

PACIFIC COUNCIL PROPOSES IFQ SYSTEM FOR WEST COAST GROUND FISH FISHERY

Last Thursday the Pacific Fishery Management Council (the Council) voted to adopt an Individual Fishing Quota (IFQ) system for the west coast's groundfish fishery. On one hand the decision follows the growing trend towards IFQ systems in world fisheries. On the other hand the decision is unique in the USA in that it proposes to split the fishery's IFQ shares between harvesters (80%) and processors (20%).

The fishery is the largest one off the coasts of Washington, Oregon and California, worth \$60 million in 2007. It covers approximately 80 species, including sought-after species such as Pacific cod, Pacific Ocean perch, Pacific whiting, rockfish and sole. Dwindling stocks led the federal government to declare the west coast groundfish fishery a disaster in 2000. Stocks have recovered somewhat (currently only seven of the 80 species are listed as "overfished"), leading to renewed commercial interest in the resource. With the proposed IFQ system, the Council hopes to avoid the shortcomings in the previous open-access system that led to the fishery's decline in the 1990s.

The previous open-access model created an often cited "tragedy of the commons," in which the race to maximize private catch and profits led to:

- A consistent overfishing of the public seafood resource.
- An unsafe work environment for fisherman.
- A "boom-bust" economy in which the annual quota was, in several cases, harvested in just a few days.
- An overcapacity of fishing equipment as fishermen aimed to catch more fish faster.
- A disincentive to spend time employing "clean" fishing practices such as targeting larger fish and avoiding bycatch.

The Council had numerous examples of IFQ systems to follow. As of 2003, 75 species worldwide were managed with IFQ models, including three fisheries in the USA: 1) mid-Atlantic surf clam and ocean quahog, 2) south Atlantic wreckfish and 3) Pacific halibut and sablefish.

In addition the catcher-processors in the huge pollock fishery in the Bering Sea employ an IFQ-like cooperative agreement to manage the fishery's quota. Like an IFQ system, the pollock cooperative assigns a share of the annual quota to each member, but unlike an IFQ system, the members do not own these shares and the system is built on a private agreement among members, not decisions by fisheries councils or legislators.

IFQ systems assign shares to quota holders (usually vessels or vessel owners) representing a percentage of the annual quota. The initial allocation formula is often based on catch history.

Conditions placed on the shares vary from fishery to fishery, but often include:

- Ownership in perpetuity or at least over a long term.
- The right to sell or trade the shares.
- A restriction on the sale of shares to vessels or companies not currently active in the fishery.
- A restriction on the trading of shares by new entrants to the fishery (i.e. new entrants must fish their quota).
- A requirement for each participating vessel to employ an independent fisheries observer.

Although IFQ systems are relatively new in the USA, the experience to date suggests the model succeeds in:

- Allowing vessels to pace their fishing according to economic, safety or family considerations.
- Allowing the time and creating the incentive for fishermen to preserve the health of fish stocks by respecting quotas, targeting larger fish, avoiding bycatch, etc.
- Making leaving the fishery financially viable, as quota holders can recover some of the value of their future catches by selling their shares.

- Creating a disincentive to overcapacity: why waste money on bigger, better fishing equipment if a quota holder's vessel is already capable of catching his share of the quota?

Critics of the IFQ model argue that it:

- Places a public resource in private hands.
- Erects a significant barrier to entry, as new entrants must pay steep prices for quota shares (if any are even for sale).
- Leads inevitably to consolidation of quota shares and the control of a fishery by a small number of companies.

Last week's proposal by the Council broke new ground by allocating 20% of quota shares to west coast processors. Fishermen had obviously opposed the idea of a share for processors. But the plants argued that the jobs they provide are as important to the fishing industry and its dependent communities as jobs provided by fishing vessels. They said that without their own quota shares to assure them a supply of raw material, those jobs could be at risk. The processors even suggested they deserved up to 50% of the quota shares for some species.

In the end the Council's proposed IFQ system includes the following features:

- Allocation of 80% of quota shares to the fleet and 20% to processors.
- Mandatory employment of an independent fisheries observer, with a video camera, on every vessel.

Council members had discussed allocating the shares for 15 years instead of in perpetuity, but did not decide this time. The Council will decide whether to adopt the proposed IFQ system at its November meeting later this year.

Sources: Seattle Times, Mercury News, Wikipedia, At-Sea Processors Association, Coastal Jobs, Resources for the Future

Implications for frozen seafood buyers:

- If the Council adopts the proposed IFQ system and it is successful in its goals, groundfish buyers can expect a steadier, more reliable supply from the west coast fishery.
- There are likely to be some structural adjustment costs as the fishery implements the new system.
- It is unclear how splitting quota shares between harvesters and processors will affect the fishery, but it raises the possibility of competition between the two groups.

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