**VIA FAX**

 **907-465-5572**

 **8 pages**

 **MEMORANDUM**

**TO: Mary Gore, ASMI**

**FROM: Chris Mitchell, AFDF**

**DATE: July 21, 1994**

**RE: Salmon Nugget Program & your memo of 7/18/94**

It was clear from your memo that we have not had adequate communication as to the depth of AFDF's involvement in the salmon nugget promotion, and the extent of our progress to date. Let me refer to the original proposal to clarify some of the confusion.

The project has two distinct goals. First, to convince USDA to act as a catalyst for the expansion of the market for Alaska salmon nuggets, by convincing them that they would be well received by America's school children. Ultimately, USDA would then purchase and distribute a quantity of salmon nuggets through their surplus buy program. Second, to demonstrate to seafood reprocessors across the country that school lunches represent a major market opportunity for Alaska salmon.

The steps outlined in our proposal to the Salmon Marketing Committee have been completed systematically and efficiently. We have still to offer salmon nuggets on the full menu in San Bernardino; that will occur August 9th. From our work with Tacoma, Federal Way and Bellevue, the conclusion is clearly "if students will try the nuggets, they will like them". Hence comes the need to offer them again in the three Washington school districts. Those districts also expressed to us a need to repeat the full menu offerings again before they felt fully confident in this product form. Since the districts are willing to pay close to full price for the nuggets, we felt we could accommodate them and continue to provide some promotional materials to the students providing them incentive to try the product.

I must say that we have met with consistent enthusiasm from the students and the school districts themselves. The nutritional people are excited by the potential for a new, alternative source of fish for their students. I think if we remain diligent in this effort, the potential for this product form in this market is great.

I do not believe that any of this work goes beyond the original scope of the project. AFDF's proposal did not include a timeline; only the guarantee that the work would be done as quickly and efficiently as possible. The June 30th date that you refer to in your fax, Mary, is of course, the end of the fiscal year.

In reference to our involvement with the USDA bid process, as you know, AFDF had been pursuing this for months before our proposal to ASMI was funded. Our relationships with all of those involved in the process have been ongoing almost weekly for months now, ensuring that USDA would have the product acceptance information they need to go ahead with a test buy. Our request to ASMI for additional funds was to: 1) manage the development and review of a federal product specification, 2) develop adequate justification for USDA to determine that pink salmon needed market assistance and 3) encourage the federal process to act as quickly as possible to issue the bid in 1994.

Funding or no funding, AFDF remains committed to this effort. We have worked closely with industry, NMFS and USDA to develop a draft specification which is now under review. Information has been passed on and discussions held with our congressional delegation, PSPA, NMFS, and more than 35 seafood companies in the US.

The ball is rolling. The spec (PPD) is out for federal and industry review; NMFS has prepared a recommendation, and USDA (AMS and FNS) are doing their part. Any assistance from ASMI's legal counsel would be appreciated, however, AFDF does not plan to stop its diligent involvement in this effort. Given our level of communication with the federal players, doing so would only set the industry back and confuse the regulators.

Your memo said that you would be drafting a nugget status report to the industry. I have enclosed our most recent status report to give you some context for yours. I'd appreciate a copy, as we discussed on the phone.

Thanks for the extension of the use of the original grant funds. I will work hard to ensure that we are communicating with you more effectively as we continue to plug on.

Enc.

CC: D. Wilder

 D. O'Hara

 A. Scheunemann