December 13, 2013

Bristol Bay Regional Seafood Development Association (BBRSDA)
1120 Huffman Rd, Box 208
Anchorage AK 99515

RE: Project Proposal
Via Email: info@bbrsda.org

Dear BBRSDA Board of Directors,

Please consider this letter as McDowell Group's professional services proposal to again produce a series of bi-annual research reports that analyze Bristol Bay sockeye (BBS) markets and distribution channels.

Background on the Current Market Report Project

Last year, BBRSDA commissioned McDowell Group to produce a bi-annual series of market reports. These reports were scheduled to be delivered at Board meetings in the fall and in the spring. Thus far, the project is on schedule. McDowell Group submitted a preliminary draft of its first market report on November 18 and presented its findings to the Board on November 22. A final report will be finished before the New Year, reflecting comments from Board members and BBRSDA's Executive Director.

The first market report contained numerous analyses on issues affecting BBS, including:

- Competing supply from other sockeye fisheries and farmed coho producers,
- Market destination of Alaska sockeye with commentary about important BBS markets,
- Detailed analysis on domestic and export markets – particularly the domestic fresh/frozen retail segment,
- Feedback from domestic retailers, canned salmon experts, and processor sales executives,
- Relative price of BBS versus other Alaska sockeye fisheries,
- Estimated market share for each link in the BBS supply chain, and
- An analysis of ex-vessel value versus first wholesale value explaining how BBS fishermen are benefitting from higher wholesale values.

This report produced a number of key findings that BBRSDA can use to drive future decisions. McDowell Group's research confirmed that fishermen are seeing greater benefits from improved quality and rising prices. This analysis is encouraging because it proves that fishermen do benefit greatly when wholesale prices increase. It also identified potential future pitfalls (price fatigue in canned red market) and upstart competitors (Verlasso, Skuna Bay). Despite significantly higher prices, interviews with domestic retailers generally reported strong demand from consumers for high quality sockeye.

The upcoming spring market report will contain more detailed information on the state of the canned red salmon market, provide a market outlook (heading into the 2014 harvest season), summarize available sockeye harvest forecasts, and update selected market analyses from the fall market report.

McDowell Group is excited about the findings gleaned from the first fall market report and looks forward to reaching a larger audience in future reports/presentations.

Proposal for 2014 Market Report Series

Benefits to BBRSDA

We propose to again provide BBRSDA with bi-annual market reports and presentations. BBS market reports help BBRSDA achieve its mission of maximizing the value of the Bristol Bay fishery for the benefit of its members in several ways. The reports:

- Strengthen BBRSDA's organizational foundation by informing the Board and members about important issues affecting the fishery's value (Strategy #5),
- Provide actionable research for Strategy #3: Conduct Marketing and Promotion, and
- Feature feedback from buyers and other analyses that illustrate the benefits of improving quality (Strategy #1).

Proposed Project Description

The scope of work is still somewhat flexible. BBRSDA Board members and staff are encouraged to comment on areas of study they found most (and least) useful from the first market report. At this time, we envision an analysis of the following topics, spanning two reports:

Late Fall Report

- Analysis of domestic retail sales occurring during and after the prior fishing season
    - Interviews with retailers selling Bristol Bay sockeye, plus any volunteered sales data from those promotions
    - Use available point-of-sale data, menu data, and retail feature database to inform analysis
    - Unique issues as needed (portion size, can size, etc.)
- Wholesale price analysis for sockeye sold in domestic markets (and in key export markets, where possible)
- Sockeye harvest summary and analysis of other competing species
- BBS Product form summary
- Feedback from restaurateurs/chefs regarding fresh sales season

- Feedback and analysis from foreign industry contacts and available data in foreign markets, particularly Japan, Germany, and the United Kingdom.
- Relevant trends in retail, food service, and secondary processing sectors.

LATE SPRING REPORT

- Detailed analysis of canned salmon market, including POS data
- Wild and farmed salmon supply forecasts (based on available data)
- Sales volume analysis utilizing historical Alaska Salmon Price Report (ASPR) and foreign trade data, this could inform the Board about potential inventory situations heading into the season
- Updated market share analysis
- Currency market breakdown and general economic outlook for key markets
- Updated analysis of "ex-vessel/first wholesale" relationship (pending data availability)
- Analysis of BBS price performance versus other sockeye fisheries and other salmon species
- Feedback and analysis from foreign industry contacts

Project Deliverables and Budget

McDowell Group will deliver a complete report (in hard copy and PDF format), a PDF presentation file (which can be used by McDowell Group or BBRSDA), a video file of our presentation, and relevant data files upon request (for use in other program activities). BBRSDA will receive 10-15 hard copies of the report in addition to a PDF file of the document that staff can forward to RSDA members.

Using modern software packages, McDowell Group proposes to create video files from our bi-annual presentations. Each video will essentially be a "screen shot" of our presentation combined with recorded commentary. Once created, the video can be posted to BBRSDA's website (or elsewhere). We believe this could be an important tool to reach members who may not be able to attend bi-annual presentations. If this project is funded, BBRSDA should inform McDowell Group of whether or not it would like to receive this particular deliverable.

We propose a professional services budget of $32,000 for each report, plus any expenses related to travel for presentations. The total proposed budget for two bi-annual reports and presentations analyzing markets for Bristol Bay sockeye salmon is $64,000 (plus travel expenses). Examining sockeye markets will require purchasing various data sets and subscriptions. These expenses range from a couple hundred of dollars to more than ten thousand dollars in cost. McDowell Group already maintains subscriptions to several data outlets as part of its ASMI contract, but anticipates purchasing at least $6,500 worth of point-of-sale data for this project. These additional data and subscription expenses are included in our proposed budget.

McDowell Group Qualifications

McDowell Group, Inc. is Alaska's most experienced research-based consulting firm, having conducted over 1,800 professional assignments since 1972. We have especially strong expertise in the seafood industry. McDowell Group has produced the *Alaska Seafood Market Information Service* for ASMI since 1999, numerous market analyses dealing with salmon, crab, flatfish, and rockfish, and over 150 other seafood-related research and consulting projects.

McDowell Group is in a unique position to conduct this research and analysis. Our staff is very familiar with the fishery and the players who operate in it, and we also maintain a network of contacts in segments of the supply chain outside Alaska. Further, as a research contractor for ASMI, we have spent the last 15 years studying Alaska seafood markets. McDowell Group qualifications are described in more detail below.

McDowell Group Study Team

Several McDowell Group professionals would be involved as your study team. Principal Jim Calvin will oversee the project and Andy Wink will serve as project manager. In addition, research support will come from Chris McDowell and Kirsten Walker.

Biographies for Key Project Staff

Andy Wink, Seafood Project Manager

Andy Wink is McDowell Group's primary seafood industry analyst. Most recently, he has worked on McDowell Group projects such as the *Economic Impact of Alaska's Seafood Industry*, market analyses of crab, flounder, and rockfish species for three different clients, economic impacts of hatcheries in Kodiak, Prince William Sound and Southeast Alaska, an analysis of the Russian seafood industry, and business plans for processing plants in Southeast Alaska and Washington. Mr. Wink was a featured speaker at last year's Pacific Marine Expo and the King Country Maritime Economic Forecast Breakfast. As the primary analyst serving the firm's ASMI contract, he is a regular presenter at ASMI Board meetings and has also presented to ASMI's Customer Advisory Panel. He holds bachelor's degrees in Finance and Economics from the University of Wisconsin – LaCrosse.

Chris McDowell, Senior Seafood Analyst

Chris McDowell is a leading authority on wild salmon markets. He has written extensively and presented on issues surrounding domestic/international markets, product form, and supply trends. Chris was a featured speaker, and the only American, on the "Salmon Summit" panel at the 2011 International Boston Seafood Show. He has been a lead consultant to the Alaska Seafood Marketing Institute since 1998. Mr. McDowell is a former Bristol Bay gillnet permit holder and a former Board member of the BBRSDA. Chris obtained his B.A. from the University of Oregon and has over two decades of commercial fishing experience.

Kirsten Walker, Research Analyst

Kirsten Walker has considerable seafood experience and expertise. For the past three years Kirsten has provided research and development for a direct market seafood business, conducting research, grant writing, and business analysis. In addition, Kirsten has assisted with her family's fishing business in Southeast Alaska since 1981. She has ten years of experience in community and economic planning and development, and has also worked extensively on research and development projects in the commercial fishing industry. She holds strong academic credentials with a B.A. in Biology and Anthropology from Amherst College and a Masters of Environmental Management in Resource Economics and Policy from Duke University.

In addition to the primary project team members described above, other McDowell Group staff may be called on to provide additional project research and analysis support. We would be happy to provide additional information about our firm's qualifications if requested.

McDowell Group's study team has read BBRSDA's Strategic Plan and bylaws.

We appreciate the opportunity to offer our professional services to the Bristol Bay Regional Seafood Development Association. Please do not hesitate to contact us with any questions or ideas about scope of work, partnership opportunities, or other issues.

Sincerely,

/s/

Andy Wink, Seafood Project Manager
McDowell Group, Inc.
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Juneau, AK 99801