01 per pound assessment on urchin, paid entirely by the divers since the handlers left the program. An independent contractor manages the commission part-time. The goal of the Commission is to “ensure a sustainable sea urchin resource and a reliable supply of quality seafood product for domestic consumption and export²⁶”. The main difference between the CSC and the Sea Urchin Commission is that the commission actively engages in advocating for and against regulatory and legislative actions that they believe impact the industry, which they see as an important way to support the sea urchin diver community. See Appendix 3 for a full program description of the California Sea Urchin Commission and transcript of an interview with David Goldenberg, Commission Manager.

²⁵ California Department of Food and Agriculture Marketing Branch (2008) California Sea Urchin Commission Law

²⁶ Sea Urchin Commission. Retrieved on February 16, 2012 from http://www.calurchin.org/calurchin_aboutus.html



APPLICABLE LESSONS TO CSSI

The ability to advocate for management alternatives and participate in discussion on regulatory and legislative actions provides for an additional opportunity to support the represented industry.

Programs change over time, and there are examples of programs in which members grew dissatisfied.

The structure of the program should be designed to allow for such fluctuations without crippling an existing program

California Avocado Commission

PROGRAM SUMMARY

The California Avocado Commission has been in effect since 1978. The Board of Directors consists of 15 voting members (10 growers appointed by growing districts, 4 processors, and 1 public member). A full-time director, along with a staff of 13, runs the Commission and carries out its actions. The staff is broken up into categories of administration, marketing, research, and industry management. Funding is allocated to the program through a mandatory assessment fee paid by the growers based on some percentage of the price received at first point of sale. The assessment rate is determined yearly, and for 2012 it is 1.1%. With this assessment rate the budget for 2012 is set at \$15 million. In the past additional funding beyond the assessment has been received through outside grants, usually to support specific campaigns.

The specific actions and goals of the Commission are determined through the explicit partnership between industry and the Commission. The specific promotion actions of the Commission include, but aren't limited to:

- Consumer advertising including radio, outdoor, and digital media.
- Merchandising at the retail level (for example, signage and retail partnerships)
- Public relations promoting the CA avocado brand through press release and news stories
- Food Service program and outreach

In addition, most specific activities are accomplished through contract work with an advertising agency, a public relations agency, a food service team, and an online marketing team. Commodity promotion and marketing of California avocados takes up most of the Commissions energy and budget (approximately half of the annual budget)²⁷. See Appendix 4 for a full program description, and transcript of an interview with Tom Bellamore, Commission Director.

²⁷ Personal communication with Tom Bellamore. February 24, 2012



APPLICABLE LESSONS TO CSSI

Understanding the market for the product (regionally or demographically) allows for focused marketing efforts.

Using California as a function of the brand is even more beneficial with the current trends toward local food.

Focusing on the food service industry is a very important component for promotion.

Market research allows for the program to self-assess and make changes over time. The ability to measure ones own impact is a very valuable component of a thriving program.

California Table Grapes Commission

PROGRAM SUMMARY

The California Table Grapes Commission was founded in 1967. As is the case with all the marketing programs described above, the legislation that created the council grants a leadership board authority for making decisions relating to the commission. The Board consists of grape growers from distinct growing regions, who are nominated through a process with the CDFA. A unique characteristic of the Table Grapes Commission that was written in to the original legislation is they have the ability to appoint separate committees to play advisory role for the Commission, and since the board consists of grape growers it has a shipper advisor committee to broaden participation and feedback. The structure of a Commission, as opposed to a Board or Council, provides industry with broadest position and authority. The Commission can lobby and has done so in the past on issues such as tariffs and pest management²⁸.

The California Table Grapes Commission is funded through an assessment on per pound of grapes shipped; but shippers are entitled to pass on this cost. In the past, additional outside funding from the Federal Government has been obtained by the Commission for international promotion campaigns. The 2012 budget is set at \$15 million. The commission promotes a very transparent process and all information is available to the grower on website. In addition, a newsletter is sent every two weeks to keep industry updated and in the loop about decisions. They also have meetings on grower research and marketing within the districts once a year.

The main goals of the program are to create or increase demand for California table grapes. The commission currently has a small staff led by a full-time director, and employs the services of an ad agency, marketing agency, and research staff. When it comes to commodity marketing, the heart of the work is promoting California grapes to retailers as well a large consumer public relations campaign²⁹. See Appendix 5 for a full program description, and the transcript of an interview with Kathleen Nave, Commission Director.

²⁸ California Department of Food and Agriculture Marketing Branch (2007) California Table Grapes Commission Law

²⁹ Personal Communication with Kathleen Nave. April 9, 2012



APPLICABLE LESSONS TO CSSI

The composition of the Board of Directors may be limited to certain industry members; though it can be written into the program statute that separate committees of supporting industries (e.g., wholesalers) are to be created for the purpose of broadening participation.

Access to information is important for maintaining a strong relationship between the program and industry. A well structured and user friendly website can be used to accomplish this as well as a newsletter.

Meetings with industry on research and marketing goals held on a regular basis can facilitate feedback and foster collaboration.

Case Studies of Regional Sustainable Seafood Programs

Alaska Seafood Marketing Institute (ASMI)

PROGRAM SUMMARY

ASMI is a public-private partnership between the State of Alaska and the Alaska seafood industry that serves as a marketing organization with the mission of increasing the economic value of Alaska seafood. A Board of Directors runs the ASMI; the composition of the board consists of five processors (four large and one small) and two commercial harvesters. Alaska's Governor appoints the members of the board. ASMI also utilizes a system of operational and species committees that provide the board and ASMI staff with industry input and expertise. ASMI has species and operations committees made up of people from all aspects of the Alaska seafood industry that are very engaged in identifying issues and directing marketing activities that relate to their specific expertise³⁰.

Funding for ASMI comes from several sources including a 0.5% industry assessment tax, State of Alaska general funds, and federal grants. Since its inception the ratio of revenue generated from the assessment on industry has increased as the amount available from the state has decreased. 2010's fiscal year had a budget of just over \$15 million. ASMI represents a very diverse portfolio of Alaska fisheries, from shellfish to salmon to ground fish. ASMI aims to achieve its mission through the following actions and priorities:

- Increasing the positive awareness of the Alaska Seafood brand
- Collaborative marketing programs that align ASMI and industry marketing efforts for maximum impact within the food industry
- Long-term proactive marketing planning

³⁰ Personal Communication with Tyson Flick. April 25, 2012



- Technical industry analysis³¹.

In addition to the above actions, ASMI also participates in education about Alaska seafood, advocacy on behalf of the industry, and research on various aspects of region and its productivity. Sustainability is a value built into Alaska fisheries through the state constitution, and several fisheries have received FAO-based Alaska Responsible Fisheries Management Certification. ASMI utilizes sustainability as part of the “Alaska Seafood Brand” as a way to increase positive awareness. See Appendix 6 for more details on ASMI and its specific campaigns and partnerships, and for the transcript of an interview with Tyson Flick, Communications Director for ASMI.

APPLICABLE LESSONS TO CSSI

By building a brand around a region, a large-scale marketing program can be successful at promoting a broad range of seafood.

A long-term relationship with industry can be established by engaging with more people through a system of operational and species committees that provide the board and staff with industry input and expertise.

Sustainability has been intrinsically built into the brand without putting energy or resources into an eco-label.

Gulf of Maine Research Institute (GMRI) Sustainable Seafood Initiative

PROGRAM SUMMARY

With the goal of strengthening the economic and ecologic sustainability of the Gulf of Maine seafood industry, the Gulf of Maine Research Institute (GMRI) developed the Sustainable Seafood Initiative. The GMRI is a non-advocacy, research based non-profit. The Sustainable Seafood Initiative recognizes the complexity of fisheries issues in the Gulf of and aims to apply an objective science based approach when scrutinizing and developing innovative sustainable strategies that encompass an ecosystem-based approach for the region. There are currently three over-arching goals for the Sustainable Seafood Initiative³²:

- Empowering Gulf of Maine customers through the use of a the “Responsibly Harvested” Eco-Label
- Engaging the entire supply chain in addressing sustainability issues, using full supply chain evaluation to reduce health and environmental impacts.
- Enable continuous improvement in the region’s seafood industry. This includes training programs that reduce environmental impact while increasing profits. Another example is a program to promote

³¹ Alaska Seafood Marketing Institute (2012) 2012 Alaska Seafood Annual Report

³² Gulf of Maine Research Institute, Sustainable Seafood Initiative. Seafood Branding Program. Retrieved on March 6, 2012 from <http://www.gmri.org/community/display.asp?a=5&b=25&c=189>



underutilized species, by increasing diversity and creating a market within the region. This requires engaging with retailers and restaurants.

The GMRI branding program was launched in March of 2011. The licensee of the eco-label makes its own decision on how to use the label. At this time, GMRI doesn't do any specific marketing or promotion of the label; it focuses instead on facilitating relationships between dealers and retail partners. The licensee pays a royalty based on the value of the product (0.5% of dollar value at retail), and there is a required additional advance based on annual sales of program product. There is also the ability to sub-license to retailer or restaurants. Right now they only audit and charge royalty on product that goes to the sub-licensee, not on exports or direct sales. Currently there are seven fish species considered responsibly harvested, seven licensed dealers, and four restaurant and retail partners³³. See Appendix 7 for a full program description and transcript of an interview with Jen Levin, Program Manager.

APPLICABLE LESSONS TO CSSI

GMRI carries out the audits and verifications for eco-label certification, industry does not pay for it.

Working with retailers requires a commitment to education as well as marketing.

By using a royalty on the label that is based on the value of the product at retail level, the program avoids putting a financial burden on the fisheries.

Seafood for the Future

PROGRAM SUMMARY

Seafood for the Future (SFF) is the Aquarium of the Pacific's non-profit sustainable seafood program. SFF's stated mission is to "promote healthy and responsible seafood choices." SFF accomplishes this mission by creating a network of restaurants, distributors, and producers that are committed to providing sustainable seafood from well-managed fisheries or aquaculture farms. The program has a regional focus, which extends from San Diego to Santa Barbara. The program relies on outside funding, with the Pacific Life Foundation being its largest sponsor.

The program incentivizes both the supply chain and the consumer to make better decisions as they relate to seafood. On the supply side, SFF utilizes the marketing resources of the Aquarium of the Pacific to create incentives, promote, and reward fishery partners that adopt better practices. SFF features their partners at events, festivals, dinners, and in their literature. The goal is that the partners' business will increase as consumers become more aware of environmental consciousness. On the demand side, consumers receive a voucher for discounted admission to the Aquarium of the Pacific if they order a sustainable seafood entrée

³³ Personal Communication with Jen Levin. February 16, 2012



endorsed by SFF. The consumer knows whether a program is part of SFF by looking for their logo at local restaurants. The consumer incentive also allows the program to educate the consumer on sustainable seafood and its benefits when it visits the aquarium³⁴.

APPLICABLE LESSONS TO CSSI

The focus on a regional program allows for the creation of very specific consumer market incentives (coupons, discounts, etc.).

Restaurant partnerships can provide a venue for educating the consumer (through the server) in a different way than retail partnerships.

A CALIFORNIA SUSTAINABLE SEAFOOD MARKETING PROGRAM

Broad Considerations for the Marketing Program

The following are broad considerations to keep in mind while developing a marketing program for the CSSI:

- **CSSI is a voluntary program.** California fisheries are not required to undergo the process of certification; therefore there will be no set number of participants at the onset.
- **Certification will happen over time.** For this reason, the program should be conscious of the fact that who it is representing will change and grow over time.
- **The program will be representing a heterogeneous industry.** In most of the above case studies, aside from GMRI and ASMI, the program represented one type of product. This program is aimed at sustainable seafood, a broader category in which the specific product may vary from squid to Albacore tuna.
- **Certified fisheries will be eligible to use an eco-label** to distinguish their products, but not required to. Certified fisheries, processors, wholesalers, and retailers will be eligible to display the eco-label on the certified product. The certification will currently also give the fishery Marine Stewardship Council (MSC) certification, so the fisheries will be eligible to use that eco-label as well.
- **California fisheries are already a very managed industry.** California fisheries already interact with several agencies and are required to abide by management rules and regulations. Although this is a voluntary program, this factor should be considered when creating the program so as not to over burden the industry.
- California fisheries are a very politically charged industry and **feasibility of implementation of the program should be considered.**

Alternatives for Marketing Program

The OPC was charged with creating the marketing assistance program through the 2009 legislation, and therefore has been given the legislative sanction it needs and has flexibility in creating the program. Despite this flexibility, the program still needs to have an effective structure, be sufficiently funded, and have an

³⁴ Seafood For the Future. Overview. Retrieved on April 20, 2012 from <http://seafoodforthefuture.org/overview/>



established goal and priorities for action. These are the categories of alternatives that need to be considered and analyzed in order to make recommendations for next steps. The following considerations once decided upon would make up the rules and regulations under which the program will operate.

There are numerous alternatives to consider within each category, as well as separate criteria for each category that will be used to determine final recommendations. Table 3 lays out the criteria that will be used to analyze whether the alternatives considered will fulfill the needs for the program as well be implementable in the current landscape. The evaluative criteria are not entirely exhaustive, but provide for a standard by which to examine the outcomes of different options. Alternatives and possible solutions were collected from the details and best practices from the marketing programs summarized and analyzed for this report.

| | EVALUATIVE CRITERIA |
|------------------|--|
| STRUCTURE | <p>Flexible to include fisheries as they become certified</p> <p>Inclusive of the needs and expertise of relevant processors, wholesalers, and retailers</p> <p>Broad scope that doesn’t limit the ways that the program can support the industry</p> <p>Long-term independence from the OPC</p> |
| FUNDING | <p>Provides financial security for the program (at least \$250,000/year³⁵)</p> <p>Low financial burden on industry</p> <p>Considers a possible price premium and the interaction of the label and the consumer</p> |
| PRIORITY ACTIONS | <p>Adds value for the product</p> <p>Focuses on the sustainability of the product</p> <p>Engages and educates the consumer</p> |

TABLE 3: CRITERIA TO EVALUATE THE ALTERNATIVES FOR PROGRAM STRUCTURE, FUNDING AND PRIORITIES

Structure of the Program

In developing the marketing assistance program there are general definitions of organizational structure that need to be considered first before discussing the structure in more detail. The following are the decisions that need to be made up front:

1. What is the definition of the industry that is included in/intended to benefit from the program?
2. How does an entity consent to the program and is participation mandatory for all those who benefit?
3. What is the composition of the Leadership Board, and therefore who guides the direction of the program?

³⁵ Per conversation with Glenn Yost, CDFA, who suggested that \$250,000 was a minimum annual budget in order for the program to see the program actions making an impact on the market in some way, either through increased sales or product value.



4. What should the long-term relationship be between the marketing program and State Agencies, such as the OPC and the CDFA?

By answering these questions first, the program will have a clear definition of whom it is intended to serve and how industry will participate. Each one of these categories has more than one alternative that could be adopted by the sustainable seafood program. We will next explore the different alternatives for the structure of the program, and discuss how each one could help the OPC and CSSI achieve its goals.

DEFINITION OF INDUSTRY

The seafood industry in California is not a simple boat-to-table business; there are many players in a complicated supply chain involved in getting seafood to the marketplace. For this reason, it cannot be assumed that the marketing program will help *just* the commercial fisheries that become certified. The seafood industry also includes seafood processors, wholesalers, retailers, and restaurants. The definition of industry that the program will represent and benefit has the following alternatives to consider:

- Commercial fisheries that qualify for certification
- Commercial fisheries that qualify for certification and the processors/wholesalers that purchase then sell the certified fish products
- The entire supply chain that interacts with CSSI certified products, from fisheries to retailers

It can be argued that whether the program focuses to just support commercial fisheries or the entire supply chain is not an obvious distinction, since any action that encourages the purchase and consumption of certified seafood will benefit anyone who is a part of getting that product to the marketplace. While this is true, the simpler the definition of industry the simpler the actions it can focus on. If the program is just focused on certified commercial fisheries, then actions could focus on getting higher sales and ex-vessel price for the fisheries without concerning itself to what happens after that point. The simplicity of the program focusing just on the fisheries faces significant tradeoffs. It excludes from the program the individuals who are more directly linked with the customer. It also fails to incorporate the influence of the eco-label beyond the first sale. The challenge of incorporating the entire supply chain lies in the complications that arise of having one program intended to support a very diverse group of people. As stated in the broad considerations, the California commercial fishing industry is incredibly varied with already established markets and supply chains. On the other hand an additional component of certification under CSSI is the traceability of the product, and the participation of the entire supply chain in the program could facilitate greater coordination when using the eco-label.

PROGRAM CONSENT AND PARTICIPATION REQUIREMENTS

Once an industry is defined, the program will need to be authorized or recognized by those who will participate in some way. This can be done by creating a statute for industry as a whole to vote on, requiring some level of a majority. This option is difficult for this situation because CSSI will not be starting with an established industry that will be ready to vote on the program once it is established. For that reason, instead of an industry-wide vote, a mechanism should be established to allow those who join the program later to become signatories of the program on an individual basis. For example, The California Leafy Greens



Marketing Order³⁶ does not require that every leafy green grower in California participate in the program. Instead, when a grower wants to participate it becomes a signatory to the program by agreeing to the rules and regulations that govern its participants. *This model of consenting to the program, by becoming a signatory, is considered the best mechanism by which participants consent to the CSSI program.*

The CSSI is a voluntary program. However, most marketing programs that are state-sanctioned do decide whether participation will be required for the defined industry, and consider the following alternatives:

- Mandatory participation for any member of the defined industry
- Voluntary participation for any member of the defined industry.

COMPOSITION OF LEADERSHIP BOARD

Once it is determined whom the program is intended to represent and benefit and participation within the various groups is known, the next step is to create a leadership structure by which the program will conduct and carry out the actions. In most of the case studies, a leadership board with specific eligibility requirements was created. The composition of who sits on the leadership board and votes on actions and priorities could include any combination of the below alternatives, dependent on the defined industry:

- Certified commercial fishery operators or their representatives
- Fishery receivers and processors or their representatives
- Fishery exporters or wholesalers
- Retail partners
- A public member

RELATIONSHIP WITH STATE GOVERNMENT (OPC AND CDFA)

The marketing program once established will either be completely independent, or have some level of continued relationship with the OPC and the CDFA. This relationship can be of varying strength and could be one in which the state agencies serve in just an advisory matter, for example the California Avocado Commission relationship with the CDFA. On the other hand the CDFA could be responsible for approval of program actions and budget decisions as is the case with the California Salmon Council. The alternatives for the programs long-term relationship with state government are as follows.

- None- completely independent organization
- Advisory
- Actions are subject to approval by CDFA or OPC.

OTHER ORGANIZATIONAL CONSIDERATIONS

There are several other organization considerations that require exploration. This report does not intend to provide every logistical detail for program creation, but it does intend to give a general direction for the

³⁶ California Department of Food and Agriculture Marketing Branch (2008) California Leafy Green Products Handler Marketing Agreement



OPC and CDFA to utilize and will explore other organizational considerations in the recommendations for program structure.

Funding for the Program

In order to make an impact in the market, the marketing assistance program will need sufficient financial resources. As a benchmark for the budget needed, this report assumes a minimum requirement of \$250,000/year per suggestion by CDFA. The majority of marketing programs in California are funded through an assessment on the agricultural commodity it is promoting, with a variation on whom in the supply chain pays the fee. For example, the Table Grapes Commission places its assessment on the grape shippers, not the growers. The Sustainable Seafood program is unique in that it will be representing a heterogeneous industry, and so therefore collecting an assessment will not be as straightforward as with a single agricultural product. Additionally, the eco-label will be interacting with the customer down the supply chain from the fishery and therefore it should be considered that the price premium might not occur until the retail level. Another consideration is that the OPC has stated that they can partially fund the program at the onset, but would like a long-term strategy for it to be self-sufficient. With these considerations in mind the alternatives for long-term funding are as follows:

ROYALTY AND ANNUAL FEE ON THE USE OF THE CSSI LABEL

In this case, the marketing program would be funded through a royalty on the use of the California eco-label. In addition a small annual fee would be charged to anyone besides a commercial fishery utilizing the eco-label in some way.

This funding alternative is based off of how MSC generates funding from program participants. The MSC Annual Fee is based on the value of the MSC certified seafood that is purchased or sold by the participant, and the annual fee ranges from \$250-\$2,000. In addition, the royalty fee is charged when retailers, restaurants and seafood processors choose to use the MSC label on their products that are consumer facing. Royalties are calculated at 0.5% on the value of seafood that is sold. During the supply chain, royalties are only collected once³⁷.

For the California program, the details of whom and how to charge would need to be worked out in more detail, but the general idea for this alternative is that it only charges the participants in the program who are interacting with the consumer through the California label. California commercial fisheries would not pay into the program under this alternative. A benefit is that fisheries would not be directly burdened, although it would be difficult to regulate whether the payers of the royalty and fee wouldn't pass this charge on in some way to the fisheries. In addition, this alternative would rely directly on the consumers' interaction with the label, and could therefore simplify program priorities by focusing solely on the label. The tradeoff is that it is a very complicated funding source to collect, as the label would have to be monitored and its' users audited. Additionally, the market for the California label is unknown at this point in the process there is no way to calculate what level of funding could be collected from this funding alternative.

ASSESSMENT ON THE CATCH OF CERTIFIED FISHERIES

³⁷ For more details on the costs associated with the MSC label, visit the MSC website and document "Categories of Ecolabel Use Charges" which can be accessed at <http://www.msc.org/documents/logo-use>



In this case, the Marketing program would be funded through an assessment on the catch of certified fisheries. There are two ways that the assessment could be charged:

1. Assessment on the percentage of the certified seafood's ex-vessel value, for example 1%.
2. Assessment charge per pound of the certified seafood landed in California, for example \$0.01/lb.

The numbers in Table 4 are a rough estimate of the program's annual budget using the six potential candidates from Table 1. These funding options estimate budgets using the 2010 ex-vessel values and landings if all potential fishery candidates are certified and participating in the program.

| Funding Option | Rate | Approximate Annual Budget |
|------------------------------------|--------|---------------------------|
| Assessment on Catch (cent per lbs) | \$0.01 | \$3,243,277.84 |
| Assessment on Catch (% of value) | 1% | \$1,386,055.40 |

TABLE 4: ESTIMATE OF ANNUAL BUDGET USING TWO DIFFERENT ASSESMENT ALTERNATIVES AND THE POTENTIAL CERTIFIED FISHERIES EX-VESSEL VALUES FOR 2010

Despite having a lower approximate annual budget, the assessment on the value of the seafood is better suited for a heterogeneous industry like this one because dependent on the fishery there is an extreme variation in the amount of pounds landed. There is also a large variation amongst the potential candidates in the amount of value per pound of their product. *For these reasons, if the assessment on catch is recommended as the funding source for the program than it would be in the form of a charge on the percent of ex-vessel value.*

The assessment on commercial fisheries has some benefits and some disadvantages. The benefit is that it is a straightforward funding source, which could be easily collected as systems are already in place in California to collect from fisheries through the DFG. It could be assumed, according to the calculation in Table 4, that the assessment on the value of landings would provide sufficient funding when all the six potential candidates are certified and contributing. Unfortunately the simplicity of this funding source is countered by significant complications. The assessment happens long before the possible price premium that occurs when a consumer sees the eco-label. This is an issue because the fishery may not recoup the cost if a price premium doesn't occur, or they may not see the same level of profit that happens at the moment where the most economic value is added due to sustainability: at the supermarket or restaurant. Another drawback on the assessment is it would require wading into the politics of charging commercial fisheries. It could easily be assumed that a program they have to pay for is not one they would want to be a part of.

COMBINATION OF THE ROYALTY ON THE LABEL AND THE ASSESSMENT ON THE CATCH

A third alternative is to combine the above two options: with a royalty on the label and an assessment on the catch. The royalty on the label would only apply to the consumer facing retail value, and any licensee of the label would pay into the program that way. For this alternative the assessment on the value of catch should be lower, since the royalty will supplement it.

By combining the funding sources, this funding alternative guarantees an income stream from the fisheries at the program's onset, but it also creates a way to ensure that everyone who benefits from the use of the eco-



label is held financially responsible. The issue with this alternative is that it charges the supply chain twice. This shouldn't be necessary as fees can be passed along; either up from the fishery or down from the retailer. The funding option that is chosen will also have ramifications on who will want to participate in certification. A fishery may see the costs of participating as too high if they face an assessment, or a retailer or wholesaler not see the worth of using the label if they can't recoup their costs by charging higher prices. For this reason, a combined funding source is will face challenges by all program participants along the supply chain if they cannot see the benefits of the marketing assistance program in the prices they are selling seafood for.

Priorities and Actions of the Program

In order for the program to be successful, it requires not only a clear structure and funding source but it also needs main goals and priority actions laid out from the beginning. For the recommendations provided in this report, the long-term goal, priority actions, and broad marketing themes are considered. Some of these considerations have alternatives; others will just be recommended using best practices, effective actions, and lessons learned from the programs researched as part of this study.

The long-term marketing goal of the program could take many forms, and could even change over time. The following alternatives are considered possible goals for the program considering the needs of the industry:

- To promote the individual fisheries who are using sustainable practices with the goal of increasing the products' value.
- To promote the California eco-label as a smart choice when buying seafood and increase the consumption of the labeled products.
- To promote the retailers who are selling certified seafood as smart choices for the consumer.
- To identify California as a sustainable source of seafood.

None of these goals are mutually exclusive; the general goal should just be decided on the onset. Is the program going to be promoting specific species? Will the public relations and consumer campaigns be focused on the eco-label? From the perspective of simplicity, a program that doesn't expend a lot of energy on specific species may be better off in the long-term since new species will be certified and join the program over time. On the other hand, it may take time for the eco-label to infiltrate the market allowing for the program to be species specific for a time. Once goals are determined, the types of actions the program could execute to accomplish that goal are varied. The priority actions for the program to undertake within the first few years of existence have the following non-mutually exclusive alternatives:

- Regional promotion of certified products
- Creation of partnerships at the retail level to carry and promote CSSI certified products
- Traditional marketing using press release, radio, TV, billboards, and/or social media
- Researching the market barriers and needs for products under the California Logo

In addition to a goal and priority actions, the program needs direction on the type of marketing themes and campaigns that have been effective in similar campaigns. Once recommendations are made, the authorized actions of the programs should be generally described in the program statute so that those joining will have a clear picture of how the program will go about supporting the industry.

Feedback from Industry- Survey results



For the purpose of gathering feedback on some possible alternatives for the marketing assistance program a survey was developed. Questions were focused on the three above categories for alternatives: actions, structure, and funding. See Appendix 9 for the full survey instrument. The questions were both multiple choice and open response. The survey was sent to two groups, (1) the CSSI Advisory Panel, and (2) a Fisheries Forum list-serve that is administered on behalf of the Joint Committee on Fisheries and Aquaculture in the California Legislature. The survey was not randomly distributed and the response rate is immeasurable because it is unclear how many people received the survey through the fisheries list-serve.

Out of 32 responses, eight of them were from advisory panel members. It should be noted that the responses received do not incorporate the complete range of stakeholders, just a small sample. Overall, the survey is not statistically rigorous therefore no direct inferences or conclusions will be drawn from the responses. Instead, for the purposes of this analysis, the survey served to gauge the expected reception of some of the alternatives within the California fisheries community.

| Organizational Category | Number of Responses to Survey |
|-------------------------|-------------------------------|
| California Tribe | 3 |
| Commercial Fishery | 6 |
| Consulting Firm | 3 |
| Government Agency | 4 |
| Non-Profit | 9 |
| Private Citizen | 2 |
| Seafood Wholesaler | 1 |
| University/Biologist | 4 |
| Total Responses | 32 |

TABLE 5: NUMBER OF RESPONSES TO SURVEY BASED ON ORGANIZATIONAL CATEGORY

Having a clear idea of the feasibility and support of a program is an important criterion on which to evaluate recommendations. The survey conducted for this report was by no means an exhaustive analysis of the landscape in which the marketing program will exist. What the survey does provide is an example of how people may receive the program, and it can provide some important lessons that should not be ignored. For example, not a single survey responder would be considered an enthusiastic supporter of the program. Everyone who took the survey had concerns about a new program that was unknown to him or her. This shows that the first step in the process for developing the marketing program should be to get industry involved through education and outreach.

Overall the responses were incredibly varied. It is clear that this survey tapped into some strong feelings about the CSSI and the general state of fisheries in California. While all the responses are valuable, there are certain categories that are of greater interest for the purpose of this report: commercial fisheries and seafood wholesalers. Unfortunately we only received one response from a self described wholesaler. These two organizational categories were important to hear from because of their likely direct involvement with the CSSI program.



The following responses served as additional broad criteria on which to evaluate the alternatives, as it would be difficult to make a recommendation that had seemingly no support from industry. On the other hand, since this survey was not designed to fully analyze how the seafood industry will respond to the program, decisions should not be based solely on the results. A more rigorous survey of community members of the potential candidates for certification would be a great next step in developing the marketing program. There were five multiple-choice answers in the survey. The following table shows the most popular answer among the respondents who classified themselves as a commercial fishery or wholesaler.

Commercial Fishery and Seafood Wholesaler Responses

| Question | Most Popular Answer(s) |
|--|---|
| At its inception what should the priorities of the California logo marketing assistance program be? | Regional promotion of certified products (Los Angeles and Bay Area) and traditional marketing using press release, radio, TV, billboards, and/or social media |
| Overall, what should the long-term marketing goal of the program be? | To promote the individual fisheries who are using sustainable practices. |
| In your opinion how should industry be defined in the case of the California logo marketing assistance program? | Commercial fisheries that qualify for certification ³⁸ |
| In your opinion, the board should be composed of what type of members, choose all that apply: | Certified Commercial fishery operators or their representatives, Fishery receivers and processors or their representatives, Fishery exporters or wholesalers, Retail partners (all equally represented) |
| In your opinion, which one of these funding models is better suited for the California logo marketing assistance program: an assessment on catch, royalty on label, or combination of two | Royalty on label, with an annual fee for use of eco-label. |

In addition to the multiple-choice questions, there were several opportunities for the respondent to provide open-ended answers. This allowed for opinions and concerns about CSSI, marketing programs, and the state of California fisheries to be expressed.

| Notable or Popular Themes from Fishery/Wholesaler Responses | |
|--|--|
| What other activities should the California logo marketing assistance program prioritize? | "The one thing I hear all the time from restaurants is "we buy local": meaning they buy from a local wholesaler, but where does he get his fish? Most get fish from all over the world and call it local, This is wrong, as the point of origin should be told. The former CA Seafood Council had problems with this very same thing and it led to some very heated meetings with out ever being resolved." |
| Why do you think that is the best funding model? (The royalty on the label) | "It is an advertisement that directly benefits retailers who use it. There is no such direct benefit to harvesters." And "If you use it you pay. It is my understanding that nearly all CA fisheries products have healthy markets and don't need substantial market assistance to move product. As a tool to market CA seafood the CSSI may not be of great assistance. As an education tool about CA fisheries it may have some value though." |

³⁸ Only by one vote, it was an almost even split between the 3 categories.



| | |
|---|---|
| Do you foresee any issues with either of these funding structures? | “As long as it’s low, O-k, but what if low doesn’t pay enough to operate the program? I see the costs of operation increasing right a long, and the expense of catching it is going through the roof, and the areas to fish is getting smaller, so you are not going to see the fishing industry growing at least in CA.” |
| Do you see any barriers to entry for industry members into the California Program? If so, do you have input on how these barriers could be overcome? | “To get peoples interest you have to have a good program, showing fishermen they can benefit from it, this is hard to do at first and will take some time. People have been fed a lot of B S over the last 20 years and are still seeing and hearing a lot of things they don't agree with, but are having stuff shoved down their throat. They will look at new ideas very carefully.” |

RECOMMENDATIONS

The intent of CSSI is dependent on not just the program encouraging fisheries to become certified, but eventual market forces from increased economic value and market access of certified products also encouraging fisheries to seek the certification process. For this reason a marketing program that works to create these forces for certified seafood is needed. The following recommendations lay out the groundwork on which to build the program.

Structure

In consultation with CDFA, the OPC should create an independent marketing organization that is supported by the entire sustainable seafood industry in California to promote certified products. After careful analysis it is recommended that the structure of the program have the following features:

1. The program should aim to benefit the entire supply chain that interacts with CSSI certified products, from fisheries to retailers.
2. While the entire sustainable seafood industry is the target industry, commercial fisheries that land the certified seafood are recommended to be the active stewards of the program by becoming signatories once they become certified. This process would include a certified fishery voting to become active participants in the marketing assistance program, and also allow the fishery to vote to leave the program if they so choose. By creating a process by which the fisheries consent to the program and its actions there is a built-in mechanism by which the program can be continued or ended dependent on the fisheries perceived contentment with its accomplishments.
3. Participation in the program by commercial fisheries is voluntary per AB1217, as is the certification process.
4. The long-term composition of the leadership board should include:
 - Self-elected representatives from each certified fishery (1 per fishery) with a designation of a maximum number of fishery representatives on the board. Once the maximum level is reached than the representatives should be elected at an industry wide level from a list of nominees from all of the certified fisheries.
 - Representatives of handlers, processors, and wholesaler are who will interact with certified products, and therefore should be nominated by the certified fisheries. It would beneficial to have a mix of regional representation and size of business (for example small scale versus large scale processors). The number of these representatives should not outnumber the fishery representatives.
 - Non-voting advisory committee(s) made up of retail and restaurant partners that will contribute to the program their own expertise and knowledge of the seafood marketplace.



5. An Interim Leadership Board should consist of representatives from potential fishery candidates as determined by OPC, as well as seafood and sustainable product marketing experts.
6. An advisory relationship should be established with State Government (OPC and CDFA), with a stronger relationship at the onset of the program. This advisory relationship could be carried out by having a non-voting member of the leadership board from one or both of the agencies.

Long-Term Funding

For the purposes of long-term program sustainability it is recommended that the program be financially supported through an assessment on the catch of certified seafood landed in California by the fisheries that decide to participate in the marketing program. The assessment should be based on the value of the product at the first point of sale, for example 0.05% of the ex-vessel value. The level of the assessment should be voted upon by the leadership board and renewed on a yearly basis, so the board can evaluate whether the program has been successful at increasing consumption and the economic value of the products.

An assessment on the value of the catch from certified fisheries is recommended for several reasons, but it is not a perfect recommendation and it has some significant tradeoffs. After analyzing the funding alternatives, the assessment on the catch was the considered the most straightforward, as it would be a funding source that would be available immediately upon certification. In addition, there are already mechanisms in place for collecting the assessment through the same systems that other assessments are collected from commercial fisheries in California. The assessment would also provide financial security for the program that would not be guaranteed from the royalty on the label. The royalty on the label would rely on building partnerships and educating the public before the label would enter the marketplace and therefore could collect funds. This could take time, and therefore leave the program without sufficient funding for some time.

It is also not recommended that the assessment be combined with a royalty at this time. By applying a fee to two points in the supply chain, the program would risk overcharging for a program before it understands the gained economic value it can achieve. Revisiting the royalty on the label as a funding source should be revisited once the program is established and retail/restaurant partners are utilizing the eco-label in the marketplace.

Actions

The overall role of the marketing program is to increase the purchase and consumption of certified sustainable seafood. In addition, the economic value of the products should be increased due to the marketing program and its actions in order to justify the added expense of its creation on its participants.

The recommended long-term goal of the marketing program is to identify the California label as a smart choice when buying seafood, with a sub-goal of promoting the individual fisheries that are sustainably certified. The following priority actions are recommended to accomplish this goal:

Outreach and Education

A new program like this one will require substantial efforts to incorporate industry into the organization and familiarize consumers with the certified products. For that reason the first priority of the program should be to outreach and educate the stakeholders in the sustainable seafood community. Specific education and outreach priority actions are:



- Outreach to California commercial fisheries on the benefits of CSSI certification and the marketing program.
- Education of the consumer on the eco-label and what it means about the seafood product. This should start as a broad base education of all consumers, from the general public to wholesalers and processors.
- Education of the public on benefits of certified products for both their health and ocean sustainability through larger scale marketing.

Once the program is fully established a way of communicating with industry and public ought to be developed through a well structured and designed website. Access to information is important for maintaining a strong relationship between the program and industry and a website can fill this role. Additionally, a regularly distributed newsletter or meetings with industry on research and marketing accomplishments held on a regular basis will facilitate feedback and foster collaboration.

Traditional Marketing and Promotion

Using traditional marketing and promotion tools such as press releases, radio, TV, billboards, and/or social media the program can launch campaigns that feature the California logo as well as specific seafood products. The campaigns should focus on the following themes for the highest level of effectiveness:

- The health benefits of eating certified seafood (no toxicity issues)
- The sustainability of the product
- The story of the fisherman/woman
- California

Partnerships

Creation of partnerships across the supply chain for seafood is essential for a successful program. To start, partnerships with commercial fishing organizations to engage in identifying questions, needs or concerns will help create a relationship with industry that will be needed for a successful long-term program. In addition partnerships at the retail and food service level to carry and promote CSSI certified products are needed to start bringing labeled products to the attention of the public. Within these partnerships lie the opportunities for joint-marketing efforts that focus on the label in the store or on a menu.

Finally, joining efforts with other sustainable seafood programs to find instances where similar goals could be accomplished together could prove to be essential. The clearest example of this is the explicit partnership with MSC, since the California fisheries will also be MSC certified. MSC products have been in the marketplace for over a decade, and the California program would greatly benefit from establishing ways to utilize and joint-market with MSC partnerships from the start.

Research

Once established, the marketing program should focus some of its efforts on gathering much needed information on the sustainable seafood market and the role it will play within it. For instance research is needed on the current market(s) and economic value of potential candidates for certification as a way of understanding how each species can benefit from the certification and the marketing program. A more detailed look at how the CA label will interact with other eco-label programs (Seafood Watch, FishWise, Seafood Choices Alliance, Seafood For the Future, etc.) is also desirable. Further down the line, once



marketing and promotion begins the program should conduct market research to measure the impact and success of campaigns and efforts.

CHALLENGES AND NEXT STEPS

Challenges for the Marketing Program

The goal of CSSI is a noble one, with the intent to encourage certification of sustainable California commercial fisheries and then support the certified fisheries by creation of a marketing assistance program. As is often the case with public policy, CSSI is an example where the intent of the legislation is significantly simpler than the execution of the program. It became clear while researching the California fisheries landscape that the program has significant hurdles to overcome in order to be successful and sustainable. The above recommendations were made with these hurdles in mind, but this analysis would be incomplete without an explicit discussion of what these challenges are.

“ I believe the fisherman & woman are reluctant to pay upfront for a system that has yet to be fully vetted.”- Survey response to question asking what are barriers for the marketing program

The recommendations for program structure and funding rely heavily on the support of California commercial fisheries, a group that over the years has seen many programs, initiatives, and regulations come and go. Some are wary of another program aimed at “interfering” in their business, and this sentiment was seen in some of the survey responses. There was once a marketing

assistance program aimed at promoting all of California seafood, the California Seafood Council. This program was terminated after its members voted to end the mandatory assessments in 2001. A similar fate is not far-fetched for the sustainable seafood program if members do not believe their money is making a significant difference for their bottom line. Because most fisheries already have their own representative organizations and an established market for their product, the first challenge will be to convince certified fisheries why marketing assistance is needed. The next challenge will be to convince them that the assessment on catch will pay off through the organization's actions. These are two large hurdles that will face the organization from the onset.

A second challenge will lie in distinguishing the California label from the other eco-label and sustainable seafood programs. More specifically, the current protocol for certification will give fisheries MSC certification and access to the MSC network of partners and large marketing effort. Since this is the case, there may be questions as whether a fishery would gain from also participating in the California marketing program. For this reason, a strong partnership with MSC should be created at the onset to determine ways to leverage both the “California theme” and MSC into a stronger marketing message. On the other hand, there is the possibility that CSSI may not always be as tightly linked to MSC and therefore the actions of the program will need to stand on their own merit. A respectable model for the California is the ASMI. Alaskan fisheries as a whole are benefited from the ASMI, because of their ability to build an entire market and brand for all products from Alaska. If CSSI can obtain the same brand recognition for California certified fisheries, as a healthy and responsible choice, long-term success will be guaranteed no matter the protocol for certification.



Looking Ahead: Next Steps

To begin the process of establishing the program, the preliminary recommendations should be discussed with stakeholders, specifically CDFA and leaders among the potential candidates for CSSI certification. Incorporating the needs and concerns of the target industry will encourage a collaborative process from the onset, which will help the program fare better down the line.

The recommendations in this report are currently very basic and do not contain the detail needed to launch the program. For example, the recommendations on the program structure do not specify the exact process by which nomination and election of board members will occur. There is also no discussion of whether some of the assessment fee will be paid to CDFA for administration of the program as is done with other California marketing organizations. These are just a couple examples of the level of detail not yet obtained in this report. The above recommendations lay the groundwork; the next step is to develop and write a specific statute that lays out the details of the program. This statute is what commercial fisheries will review and agree to when they decide to participate in the program after certification, if a signatory model is adopted. For examples on the language for a marketing statute refer to the Marketing Orders and Council and Commission Laws of other marketing programs, for example the California Table Grapes Commission Law.

Once the statute is fully written, substantial efforts should be taken to build the program and encourage participation among the seafood community. The interim leadership board was recommended in order to allow for actions to begin before fisheries are certified. The role of this board should be to educate the industry on the benefits of sustainability and certification under the CSSI protocol; as well as get buy-in from the entire supply chain from commercial fisheries, processors, wholesalers, and retailers. The program will only be as successful as the support it receives.

Getting the marketing assistance started will be the greatest challenge, but if established correctly the marketing program will serve both the seafood community and the health of our oceans by furthering our commitment to sustainability.



APPENDIX 1: CDFA MARKETING PROGRAM SUMMARY TABLE

California Marketing Orders & Agreements, Councils, and Commissions: Comparison of Authority, California Department of Food and Agricultural, May 2006

| CALIFORNIA MARKETING ORDERS & AGREEMENTS, COUNCILS, AND COMMISSIONS: COMPARISON OF AUTHORITIES | | | |
|---|---|--|---|
| | MARKETING ORDER or AGREEMENT | COUNCIL | COMMISSION |
| This document is a broad summary only. Please refer to the California Marketing Act or the respective council or commission laws for details. | | | |
| STATUTORY AUTHORITY FOR CREATION | Under general enabling authority provided in the California Marketing Act of 1937 and implemented administratively by the Department of Food and Agriculture. | Through commodity specific legislation. | Through commodity specific legislation. |
| SCOPE OF ACTIVITIES | Promotion, advertising, education, production research, quality standards, inspection and supply control.* * No marketing order currently utilizes supply control authority. | Promotion, advertising, education, marketing research, and research. Subject to CDFA's approval, any council may petition to adopt and administer any activity authorized by the California Marketing Act. | Promotion, advertising, education, marketing research, and production research. Subject to CDFA's approval, any commission may petition to adopt and administer any activity authorized by the California Marketing Act. |
| PROCEDURE TO ESTABLISH | A. Industry prepares preliminary draft of order. B. If deemed appropriate by CDFA, CDFA conducts public hearing. C. CDFA conducts industry vote if hearing testimony demonstrates that proposed marketing order may benefit the industry. D. If industry meets specified voting requirements, CDFA orders the marketing order into effect. | A. Industry drafts proposed statute and seeks approval through legislative process. B. If proposed legislation is enacted, CDFA conducts industry vote. C. If industry meets specified voting requirements, CDFA gives notice of favorable vote and certifies council. | A. Industry drafts proposed statute and seeks approval through legislative process. B. If proposed legislation is enacted, CDFA conducts industry vote. C. If industry meets specified voting requirements, CDFA gives notice of favorable vote and certifies commission. |
| AMENDMENTS | Major amendments must be developed in the same manner as the original order. CDFA may make minor amendments upon recommendation of a Board only for clarification or administrative purposes. | Same procedure as establishing the original council law. However, an industry vote generally is not required. In general, councils have authority to adopt their own rules and regulations and make minor adjustments without returning to the legislature. | Same procedure as establishing the original commission law. However, an industry vote generally is not required. In general, commissions have authority to adopt their own rules and regulations and make minor adjustments without returning to the legislature. |



CALIFORNIA MARKETING ORDERS & AGREEMENTS, COUNCILS, AND COMMISSIONS: COMPARISON OF AUTHORITIES

| | MARKETING ORDER or AGREEMENT | COUNCIL | COMMISSION |
|---|--|--|--|
| PROGRAM AUTHORITY AND ROLE OF THE DEPARTMENT | Marketing order and agreements Boards are advisory to CDFA. All actions of an Advisory Board are subject to CDFA's approval. | Councils are advisory to CDFA. All actions of a Council are subject to CDFA's approval. | In general, commissions are not advisory to CDFA. However, CDFA has authority in most cases to issue cease and desist orders in response to commission actions that CDFA deems to be not in the public interest. For many commissions, CDFA must concur with the annual budget and activities statement. CDFA has a non-voting ex-officio member position on most commissions. |
| MEMBERSHIP AND SELECTION PROCESS | Advisory Board may consist of producers and handlers, depending upon who is affected, and may have one public member. Industry peers recommend individuals through a nomination process, and CDFA appoints members from among those nominated. | Generally the same as marketing orders and agreements. | Commissions may consist of producers and handlers, depending upon who is affected, and may be required to have one public member that is appointed by CDFA (from nominees recommended by the commission). With exception of one commission, industry members are elected directly by industry peers and are not appointed by CDFA. |
| CONTINUATION | A public hearing is required at least once every five years. Some marketing orders and agreements have referenda, rather than hearings, to meet the continuation requirement. | In general, an industry hearing is required at least once every five years. However the Dairy Council requires a public hearing at least once every four years, while the Beef Council has no specified periodic re-approval requirement. | Re-approval requirements and intervals vary from commission to commission. In general, an industry vote or hearing is required at least once every five years. |
| TERMINATION | <p>A. Advisory Board may recommend that a budget and assessment rate not be established, in effect suspending the Board. CDFA may terminate a marketing order after three years if it has received no recommended budget and assessment rate.</p> <p>B. CDFA may conduct a public hearing if it receives a petition supported by at least 25% of producers or handlers that are directly affected and who produce or handle at least 25% of the volume. If questions exist as to the effectiveness of the marketing order, CDFA conducts an industry vote to determine</p> | In general, councils can be terminated only during the continuation process. Note: Termination of the Beef Council shall be submitted to an industry vote if CDFA or the Council determines that the Council is not effective. In addition, producers may petition for a vote of the industry. | Generally as follows: A. By a 2/3 vote, a commission may recommend that CDFA conduct an industry vote for termination. B. CDFA conducts an industry vote for termination if it receives a petition supported by 20% of the affected producers or handlers who account for 20% of the volume. C. CDFA terminates a commission directly if it receives a petition supported by 51% of the affected producers or handlers who account for 51% of the volume. |



| CALIFORNIA MARKETING ORDERS & AGREEMENTS, COUNCILS, AND COMMISSIONS: COMPARISON OF AUTHORITIES | | | |
|---|--|----------------|-------------------|
| | MARKETING ORDER or AGREEMENT | COUNCIL | COMMISSION |
| | whether the marketing order or agreement shall continue. C. CDFA must terminate a marketing order if it receives a petition supported by at least 51% of producers or handlers that are directly affected and who produce or handle at least 51% of the volume. | | |
| NON-COMPLIANCE PENALTIES | Criminal and civil | Similar | Similar |



APPENDIX 2

California Salmon Council Full Program Description

The CSC was formed in 1989, by a referendum voted on by the majority of commercial salmon vessel operators in California. When the program was being formed industry leaders weighed the pros and cons of each possible marketing assistance program structure, and decided on a council. The CSC serves as a marketing board for commercial salmon fishers and also maintains an advisory relationship with the California Fish and Game (DFG). The CSC is composed of nine voting members—including vessel operators, processors, and exporters/wholesalers. The CSC also includes five non-voting members, with representation from each of the following entities: Department of Food and Agriculture, Department of Fish and Game, Sea Grant, Coastal Fisheries Foundation, and the California State World Trade Commission. David Goldenberg, an independent contracted employee with the CSC, manages the council. It is a part-time position that is renewed every year by board approval. The actions of the Council are subject to the approval of both the CDFA and DFG.

Funding for the CSC is generated by a \$0.02 per pound landing tax on salmon harvested in California. Funds raised from this tax support the Council's program and administration (California Department of Food and Agriculture Marketing Branch 2008b); this fee is part of the current landing tax of \$0.05 per pound (Pacific Fishery Management Council 1999). In recent years the Salmon fishery has been severely restricted or even closed; as a result funds have been very limited. Money comes in late in the season and is often used for the next season's actions. Last year \$80,000 in assessments were collected. After overhead costs, included a payment to CDFA, a \$30,000 budget for action will remain for this year's priorities. In a more productive fishing season budgets for action have been significantly higher. When asked the largest barrier to action facing the CSC, David Goldenberg cited financial restrictions. Some outside funding is available, and in the past the CSC has applied for grants to do new research projects.

CSC's primary purpose is to market and promote the consumption of commercial salmon and salmon products (California Department of Food and Agriculture Marketing Branch 2008b). The daily activities of the CSC focus on marketing, research, restoration, conservation, and public education on the California salmon fishery. The CSC maintains collaborations with local, state, and national agencies as well as industry groups to conduct its work. From the CSC Website, the council goals are as follows:

- Promote, advertise and educate to consumers, food service and retail outlets the positive attributes salmon contributes to public health and nutrition.
- Communicate with the media to enhance the image of California King Salmon.
- Enable the California salmon fishery to purchase, where there are willing sellers, the allocation rights to harvest salmon.
- To continuously seek voluntary methods to improve product quality and provide technical information to the industry, media and end-users.

In order to accomplish these goals, the CSC board works directly with David Goldenberg to make a yearly budget with specific action items. The work done by CSC easily falls within the three categories laid out by the CDFA. Examples of actions taken by the CSC were taken by conversations with the Manager David Goldenberg and Board documents from years past. In general, the CSC acts to influence people who can



influence the general public. No negative campaigning is done about other products, but the benefits of wild caught California Salmon are incorporated into all their materials.

When it comes to commodity promotion and marketing, typical activities include:

- Press releases to newspaper, radio and television at the beginning of every season, as well as in the middle to regenerate interest.
- Working with restaurants and grocery chains to promote and incorporate California Salmon products
- Creating literature with recipes for distribution online and at stores
- Provide funding to Port Associations to help finance advertising at the ports for fishers selling directly on the dock
- Public Service Announcements: paid to have them written and then distributed
- Participated in other campaigns that promote California Salmon, for example the CA Grown campaign

Another major component of CSC time and budget is research. While the goals of research products vary, from scientific to marketing, the overarching goal is the same, to fund work that will benefit the entire industry. Some research projects are funded from outside funding. Examples of past research projects include:

- Research on the Marketing Impediments for CA Salmon. Utilized outside firm to run focus groups and surveys and make conclusions and recommendations for action.
- Did a study on Omega 3 fatty acid content of wild caught salmon, in order to promote the health benefits.
- GSI project with NOAA and the National Marine Fisheries Lab that puts money back into the pockets of fisherman because they are paid for their catch

In the final category of action, the maintenance of quality standards, the CSC supports the industry as a whole in any way it can in order to maintain a high quality and desirable product. A small example of this is work CSC has done with harbors and Port Associations. Some fishers sell directly at the dock or port, especially in a short or restricted season. It was reported to CSC that some fishers were selling fish and packaging them in garbage bags. The CSC worked directly with harbors to provide better packaging that included the CSC label and improved the quality of the product overall.

Interview Transcript with David Goldenberg

David Goldenberg, Manager, California Sea Urchin Commission and Salmon Council – Wed Feb 8, 2012, 11:30am

- 1) We understand marketing assistance programs are generally charged with carrying out three types of actions: Commodity promotion, Research, and Maintenance of quality standards. Is this correct, and will you give us examples of activities carried out so far by the urchin and salmon programs under each of these three areas?
 - a. Commodity promotion and Marketing
 - a. *Press releases at the beginning of season, as well as in the middle: release to newspaper, radio and television*
 - b. *Try to influence people who can influence general public*
 - c. *Work with restaurants and grocery chains to promote and incorporate products*
 - d. *Literature with recipes*
 - e. *Trade mission to Japan*



APPENDIX 3

California Sea Urchin Commission Full Program Description

The California Sea Urchin Commission was established in 2003, following the disbandment of the Sea Urchin Advisory Commission that had been active since 1987. The current Commission was established under the Food and Agriculture Code and was originally composed of 11 voting members: five sea urchin handlers, five sea urchin divers, and one public member. In 2009, the processors and handlers voted to leave the commission, and as a result it now only represents the interests of divers. The five remaining members are elected by an industry wide vote and are elected from within geographic regions (for example San Diego County).

Funding for Sea Urchin Commission activities and administration comes from a \$0.01 per pound assessment on urchin. The cost was originally designed to be shared between the divers and handlers, but since the handlers left the commission the divers carry the entire cost. David Goldenberg manages the commission; part-time in addition to his responsibilities with the Salmon Council and another marketing program. The goal of the Commission is to “ensure a sustainable sea urchin resource and a reliable supply of quality seafood product for domestic consumption and export” As is the case with the CSC, the activities of the Sea Urchin Commission fall within the scope defined by the CDFA for these types of programs. According to their website, activities of the Commission include but are not limited to:

- Diver-based urchin assessment program
- Independent scientific research
- Developing and advocating for management alternatives
- Public information and educational programs
- Develop new or expand existing markets
- Establishment of quality improvement standards
- Projects to promote California uni
- Advocate for the urchin fishery

The main difference between the CSC and the Sea Urchin Commission is that the commission actively engages in advocating for and against regulatory and legislative actions that they believe impact the industry. For example, according to David Goldenberg, the Commission got involved with a dispute regarding MLPA in Southern California. The Commission was an intervener in a lawsuit against the US Fish & Wildlife Service by two sea otter environmental groups pushing the Service to declare the experimental colonization of San Nicholas Island a failure. In was in the interest of sea urchin divers to maintain the area as a management zone, and that would be lost of the experiment was deemed a failure. Without management zone fishing would be closed in large swaths when otters moved to other southern California locations. This is an ongoing issue that the Commission is involved it on several levels.

Other examples of the how the Commission engages in regulatory and management decisions include:

- Drafting rules to propose to the California Fish & Game Commission to change the sea urchin license structure to a limited entry with the ability to transfer licenses. The Commission is engaging in port meetings across the state to incorporate feedback from industry.
- The Commission is funding research on migration and larval recruitment disbursements of sea urchins up and down the coast. The California Department of Fish & Game does not monitor this as part of their management duties and the Commission believe it is an important scientific piece



- One of our Board members is volunteering his time on the DFG Strategic Vision process. There will be several initiatives developing from this process that we expect to engage.
- We are also taking an interest in who the Governor appoints to the Fish & Game Commission.
- We are also watching to see if DFG once again proposes to increase landing taxes or if it wants to shift from a per pound tax rate to an advalorem tax system.



APPENDIX 4

California Avocado Commission Full Program Description

The California Avocado Commission has been in effect since 1978. It was formed by state statute as the successor of the Avocado Advisory Board that had been in effect since 1961. The Board of Directors consists of 15 voting members (10 growers appointed by growing districts, 4 processors, and 1 public member, 14 alternatives). Tom Bellamore, along with a staff of 13, runs the Commission and is hired by the Board. The staff is broken up into categories of administration, marketing, research, and industry management. Funding is allocated to the program through mandatory assessment fee paid by the growers based on some percentage of the price received at first point of sale. The assessment rate is determined yearly, and for 2012 it is 1.1%. With this assessment rate the budget for 2012 is set at \$15 million. In the past outside funding has been received as part of other campaigns, or outside grants.

The board meets approximately 6 times a year, the President and the Director of the Board set agendas for each meeting. In the first meeting of the year the Board develops and approves a strategic annual plan. The Board is also broken down into smaller committees and workgroups that focus on my specific categories for action, for example promotion.

The current goals of the California Avocado Commission are to:

- Position California Avocados as a premium product in order to optimize value
- Support industry strategy through research and outreach
- Advocate for, and engage with, the industry
- Cultivate organizational excellence / Demonstrate effective use of resources

More specific actions and goals are determined through the explicit partnership between industry and the Commission. In addition, most specific activities are accomplished through contract work with an Advertising agency, a Public Relations agency, a Food Service team, and an Online marketing team. Commodity promotion and marketing takes up most of the Commission's energy and budget (approximately half of the annual budget). Specific promotion actions include, but aren't limited to:

- Consumer advertising including radio, outdoor, and digital media.
- Merchandising at the retail level (for example, signage and retail partnerships)
- Public Relations: promoting the CA avocado brand through press release and news stories
- Food Service program and outreach

The food service program is especially important to the CA avocado industry as approximately one third of CA avocados go directly into the food service industry. The Commission promotes the use of avocados in menus and recipes with specific retail partners. A successful example of this is their partnership with Subway on promotional activities featuring CA avocados. (Example: <http://nrm.com/article/subway-serve-avocado>)

The Avocado Commission also engages in research activities, both of the market they are trying to impact and the agricultural science sector. Approximately \$1-2 million a year goes to fund agricultural scientific research in topics such as genetics, crop resilience, and plant diseases. Market research includes:

- Annual usage and attitude studies
- Consumer research that look at the segmentation of the market, as well as persona analysis



- Research the overall effectiveness of marketing effort
- Support efforts by Ag Economists at UC Davis that study commodity marketing extensively (<http://agecon.ucdavis.edu/people/faculty/hoy-carman/research-interest-statement/>)

The extensive marketing research efforts have been effective in several ways. One specific example is the consumer research effort in years past that revealed a strong trend towards a more sustainable and local message. As a result, the Commission launched a very successful consumer campaign that focuses on individual farmers and highlights them. (<http://www.avocado.org/>) According to the interview with Tom Bellamore, if the market research still continues to highlight this trend he could see future actions be even more focused on the extent to which the product is from a local source, for example features at Farmers Markets. According to their 2010-2011 Annual Report the consumer advertising efforts are focused in the western states where the majority of avocados are purchased. The media coverage included national print ads, regional radio, in store signage, outdoor billboards and local transit ad on BART. The effort was measured to have over one billion advertising impressions³⁹.

The Avocado Commission also acts as a lobbying organization. One example is when they played an active role in helping growers fight USDA over the import of Mexican avocados. It also has worked with water agencies to reduce pricing to keep farms cost down.

Transcript of Interview with Tom Bellamore

Tom Bellamore – Manager of Avocado Commission

Funding and Structure Questions

- 1) What is your role in the Commission?
 - a. *President of the Commission, hired by the Board*
- 2) Do you have a support staff?
 - a. *Staff of thirteen that work on administrative, marketing, research, and industry management.*
- 3) How was the structure of the Commission decided upon?
 - a. *Formed by state statute in 1978. Created Board of Directors with 15 voting members (10 growers appointed by growing districts, 4 processors, and 1 public member, 14 alternatives)*
- 4) How is funding allocated to the program?
 - a. *Growers pay a mandatory assessment fee based on some percentage of the price received at first point of sale.*
 - b. *The assessment rate is determined yearly. For 2012 it is 1.1%*
- 5) Does any funding come from non-industry sources such as the CDFA or outside grants?
 - a. *Yes, some outside grants are received. Often hire a grant writer to apply.*
- 6) Do the programs maintain yearly budget data?
 - a. *Yes. See website, 2012 has a budget of \$15 million.*
- 7) Does the program annual reports?
 - a. *Yes. See website.*
- 8) How often does the board meet?
 - a. *In 2012 they are meeting 6 times.*

³⁹ California Avocado Commission 2010-2011 Annual Report



- 9) Are agendas set internally or by industry as a whole?
- a. *Agendas are set by Tom and the Director of the Board. In the first meeting of the year the Board develops and approves a strategic annual plan.*

Activities and Actions

- 9) What are the current goals of the program?
- a. *Position California Avocados as a premium product in order to optimize value*
 - b. *Support industry strategy through research and outreach*
 - c. *Advocate for, and engage with, the industry*
 - d. *Cultivate organizational excellence / Demonstrate effective use of resources*
- 1) How were the goals determined? By industry? By the commission?
- a. *Both.*
- 2) Have you brought in outside experts to analyze the needs for industry? For example marketing firm?
- a. *Yes. Contract out work to an Ad agency, a PR agency, a Food Service team, and an Online marketing team.*
- 3) Can you give me examples of specific actions the Council/Commission has take in the areas of:
- a. *Commodity promotion/marketing*
 - i. *Uses approximately more than half of annual budget.*
 - ii. *Consumer advertising including but not limited to radio, outdoor, and digital media.*
 - iii. *Merchandising at the retail level*
 - iv. *Public Relations*
 - v. *Food Service program and outreach*
 1. *Approximately one third of CA avocados go directly into the food service industry.*
 2. *Promote use of avocados in menus and recipes.*
 3. *Work with chains, for example Subway, on promotional activities featuring CA avocados*
 - b. *Research*
 - i. *Market Research*
 1. *Annual usage and attitude studies*
 2. *Consumer research that look at the segmentation of the market, as well as personal analysis*
 3. *Research the overall effectiveness of effort, hard to make direct correlation*
 4. *Ag Economists at UC Davis study commodity marketing extensively*
 - a. *Hoy Carmen*
 5. *Consumer research has a year to year impact, and adjustments are made as a result. For example, the local movement became a clear trend recently so we changed our campaign to incorporate the grower and associate a person with the fruit. Another example is incorporating nutrition oriented PR and working with health professionals*
 - ii. *Scientific Research*
 1. *\$1-2 million a year goes to agricultural scientific research on*



- c. Maintenance of quality standards
 - i. Act as a lobbying organization. For example get involved in Ag water issues, pricing, etc.
 - 1. Strengths to lobbying: gives the community one legislative voice, and a group of growers would not have the same power
 - 2. Downsides: growers sometimes have expectations for miracles on issues management if you were able to be successful in the past, so managing expectations is important
 - ii. Play an active role in helping growers for example fought USDA over import of Mexican avocados and it worked with water agencies to reduce pricing to keep farms going
- 4) How were these actions carried out? Through contract work or by the Council/Commission itself?
 - a. Through Commission staff and outside contracts with an Ad agency, a PR agency, a Food Service Team, and an online marketing team.
- 5) What are some barriers to action you face?
 - a. Trade barriers
 - b. Degradation in water quality
 - c. Labor availability
- 6) How have the actions by the program been effective? How do you measure success?
 - a. Market research
- 7) Moving forward what actions would you continue in the future?
 - a. More towards the local movement, possibly farmers market, and if the growers demand it than organic.
- 8) Do you have any research or data on the effectiveness of any of the programs actions?
- 9) Knowing that OPC is charged, in consultation with CDFA, with developing (and potentially funding) a marketing assistance program for fisheries certified as sustainable under the new CA logo. What advice or recommendations can you provide as far developing this program? What aspects should we explore, and who should we talk to as we get started?
 - a. Kathleen Nave- Table Grapes Commission
 - b. Focus on the sustainability of the product, because that is the thing that will separate from the rest
 - c. Will take time to build momentum



APPENDIX 5

California Table Grapes Full Program Description

The California Table Grapes Commission was founded in 1967. Like all the marketing programs described above the legislation grants a leadership board authority. It is a government corporation, and therefore can sue and be sued. The Board consists of grape growers from distinct growing regions, who are nominated through a process with the CDFA. A unique characteristic of the Table Grapes Commission that was written in to the original legislation is they have the ability to appoint separate committees: for example a shipper advisor committee. This has proven to be very helpful to broaden participation while limiting who sits on the board directly. The structure of a Commission, as apposed to a Board or Council, provides industry with broadest position and authority. The Commission can lobby and has done so in the past on issues such as tariffs and pest management

The California Table Grapes Commission is funded through an assessment on per pound of grapes shipped; but shippers can pass on this cost. The 2012 budget is \$15 million. The boards meet three times a year and the meetings are held around the state. There are smaller committees within the board, and all meetings are public. The commission promotes a very transparent process and all information is available to the grower on website. In addition, a newsletter is sent every two weeks to keep industry updated and in the loop about decisions. They also have meetings on grower research and marketing within the districts once a year.

The main goals of the program are to create or increase demand for California table grapes. The commission currently has a small staff headed up by Kathleen Nave, and employs the services of an ad agency, marketing agency, and research staff. When it comes to commodity marketing, the heart of the work is promoting California grapes to retailers as well a large consumer public relations campaign. The commission also supports research on management and marketing of grapes in California. When it comes to federal and state issues management, the commission has lobbyists to work with government on market access issues.

The commission engages in several different actions as a way of measuring the effectiveness in their action on accomplishing their goals: retail promotions are measured by volume moved, publicity is measured by media coverage volume and value, exports are measured by volume and value, ad campaigns are measured through consumer research, etc. They have also conducted econometric studies to measure total impact as well. In addition because the commission needs to be renewed every year through a vote by industry, a process known as the continuation referendum, they consider themselves on the right path.

Interview Transcript with Kathleen Nave

Kathleen Nave – Manager of California Table Grape Commission

Funding and Structure Questions

10) How was the structure of the Commission created?

- a. *Founded in 1967, patterned after another commission. The legislation grants board authority. It is a government corporation, can sue and be sued*
- b. *Board of grape growers from distinct growing regions, nominating process through CDFA*
- c. *Have the ability to appoint separate committees: for example a shipper advisor committee. Helpful to broaden participation*



- 11) Do you a benefit to being structured as a Commission instead of the other structures?
 - a. *Provides industry with broadest position and authority. Can lobby and has done so in the past on issues such as tariffs and pest management*
- 12) How is funding allocated to the programs?
 - a. *Assessment on per pound of grapes ships (Shippers can pass on the cost)*
- 13) Does any funding come from non-industry sources such as the CDFA or outside grants?
 - a. *Yes, some outside founding from Government for international promotion*
- 14) Do the programs maintain yearly budget data?
 - a. *\$15 million for 2012*
- 15) What does the day-to-day activity of the Council/Commission consist of?
- 16) How often does the board meet? Are agendas set internally or by industry as a whole?
 - a. *The boards business is the boards business meet 3x a year and move the meetings around the state. There are smaller committees within the board, and all meetings are public*
 - b. *Transparent process and all information is available to the grower on website*
 - c. *Newsletter every two weeks*
 - d. *Have meetings on grower research and marketing within the districts*

Activities and Actions

- 10) What are the current goals of the program?
 - a. *Create or increase demand*
- 11) How were the goals determined? By industry? By the council?
 - a. *The boards business is the boards business meet 3x a year and move the meetings around the state. There are smaller committees within the board, and all meetings are public*
- 12) Have you brought in outside experts to analyze the needs for industry? For example marketing firm?
 - a. *Ad agency*
 - b. *Marketing staff*
 - c. *Research staff*
- 13) Can you give me examples of specific actions the Council/Commission has take in the areas of:
 - a. Commodity promotion/marketing
 - i. *Heart of work is promotion*
 - ii. *Consumer public relations*
 - b. Research
 - i. *Category management research*
 - c. Maintenance of quality standards/ issue management
 - i. *Federal and state issue management: have hired lobbyists to work with government on market access issues*
- 14) How does the Table Grape Commission measure the effectiveness of program actions?
 - a. *That's a more complicated question than it seems. In short, we measure programs elements in various ways: retail promotions are measured by volume moved, publicity is measured by media coverage volume and value, exports are measured by volume and value, ad campaigns are measured through consumer research, etc. We have conducted econometric studies to measure*



- total impact as well. The continuation referendum held every five years is another way to measure.*
- 15) Do you publish market reports and research that highlights the impacts of the program? If so, would you be willing to share some recent reports?
- a. *The first econometric study that was done (Alston et al, 1996) was published by the Giannini Foundation. We give periodic reports to the industry but nothing on a regular basis and nothing that I could send.*
- 16) Moving forward what actions would you like to pursue that you haven't already?
- a. *Our programs change as the industry needs change.*



APPENDIX 6

Interview Transcript with Tyson Flick

- 1) Beyond the general goals of ASMI, how are agendas and actions determined? What role does the Board of Directors play in establishing the specific marketing actions?
 - a. *Our board and committees play a very active role in defining priorities and marketing direction. They are also engaged in reacting to market situations and events that come about during the course of the year between board meetings. We also have annual meetings with the board and a customer advisory panel that helps ASMI be more responsive to customer needs.*
- 2) How is the Alaska seafood industry engaged when making decisions on marketing activities?
 - a. *ASMI has species and operations committees that are very engaged in identifying issues and directing marketing activities. These committees are made up of people from all aspects of the Alaska seafood industry including fishermen and processors.*
- 3) What does the day-to-day activity of the Communications staff consist of?
 - a. *PR activities, corporate communications, government relations, special events and project coordination.*
- 4) Can you give me specific examples of:
 - a. *A successful retailer relationship: we have worked with every major retailer in the US over the past few years on some terrific campaigns. Schnuck's took the Alaska Fish Taco toolkit and used the various assets to create their own "Alaska Fish Taco" section on their website. They will be featuring the following Alaska species/products during May: Cod, halibut, crab, salmon and surimi. Schnuck's is headquartered in SaintLouis, MO and has 117 stores.*
 - b. *An ongoing consumer campaign: our COOK IT FROZEN! Campaign has been great for increasing awareness of the quality and convenience of frozen seafood. www.cookitfrozen.com We have been working on a fish taco campaign that is popular, check out www.alaskafishtaco.com for more info. We have also seen success introducing fishermen to consumers via www.wildalaskaflavor.com*
 - c. *An ongoing public relations campaign: ASMI has been working with food bloggers the past few years and there is a natural fresh season pr push that happens every summer.*
- 5) What are some challenges or barriers to action that you have faced when trying to accomplish ASMI's goals? *Many of ASMI's challenges are from things we have no control over such as currency rates, economic stability, elasticity of wild fish supply, and increasing farmed fish production.*
- 6) How have the actions by the program been effective? How do you measure success? *Absolutely, the efforts of ASMI have been successful. We have a number of measures to gauge success such as ex-vessel price, fishery permit prices and per pound price of exports.*
- 7) Do you have any research or data on the effectiveness of any of the programs actions? *We do annual market surveys and purchase information regularly. All of our research shows a general consumer preference for wild Alaska seafood.*
- 8) Moving forward what actions would you like continue in the future, or are there any actions that are becoming less effective (for example print communication versus social media)? *We are certainly investing more in social media and mobile platforms such as our iphone app but there is still value in traditional media outlets so we are not forgoing those either.*



APPENDIX 7

GMRI Full Program Description

With the goal of strengthening the economic and ecologic sustainability of the Gulf of Maine seafood industry, the Gulf of Maine Research Institute (GMRI) developed the Sustainable Seafood Initiative. The GMRI is a non-advocacy, research based non-profit. The Sustainable Seafood Initiative recognizes the complexity of fisheries issues in the Gulf of and aims to apply an objective science based approach when scrutinizing and developing innovative sustainable strategies that encompass an ecosystem-based approach for the region. Jen Levine, who was interviewed for this report, manages the program.

A description of the actions of the Initiative was taken from their website:

"The Sustainable Seafood Initiative works with a diverse group of stakeholders, including harvesters, processors, retailers, and conservation organizations, to meet the unique challenges and opportunities of the Gulf of Maine fisheries and coastal communities. By working with all parts of the supply chain, the Initiative seeks to create a system that rewards fisheries, farms, and seafood companies that are committed to reducing their ecological impacts. Through efforts such as the Gulf of Maine Responsibly Harvested program the Sustainable Seafood Initiative seeks to reward current sustainable practices as well as those efforts engaged in continuous improvement."

Within GMRI, the Sustainable Seafood Initiative falls within the Community Outreach Branch of the Institutes activities. Other branches include education and regional scientific research. The SSI was originally spearheaded by a cluster-developed initiative of fisherman, the seafood industry and GMRI. The initial funding was on behalf of the Gulf of Maine fishing industry through an outside grant they secured. In addition, use of the eco-label requires loyalty payment.

There are currently three over reaching goals for the SSI:

- Empowering Gulf of Maine customers through the use of a the "Responsibly Harvested" Eco-Label
- Engaging the entire supply chain in addressing sustainability issues, using full supply chain evaluation to reduce health and environmental impacts. Fishery Improvement Projects
- Enable continuous improvement in the regions seafood industry. This includes training programs that reduce environmental impact while increasing profits. Another example is a program to promote underutilized species, by increasing diversity and creating a market within the region. This requires engaging with retailers and restaurants.

To be certified and given the use of the eco-label a fishery must:

- Undergo audits on sustainability and traceability
- Required to make annual commitments to improvement of sustainability
- Undergo a Life cycle analysis

The main role of GMRI is to get people in one room and provide facilitation for making changes in the region and industry while maintaining the integrity of the label. Maintaining strong traceability controls and efforts is a huge part of that. As a result, retailers and licensees are responsible for their own marketing strategy. But the SSI does work with their partners to make relationships; one example is the Culinary Partners Program. Since this is a fairly new program, Jen described a large learning curve around messaging and making sure that the use of the brand stays within the guidelines provided by GMRI. In addition, she has experienced a



huge turnover rate and variability at the retail level, which provided a challenge for maintaining quality control over the brand.

The GMRI branding program was launched in March of 2011, so it is a very new effort. The main components are: that the licensee makes own decision on how to use the label, GMRI doesn't do any specific marketing or promotion of the label, licensee pays a royalty based on the value of the product (.5% of dollar value at retail), and there is a required additional advance based on annual sales of program product. There is also the ability to sub-license to retailer or restaurants. Right now they only audit and charge royalty on product that goes to sub-licenser, not on exports or direct sales. Within their first year the SSI has 7 licensed dealers, and 4 Sub-licensee (all supermarkets).

Main goal is to reach the consumer through the label, and maintain the integrity of the program. Marketing was never a goal. GMRI helps foster and maintain relationships, presents on the program to supermarket staff, and work on developing cooperative strategies.

Interview Transcript with Jen Levine

Jen Levine- Program Manger GMRI Sustainable Seafood

Funding and Structure Questions

- 1) What is your role in the GMRI Sustainable Seafood program?
 - a. Jen serves as the Project Manager for the entire Sustainable Seafood Initiative (SSI). Within GMRI, the Sustainable Seafood Initiative falls within the Community Outreach Branch of the Institutes activities. Other branches include education and regional scientific research.
- 2) How was the structure of the program created? Was it dictated by GMRI or industry?
 - a. The SSI was originally spearheaded by a cluster developed initiative of fisherman, the seafood industry and GMRI.
- 3) How is funding allocated to the programs?
 - a. The initial funding for the program was on behalf of the industry through a grant.
- 4) Is there any industry funding?
 - a. Use of the label requires royalty payments.
- 5) Are the programs 501(c)(3) Non-Profits?
 - a. Non-profit, non advocacy

Activities and Actions

- 1) What are the current goals of the program?
 - a. There are three over reaching goals
 - i. Empowering Gulf of Maine customers through the use of a the "Responsibly Harvested" Eco-Label
 - ii. Engaging the entire supply chain in addressing sustainability issues, using full supply chain evaluation to reduce health and environmental impacts. Fishery Improvement Projects



- iii. Enable continuous improvement in the regions seafood industry. This includes training programs that reduce environmental impact while increasing profits. Another example is a program to promote underutilized species, by increasing diversity and creating a market within the region. This requires engaging with retailers and restaurants.
- 2) How were the goals determined? By industry? By GMRI?
 - a. The main goal of GMRI is to get people in one room and provide facilitation for making changes
- 3) Have you brought in outside experts to analyze the needs for industry? For example marketing firm?
 - a. Not at this time. The SSI's main goal is to maintain the integrity of the label. Retailers and licensees are responsible for their own marketing strategy.
- 4) Can you give me examples of specific actions the program has take in the areas of:
 - a. Commodity promotion/marketing
 - i. Culinary Partners Program
 - b. Research
 - c. Maintenance of quality standards
 - i. Traceability efforts
- 5) What are some barriers to action you face?
 - a. Learning curve around messaging and making sure that the use of the brand stays within the guidelines
 - b. Huge turnover and variability at the retail level
- 6) Do you have any research or data on the effectiveness of any of the programs actions?
 - a. Only in effect 10 months, only anecdotal evidence

Branding Program- Launched in Mar 2011

- Require audits on sustainability and traceability
- Required to make annual commitments to improvement of sustainability
- Life cycle analysis
- The Eco-Label
 - o The licensee makes own decision on how to use the label
 - o GMRI doesn't do any specific marketing or promotion of the label
 - o Licensee pays a royalty based on the value of the product (.5% of dollar value at retail level)
 - o Requires an additional advance based on annual sales of program product
 - o Sub-license to retailer or restaurants
 - o Only audit and charge royalty on product that goes to sub-licenser, not on exports or direct sales
 - o 7 licensed dealers
 - o 4 sub-licensees, all supermarkets

Main goal is to reach the consumer through the label, and maintain the integrity of the program. Marketing was never a goal. GMRI helps foster and maintain relationships, presents on the program to supermarket staff, and works on developing cooperative strategies.



APPENDIX 8: CASE STUDY OF THE CALIFORNIA SUSTAINABLE WINEGROWING ALLIANCE (CSWA)

PROGRAM SUMMARY

The CSWA is a nonprofit organization created by the Wine Institute and the California Association of Winegrape Growers to promote the benefits of sustainable winegrowing practices, and enlist industry commitment and assist in implementation of the Sustainable Winegrowing Program. Overall the goal is to work with industry to get everyone to work towards a similar level of sustainability. The program allows for wineries and vineyards to communicate their commitment to sustainability through:

- Certificate for proof of sustainability certification
- CCSW Certification logo on company websites, promotional materials, and secondary packaging
- Claim statement E.g. "Acme Winery is Certified California Sustainable Winegrowing"
- List of certified wineries and vineyards on CSWA website and to share with media, trade and consumers
- Up-to-date certification information and guidelines on CSWA website to ensure transparency

The main goal of the program is to focus is on constantly improving winery and vineyard practices, and there is an ongoing collaboration with industry to elicit input on best practices and improvement. The promotion of the products that are certified is mainly achieved by the individual wineries, but CSWA does do some work promoting the program generally. CSWA does outreach with retailers and restaurants (Wal-Mart, Sam's Club, Costco) to encourage the sale of CSWA certified wine. There is a general focus on a message of overall sustainability, with one example being publishing a book [Down to Earth](#) that highlights sustainable winegrowers in California. See for an interview transcript with

APPLICABLE LESSONS TO CSSI

The focus of the program is to be constantly improving best practices, and to get the industry as a whole to work towards a similar level of sustainability.

Broad promotion of the program and participants can be achieved through unconventional promotion efforts, for example publishing a book highlighting the industry.



APPENDIX 9: SURVEY INSTRUMENT

California Voluntary Sustainable Seafood Program Questionnaire Re: Marketing Assistance Program

The California Ocean Protection Council (OPC) is charged with developing a California voluntary sustainable seafood program,⁴⁰ which includes developing a protocol on how to be independently certified to internationally-accepted standards, coming up with an accompanying logo or label, implementing a marketing assistance program in consultation with the California Department of Food and Agriculture, and awarding grants and loans (when funds are available) to assist with certification and marketing. In December 2011, a protocol for the California program was adopted by the OPC (<http://www.opc.ca.gov/2010/03/california-sustainable-seafood-initiative/>).

We are starting to develop the marketing assistance program for fisheries certified as sustainable under a new CA logo ("California logo marketing assistance program"), and are seeking input. This document serves to gather from you any advice or recommendations that you may have for developing this program.

Your answers will only be reported as part of aggregate statistics or anonymous quotes that cannot be tracked to you or your organization. The results from the survey will be distilled into a report that will make recommendations for the marketing program. Thank you for your time and input into this questionnaire.

Please complete this survey by Friday April 6th.

Questions? Please contact Moira McEnespy (mmcenespy@scc.ca.gov) or Caitrin Phillips (caitrin.phillips@gmail.com).

Background Information⁴¹

What is a Marketing Assistance Program?

Marketing Assistance Programs provide agricultural producers and handlers an organizational structure, operating under government sanction, which allows them to solve production and marketing problems collectively that they could not address individually. These programs are industry initiated and usually do not go into effect without approval by an industry vote. Since all industry members stand to gain from a marketing program's activities, all affected producers and/or handlers of each commodity are required to abide by the marketing program's statutory provisions and share the cost of funding the program's activities. Currently there are over 50 marketing programs in California at this time, but only two are associated with a seafood product: the Salmon Council and the Sea Urchin Commission.

Taking the above background information, as well as your personal expertise and knowledge, please answer the following questions to the best of your ability.

Suggestions for desired actions and priorities for the Marketing Assistance Program

Generally, marketing assistance programs focus on promotion, advertising, education, and research.

⁴⁰Per Assembly Bill 1217 (Monning, 2009).

⁴¹ CDFA Website: for more information go to <http://www.cdfa.ca.gov/mkt/mkt/>



Question 1: At its inception, what should be the priorities of the California logo marketing assistance program (choose two):

- Regional promotion of certified products (eg. Los Angeles and Bay Area)
- Creation of partnerships at the retail level to carry and promote CSSI certified products
- Traditional marketing using press release, radio, TV, billboards, and/or social media
- Researching the market barriers and needs for products under the California logo

Question 2: What other activities should the California logo marketing assistance program prioritize?

Question 3: Overall, what should the long-term marketing goal of the program be?

- To promote the individual fisheries who are using sustainable practices.
- To promote the retailers who are selling certified seafood.
- To identify California as a sustainable source of seafood.
- Other:

Suggestions for Marketing Assistance Program structure

Question 4: The program will serve as a supportive body for the California sustainable seafood industry. In your opinion how should *industry* be defined in the case of the California logo marketing assistance program?

- Commercial fisheries that qualify for certification
- Commercial fisheries that qualify for certification and the processors/wholesalers that purchase the certified fish products
- The entire supply chain that interacts with certified sustainable products, from fisheries to retailers

Question 5: Marketing programs are managed by a group of appointed voting members that sit on the board for a specific term. In your opinion, the board should be composed of what type of members, choose all that apply:

- Certified Commercial fishery operators or their representatives
- Fishery receivers and processors or their representatives
- Fishery exporters or wholesalers
- Retail partners
- At least one public member
- Other:

Suggestions for funding of the Marketing Assistance Program

At this time there are two plausible funding options to support the California logo marketing assistance program. Both of the following options should be considered as the long-term options for the program. These options could be supplemented by outside funding, and in the short term other funding sources may be needed to get the program started (e.g., potential funding from the OPC).

- *Royalty and Annual Fee on the California Label:* In this case, the marketing program would be funded through a royalty on the use of the California label. In addition a small annual fee would be charged for anyone benefiting from the program.



An example of this model is the Marine Stewardship Council⁴². Income for the MSC is only generated through licensing when retailers, restaurants and seafood processors choose to use the MSC label on their products. In addition there is annual fee on most supply chain, retail and foodservice companies

- *Assessment on the catch of certified fisheries:* In this case, the marketing program would be funded through an assessment on the catch of certified fisheries, either through a percentage of the product value or a charge per pound. An example is the California Salmon Council. Funding for the CSC is generated by a \$0.02 per pound landing tax on salmon harvested in California.

Question 6: In your opinion, which one of these funding models is better suited for the California logo marketing assistance program:

- Royalty on label, with an annual fee for use of eco-label.
- Assessment on catch from sustainable fisheries.
- A combination of the two.
- Other?

Question 7: Why do you think that is the best funding model?

Question 8: Do you foresee any issues with either of these funding structures?

Question 9: Do you see any barriers to entry for industry members into the California program? If so, do you have input on how these barriers could be overcome?

Question 10: Do you have any other suggestions, or thoughts regarding the California logo marketing assistance program?

Name:

Title:

Organization:

Industry Type:

- Fisherman
- Processor
- Wholesaler
- Government agency
- Non-profit
- Other

⁴² <http://www.msc.org/get-certified/use-the-msc-ecolabel/costs>