

## COUNCIL CUTS PACIFIC HAKE QUOTA BY 42%

Last week the Pacific Fishery Management Council (the council) voted to cut the west coast Pacific hake quota by 42% from a total of 322,000 metric tons (MT) last year to 184,000MT for 2009.

The council cited the Pacific hake stock's record low spawning biomass as the reason for the cut. But declining biomass is not a new challenge for the fishery. Massive overfishing in the 1980s and 1990s led to the federal government declaring the fishery an economic disaster in 2000. What else prompted the council to drastically cut quotas after so many years of ignoring evidence of biomass decline?

Amid the global economic downturn that began in late 2008, sales of Pacific hake evaporated and several large deals collapsed, leaving processors with millions of pounds of unsold 2008 inventory. Many have since slashed their prices by 30% or more, but sales have remained sporadic, meaning processors are approaching the 2009 season with a large overhang of last year's inventory. Given this, the processors likely lobbied for – or were at least untroubled by – the quota cut. The conservation argument, never compelling enough on its own, dovetails well with the current inventory overhang to suggest a quota cut.

But whereas processors hope the quota cut will minimize their inventory costs, fishermen and the communities that depend on the fishery will suffer. The ex-vessel value of the fishery was \$50 million in 2008, but the 2009 value will likely drop to less than half that figure, as quota cuts of 42% will combine with price reductions that have already reached 30% or more without a significant reaction from the market.

This quota cut comes only a few months after the council voted to implement by 2011 an individual fishing quota (IFQ) system for the west coast groundfish fishery, which includes Pacific hake. With the new system, the council aims in part to eliminate competition for fish in the fishery and therefore the motivation for overfishing. But the implementation will cause some growing pains in the fishery, especially as it included allocating 20% of the quota shares to land-based processors. Reduced quotas and a struggling biomass will only exacerbate the adjustment pains as the council implements the new system over the next two years.

Pacific hake is the USA's largest fishery in the Pacific outside of Alaska. Despite the harvest being comparable to those of Pacific cod and salmon in Alaska, Pacific hake is typically considered a lower grade fish, so the ex-vessel value of the fishery (\$50 million in 2008) does not compare with those of the lucrative fisheries in Alaska (e.g. \$410 million for the salmon fishery in 2008 for a similar volume).

The processors product mainly surimi paste (used for imitation crab, fish balls, etc) from their Pacific hake raw material, as well as smaller volumes of inexpensive fillets and fish sticks.

Sources: Seattle Times, Pacific Fishery Management Council, The Oregonian, Alaska Department of Fisheries and Game

### *Implications for frozen seafood buyers:*

- A lack of demand has prevented many buyers from capitalizing on the available inventories and lower prices of Pacific hake.
- This situation will likely continue through the first half of the year and into the beginning of the fishing season in May-June.
- If demand recovers and suppliers are able to find a floor price on which to develop a more regular turnover, availability and price may adjust in the latter part of the year.

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