



BBRSDA Board Meeting Minutes
November 22–23, 2014 – 8:30 a.m.
Mayflower Hotel – Seattle, WA

November 22, 2014

1. Call to Order/Establishment of Quorum

President Heyano called the meeting to order at 8:34 a.m. A quorum was confirmed; present were board members Heyano, LaRussa, Johnson, Christensen, Luck, Marinkovich, and Carscallen; contractors executive director Aspelund, marketing director Herendeen, sustainability outreach coordinator Ben Blakely (arrived at 10 a.m.) and Andy Wink, McDowell Group; and members Wallace Fields, Buck Gibbons, Mark Buckley, Peter Most, Lange Solberg, and Carley Higgins.

2. Approval of Agenda

Johnson moved and LaRussa seconded to approve the agenda as amended to add a discussion about a change in financial policies and review of the conflict of interest disclosure form.

MOTION CARRIED UNANIMOUSLY.

3. Approval of Previous Minutes – October 20–21, 2014

Christensen moved and Luck seconded to approve the minutes with a minor technical correction. **MOTION CARRIED UNANIMOUSLY.**

4. Member Comments

Wallace Fields – thanked board and appreciate the quality of reports. Hearing concerns from industry about sockeye, particularly in facing the huge run coming into the Bay in 2015. Would like to encourage BBRSDA to work with industry to address. He was in the office of one of the major processors yesterday and noted his concern. He asked how we could help and was told that the kind of work that Bruce Schactler has done with USDA and food aid programs with pink salmon has had a huge impact. Is there someone that can do the same thing for sockeye, working with Sullivan and Murkowski? It's important to think about this.

Mark Buckley – requested that the board take a hard look at the quality program. A committee of volunteers provided the quality presentation at the last meeting, whereas paid professionals provided the others. He requested that we be more transparent with our financial information. He also requested that we consider hiring a Quality Director and would like to offer his services in recruitment; he will not be an applicant for the position, however.

5. Executive Director Report

Met w/ADF&G's Regnart during Expo to discuss N. Peninsula 1 ½-mile line enforcement; putting together a teleconference with Lt. Hall, Trooper Quist, and Regnart the second week of December to discuss.

LaRussa moved and Marinkovich seconded to approve the E.D. report. **MOTION CARRIED UNANIMOUSLY.**

6. Committee Reports

A. Marketing – Luck

Last Tuesday, the Marketing Committee (consisting of Marketing committee chair Luck and members Christensen and Marinkovich), as well as Herendeen, Aspelund, Coughlin, and Buck Gibbons took part in a strategic marketing planning session facilitated by Kate Consenstein, an expert in Alaska's salmon markets. She helped the committee create a template for moving forward with a marketing strategy. Everyone is aware of what it means in terms of increasing production in the Bay and that it likely requires a change in marketing strategies of recent years. It gave the committee some direction, though changes resulting from a revised work plan don't happen overnight. Development of a budget and a work plan need to be dynamic, so budget placeholders take on a whole new meaning. Herendeen seconded what Luck said about the strategic planning session; we are at an interesting crossroads. She'll work with Consenstein over the next month to distill the information received and develop the final plan. Luck believes that every committee should utilize a similar process to help guide and prioritize their work in order to be more effective. Luck invited Gibbons to participate in the planning session and will consider appointment of Gibbons to the Marketing Committee.

LaRussa moved and Johnson seconded to approve the Marketing Committee report. **MOTION CARRIED UNANIMOUSLY.**

B. Quality – Johnson

Johnson reported that during the official meeting last Thursday, all Quality Committee (Johnson, Christensen, Marinkovich, and Harsila) members were in attendance, as well as Aspelund, Gibbons, Buckley, and several other members. Looking back to a year ago, the issue of having a Quality Coordinator was punted. Support for strategic planning for quality was expressed, as well as some projects that can be accomplished during the next year. One of those is a quality tax credit program with Bristol Bay Borough that would be a credit against the borough raw fish tax for folks investing in chilling. Another suggestion is a punchy advertising campaign to the fleet about quality similar to the personal flotation devices effort (at about \$30,000). The committee would also like to reopen the discussion about the quality budget allocation approved by the board. Luck commented that strategic planning would be really helpful to the quality program; he also suggested that it's very necessary to collaborate with processors and communicating that the work we're doing is also beneficial to them, so they need to be more active partners with both project planning and funding. Christensen raised the

issue of supporting a General District in order to take a 10% chunk of the run early. Luck and Heyano responded that it isn't within the BBRSDA's purview to engage in allocative matters.

Carscallen moved and Marinkovich seconded to accept the Quality Committee report.

MOTION CARRIED UNANIMOUSLY.

C. Finance – LaRussa

The organization is on the cusp of approving the FY 15 budget. In FY 15, Admin and Org will be combined into a single category. LaRussa reviewed the 10-page financial reports provided by Carney Consulting.

Johnson moved and Carscallen seconded to approve the financial reports as presented.

MOTION CARRIED UNANIMOUSLY.

D. Buyback – Luck

Everyone is aware of the Buyback Panel during Expo. It was the culmination of the last 18 months of work. It was a well-attended and productive discussion. The Buyback Committee will meet to develop a recommendation for next steps to present to the board at the January meeting, including appointment of an additional committee member. Luck recommended that when BBRSDA sends out the next survey of membership, if we can't get at least a 50% response rate, we shouldn't move forward on the socio-economic study. It was suggested that perhaps use of a phone poll would result in greater response. Andy Wink advised that a phone poll service is something that McDowell Group does and could get us a proposal to do such work.

7. McDowell Report Presentation

Andy Wink, of the McDowell Group, presented an overview of the *Fall 2014 Sockeye Market Analysis*. Supply drives price, in most cases. 2013 saw high demand, but 2014 demand is lower because of the higher volume of product. (Luck reported that some major producers have stated that there's no additional money for 2014.) When the price gets overheated, you start losing customers and shelf space; the situation isn't likely as dire now as it was in 1998, but it's still very important to keep the pressure on in terms of marketing. The 2014 Fraser River harvest calculation is 60 million lbs; Russian harvest was 85 million lbs; and Bristol Bay harvest was 160 million lbs. The "salmon is #2 in seafood sales" statistic currently in the headlines is likely from 2013; it's a calculation method that may be skewed. It is important to remember that we need to consider price and volume, not just price. Global supply of salmon has gone up 35% in 2013, for a total harvest of sockeye of over 400 million lbs. If our catch matches production for 2015, it is likely that there will be a global harvest of over 450 million lb. Likely "equilibrium price" in the Bay, if the forecast is harvested at six-lb average, to maintain the value, the price would be \$.95/lb.

Competing production (by volume):

- Chinook up 34% since 2012;
- coho up 69% since 2012;

- wild Chinook and coho production equals 16% of sockeye supply; and
- Atlantic production projected up 9% in 2014, but flat in 2015.

Wink walked through the information contained in the report. Last season about 40% of the pack was small fish, compared to a more typical percentage of 20%. Processors got \$1 less per pound for the small fish; that equates to about \$.07/lb ex-vessel value. Canned represents the largest percent by product form. This fishery is very diverse in product forms and markets. The U.S. is 40–45% of the market, but that’s hard to track because of global reprocessing. Canada is a major market for canned salmon at the current price point. The Russian embargo affects the roe market, resulting in a 1–2% hit to processors. McDowell received conflicting reports on how much 2/4 inventory there still is; Japan bought a lot of it initially. Everyone still has 4/6 inventory. The impact of small fish really brings down the first wholesale price. Some retailers reported big sales of fresh supply; if we still have frozen 4/6s by next season, McDowell recommends slacking out frozen Bristol Bay sockeye to sell during fresh season. Hopefully, lower prices will motivate processors to produce more smoked product; it’s a high-value product (though there’s more cost, as well).

Canned production was up a lot in 2014: tall production was up three times the previous year and halves were up 30%. (Processors can move more production into cans than they can H & G, and fish for canning can be held for five days, as compared to frozen production holding no more than three days.) ASMI still has funding for canned pink salmon surplus and mentioned re-allocating that to canned sockeye; we should pay attention to that. Canned tuna has a lot more “lunch-to-go” options available than salmon does. Market focus for canned salmon has successfully targeted to fitness types. Canned salmon prices are moving lower. Pay attention to the table in the report about UK canned salmon imports (on page 17); sockeye salmon are not moving nearly as well as canned pink and other canned salmon. MSC certification doesn’t appear to be an issue in the UK; that’s primarily the case in Germany, though there hasn’t been a massive price reduction. Some processors haven’t yet seen the need to drop the price in order to move product. The loss of shelf space is a bigger issue than decreased prices.

Fillet value mirrors that of H & G pretty closely. Frozen vac-pac sides are a great product because it doesn’t have the shrink that case sales do, so is a better value. Green roe production was up this year, but the Russian embargo has greatly affected sales. The one positive for the roe market is that the Japanese chum roe harvest came in at 10% less than forecast.

Competition is an issue. When the price of sockeye went up in 2013, the U.S. increased imports of Canadian and Russian sockeye. Not all of the sales were price-related; some was volume related. Fixed weight vs. round weight is important; consumers will pay about a \$1/lb difference between fixed and round weight (though there is about a \$1/lb difference in cost to provide a vac-pac side vs. a vac-pac portion).

It's good when the buyer has a strong currency or we have a weak exchange rate. Right now, Japan has a weak yen so that isn't a good position for the U.S. "Craft" farmed salmon are focusing on sustainability and environmentally friendly advertising, but they really aren't because they are using GMO soybean feed and less fish meal-based feed.

The Russian embargo is going to displace Norwegian fish. They are trying to get into Russia via reprocessors, but that fish has to go somewhere.

We need to do a better job about getting our quality message out; the perception exists that Bay fish is still poor quality. If we can see sockeye at \$10/lb, we should be able to move a fair amount of fish during Lent. Discussions are occurring about whether or not buyers need to be advised in advance of the large returning run so that they can plan for it. McDowell has talked with buyers and retailers about Bristol Bay product differentiation, but they don't like the corner that paints them into. A lot of them are willing to call out Alaska product, though. Advice from those interviewed said to continue to push quality, focus on the story and health; one said to focus on markets where we aren't currently selling a lot of product (NE and Midwest). Another suggestion was political leverage in Alaska for processor tax credits. More planning and collaboration with processors would be helpful. The report from the early 2000s in the New York Times about PCBs in fish is still affecting the market.

The value chain section received good comments from the last report. Fishermen come out at about 29%. On the relative price analysis of Bristol Bay sockeye section, the final prices ended up not being as high as the preliminary prices indicated, so the 2014 report doesn't include the relative price analyses since the data is still preliminary.

Key Takeaways

- Inventory up/pace of sales down;
- Promote talls and fixed weight product;
- Canned and fixed weight promotions/partnerships;
- Branding is very difficult;
- Keep educating about quality; and
- Inform fleet about why prices are down.

What's Next?

- Create a video presentation;
- Monitor sockeye markets;
- Frozen fillet material for staff;
- Spring market report; and
- Goal: Report + video done ahead of season.

8. Review/Approve Policies

A. Review/Approve Travel Policy & Procedures Policy Clarifications

Clarification is necessary regarding reimbursement of rental cars for board members for board meetings.

Johnson moved and Luck seconded to approve the amended travel policy regarding board rental cars as presented. **MOTION CARRIED UNANIMOUSLY.**

- B. Financial Policies – Does the board want the Finance Committee to review financials monthly and board review/approve quarterly?

Marinkovich moved and Johnson seconded to request the Finance Committee to develop a draft policy on board review/approval of financial reports quarterly and Finance Committee to review them monthly. **MOTION CARRIED UNANIMOUSLY.**

- C. Conflict of Interest (COI) Disclosure Form

Marinkovich moved and Johnson seconded to accept the COI Disclosure Form with a minor amendment to change “company” in the form to “entity” for consistency with the COI policy. **MOTION CARRIED UNANIMOUSLY.**

9. Executive Session

Marinkovich moved and LaRussa seconded at 3:20 p.m. to go into executive session to discuss board matters of a sensitive nature. **MOTION CARRIED UNANIMOUSLY.**

The meeting recessed at 5:08 p.m.

The meeting reconvened in executive session Sunday morning, November 23rd at 7:34 a.m.

Marinkovich moved and Johnson seconded to come out of executive session at 9:16 a.m. with no action taken.

LaRussa moved and Johnson seconded that Carscallen’s contract be suspended until she secures liability insurance or until December 5, 2014; until the time that liability insurance is secured, Carscallen will continue to work on sustainability issues as a BBRSDA board member. **MOTION CARRIED 6/0/1 (CARSCALLLEN ABSTAINED).**

10. Committee Reports – continued

- A. Sustainability – Carscallen

Carscallen referenced the proposed Sustainability budget; it will be discussed in greater depth during the next agenda item. She updated the board on the status of sustainability-related items relative to State of Alaska elections, resounding passage of Ballot Measure 4, status of the PLP lawsuits, and the change in majority in the U.S. Senate. There is no recommendation in the Sustainability Plan that BBRSDA lobby Congress in opposition to legislation that strips EPA of its authority to implement the Clean Water Act.

Johnson moved and LaRussa seconded to approve the Sustainability Report. **MOTION CARRIED UNANIMOUSLY.**

11. Review/Approve FY 15 Budget

The board directed Aspelund to approach ASMI and Bristol Bay processors about sharing the costs of McDowell Group Market analyses.

She was also further directed to develop a policy that would enable email approvals of budget and other BBRSDA business items.

Marinkovich moved and LaRussa seconded to add \$40,000 to the Marketing budget from the FY 15 budget unallocated balance for the purposes of funding The Breach proposal.

MOTION CARRIED UNANIMOUSLY.

Marinkovich moved and Johnson seconded to approve the FY 15 budget as revised.

MOTION CARRIED 5/2 WITH LUCK AND CHRISTENSEN OPPOSED.

12. Miscellaneous Business

A. Review Meeting Agenda Structure

Christensen moved and Carscallen seconded to approve Structure 2 agenda structure. **MOTION CARRIED UNANIMOUSLY.** Aspelund was directed to come back to the board with a revised committee procedures policy that addresses committee work requirements.

B. Feedback to KDLG on Summer 2014 Fisheries Programming

Director Aspelund was directed to request a line-item budget breakdown for the 2015 scope of work and to request more reporting on the Area M fishery.

C. Use of Board Members' Personal Email Addresses

Personal board email addresses will not be used for BBRSDA business. They prefer to use the info@bbrsda.com email address for board/member communications.

D. Extension Request – Direct Marketing Website Funding – This action is no longer necessary as the contract was signed recently with the website build company with a project end date of 12/31/14.

13. Review/Confirm Future Meeting Dates

January meeting: January 13–14, 2015 – Mayflower

February meeting: February 17–18, 2015 – Mayflower

March meeting: March 9–10, 2015 – Dimond Center Hotel, Anchorage

14. Adjourn

Johnson moved and LaRussa seconded to adjourn. **MOTION CARRIED UNANIMOUSLY.**