



Alaska Whitefish Trawlers Association

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November 29, 2017

North Pacific Fishery Management Council
605 West 4th, Suite 306
Anchorage, Alaska 99501-2252

Submitted electronically to: npfmc.comments@noaa.gov

Re: Agenda Item C7 – Bering Sea Pacific Cod CV Fishery Comments

Alaska Whitefish Trawler Association (AWTA) is a Kodiak-based trade organization representing independently owned trawl catcher-vessels fishing in the Gulf of Alaska and Bering Sea. AWTA member vessels primarily home-port in Kodiak, deliver groundfish to Kodiak processors 11 months out of the year, and contribute significantly to Kodiak being consistently ranked within the top 5 ports in the nation by volume.¹ The majority of AWTA crew members and skippers reside in Kodiak and all AWTA members are committed to ensuring Kodiak has a healthy and stable fishing industry and economy.

In regards to C-7 the Council asked staff to examine two related issues: (1) participation and effort in the Bering Sea (BS) trawl catcher vessel (CV) Pacific cod fishery in response to a potential need to limit entry and participation in the trawl CV sector, and (2) the sector's delivery of BS Pacific cod to Amendment 80 catcher/processor (C/P) vessels acting as motherships.

AWTA does not support limiting participation² in the BS Pacific cod CV fishery in the absence of regulatory changes that stabilize trawl fisheries in the Gulf of Alaska. The council has heard from AWTA many times regarding the need to stabilize the GOA trawl fishery by establishing a catchshare program³ that will allow the fleet to avoid fishery closures and operate more effectively under PSC limits. AWTA encourages the Council to address all of the remaining trawl limited access programs at the same time (e.g., GOA and BS together) and strive to reduce negative impacts between fishery sectors and areas. If the primary impetus of this action is related to CV deliveries to A80 motherships it would be helpful to understand the specific problem to be addressed through Council action in order to develop solutions that do not place undue limitations on CVs' ability to participate in the fishery.

Thank you for your consideration and the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Rebecca Skinner".

Rebecca Skinner, Executive Director
Alaska Whitefish Trawlers Association

¹ According to the 2016 NOAA Fisheries of the United States report Kodiak is ranked #4, dropping from the #2 slot in 2015. Groundfish deliveries by trawl vessels represent 60% of all fish across Kodiak's dock annually

² AWTA member vessels could be excluded from participating in this fishery if limitations were imposed

³ In December 2016 the Council decided to stop working on the GOA Trawl Bycatch Management action

Mr. Dan Hull, Chairman
North Pacific Fishery Management Council
605 W 4th Avenue, Suite 306
Anchorage, AK 99501-2252

November 30, 2017

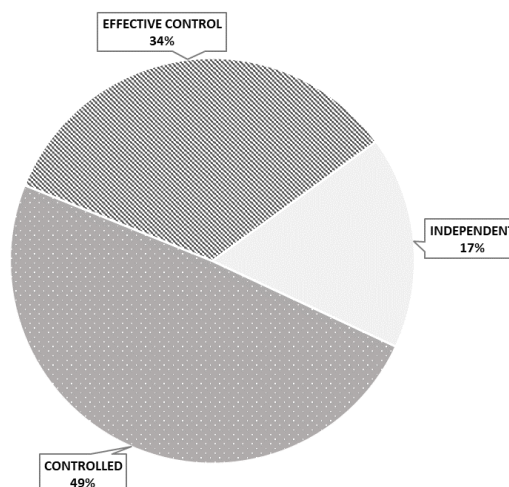
RE: C7 Participation and Effort in the BS Trawl Pacific Cod Fishery.

Dear Chairman Hull and members of the Council,

Thank you for the opportunity to provide public comment on agenda item C7, Participation and Effort in the BS Trawl Pacific Cod Fishery. We would like to make a few observations about the catcher vessel fishery for Pacific cod.

The pie chart below is a visual representation of the universe of catcher vessels that can fish Pacific cod in the Bering Sea. There are 118 vessels that meet our criteria (see data source section)¹, grouped into three categories based on vessel ownership characteristics.

Bering Sea Pacific Cod Catcher Vessel Fleet



- 1) The first group are the vessels that are owned by companies/corporations which also have processing capacity. This group is labeled “Controlled” and represents the vertically integrated catcher vessels (58 vessels or 49% of the fleet).
- 2) The second group are the vessels that are not vertically integrated, but are inextricably linked to shoreside processors through Bering Sea pollock cooperatives set up by the American Fisheries Act (AFA). These vessels are bound by AFA cooperative agreements with their

¹ **Data Source:** The data used to generate the BS P. cod CV Fleet pie chart is from the publicly available National Marine Fisheries Service Database of 2017 Federal Fisheries Permits (FFP). Since each FFP is assigned to a distinct vessel, the FFP Database was selected as the best indicator of the number of vessels that could potentially be active in a fishery in a given year. Vessels displayed in the chart meet four criteria: they are listed in the 2017 database as a catcher vessel, they declared the proper endorsements to fish Pacific cod in the Bering Sea, they are not an Amendment-80 endorsed vessel, and each vessel is over 58 feet in length.

shoreside pollock market and the effects of this control spill over into the Pacific cod fishery. This group is labeled “Effective Control” and represents the group of vessels that the shoreside market holds substantial power over (40 vessels or 34% of the fleet).

- 3) And the third group are the vessels that are both independently owned and should be able to operate somewhat autonomously from shoreside processing interests. These are catcher vessels that a) deliver their Bering Sea pollock solely to mothership operations in the Bering Sea, where the processing capacity is owned by the catcher vessels, or b) vessels that do not fish BS pollock and mostly fish in the Gulf of Alaska (but of course have the correct endorsements to fish Bering Sea Pacific cod if they had a market). It is worth noting that catcher vessels that operate in the Gulf of Alaska also have existing relationships with shoreside processing operations, who may be able to leverage control over the vessels, but this control is too nuanced to tease out for this visual representation. This group is labeled “Independents” and there are 20 vessels (only 17% of the fleet).

Eighty-three percent (83%) of catcher vessels able to target Bering Sea Pacific cod are either vertically integrated or directly or effectively controlled by the shoreside plants. This leaves seventeen percent (17%) that in theory could contract with an offshore processor without the threat of shoreside processing retaliation in other fisheries for doing so (Example: Plant A won't process your pollock/lease you pollock unless you deliver your cod to them). Therefore, any narrative of offshore Amendment 80 cod processing continuously expanding is false- ***there are only twenty or so vessels that are not already controlled by their processing markets.*** Further, many of these twenty independent vessels do not have Refrigerated Seawater (RSW) tanks and only have the capacity to deliver offshore. ***Eliminating the offshore market eliminates these vessels from participating in the cod fishery.*** This Council action cannot be about “stabilizing” the processing sector by eliminating or curtailing offshore cod processing because there is already an inherent limit to offshore expansion- the harvesters willing or able to deliver offshore. The only way for additional expansion above this level is if vessels owned and controlled by shore plants suddenly decide to start delivering offshore.

Instead, this action is an attempt to use the Council process to eliminate the competition in the marketplace. Eliminating offshore competition means that shoreside plants will be the only market in town, and will be able to continue to artificially suppress the prices they pay to harvesters for delivered cod. The table below shows the Year over Year (YOY) percent change in the average price received by our fishing vessel for their Pacific cod production compared to the YOY change in the publicly available Alaska Statewide Average Price (SWAP) for Pacific cod.

	2013	2014	2015	2016	2017
YOY % Change in Avg. Price of USI P. Cod H&G - J Cut, FOB	-27.6%	30.6%	6.1%	0.1%	19.1%
YOY % Change P. Cod Alaska Statewide Avg. Price/lb	-23.5%	11.5%	-3.4%	0.0%	7.1%

SWAP is the average prices paid by the shoreside plants to CVs for shoreside deliveries in Alaska and is based on Pacific cod raw materials/unsorted deliveries. Our vessel's product (J-cut) is a headed and gutted, frozen at sea product. It's not an apples to apples comparison- more like apples and pears- but the trend lines in price should show correlation and they don't. As you can see, both J-cut and SWAP prices fell dramatically in 2013. Their recoveries were very different though- the J-cut

product rebounded 30% in 2014 and 6% in 2015 before another large jump again in 2017. SWAP on the other hand has largely stayed flat from 2014 to 2017².

The final observation we would like to include in this letter is that the portion of Bering Sea Pacific cod allocated to the catcher vessel sector (22.1%) is not fully harvested. In the years 2014-2017, a total of seven percent (7%) of the cod that was allocated to the CV sector, or 14,000 mt of fish, was left unharvested³.

Thank you for your time and attention.

Sincerely,

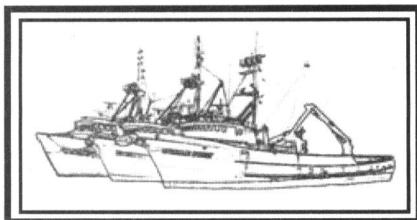


Annika Saltman

Fishermen's Finest, Inc.

² Note, the 2017 SWAP is not yet published, so the prices shoreside processors paid for A & B season Pacific cod have been used as an estimate.

³ **Data Source:** The data used to generate these charts is from the publicly available National Marine Fisheries Service Catch Reports 2014-2017.



THE FURY GROUP

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North Pacific Fishery Management Council
605 West 4th, Suite 306
Anchorage, AK 99501-2252

VIA EMAIL npfmc.comments@noaa.gov

Re: BS Pacific Cod CV Participation

Dear Council Members,

Our company owns and operates two AFA trawlers, Nordic Fury and Pacific Fury. We harvest pollock and cod in the Bering Sea. Our vessels are mothership catcher boats. The Fury trawlers were converted from crab harvesters in the early 1980's. With smaller capacity fish holds and limited towing power, it was apparent that rather than compete with the bigger boats that deliver to shore plants, our best opportunity for success was to deliver to motherships at sea. We are vertically integrated into the pollock mothership processing sector, owning shares in Phoenix Processor Limited Partnership.

With both the pollock and cod A seasons traditionally starting on January 20th, the decision of which fishery to prosecute was often not ours to make. Our mothership market is focused on pollock and hasn't traditionally processed cod.

When Fury Group had the opportunity to fish cod and deliver to an offshore processor we jumped at the chance. Fishermen's Finest has provided us with a good market. For Pacific Fury, a 110 ft. trawler without a Refrigerated Sea Water system, this is ideal. We are not waiting in line at the dock for larger vessels to offload ahead of us. We don't need to invest huge sums of money on refrigerated holds or sponsoring the hull to improve stability and capacity. The cod sideboards available to us aren't large enough to justify those kinds of expenditures.

In general, we believe competition between multiple processors is a good thing. Restricting markets has a negative impact on the few independent AFA cod harvesters in the Bering Sea.

Regards,

Michael Stone
President



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C7 Public Comment
December 2017

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November 30, 2017

VIA EMAIL npfmc.comments@noaa.gov

North Pacific Fishery Management Council
605 West 4th, Suite 306
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Re: BS Pacific Cod Trawl CV Participation Discussion Paper, December 2017

Dear Council Members,

We represent a number of fishermen within the Pacific cod fishing industry, and have been asked by them to comment on BS Pacific Cod Trawl CV Participation Discussion Paper, December 2017 ("Discussion Paper"). We contend that this proposed rulemaking would have an adverse economic impact on not only our client fishermen, but also on the competitive landscape of the entire Pacific cod fishing industry. Sound economic theory dictates that during this rulemaking process, a thorough and careful economic analysis of any competitive (or anticompetitive) effects must be carefully considered. Further, without this needed economic analysis, any action by the Council on this proposed rulemaking would contravene the provisions of § 211(a) of the American Fisheries Act ("AFA") by failing to "protect" market participants from adverse economic impacts.

Pursuant to the AFA, the Council has to "protect other fisheries under its jurisdiction, participants in those fisheries, including processors, from the adverse impacts caused by this Act for fishery cooperatives in the directed Pollock fishery." See Section 211(a). This proposed rulemaking would violate the protective mandate of the AFA by failing to meaningfully analyze, or for that matter even consider, the adverse and anticompetitive effects of eliminating competition among processors in an already highly concentrated geographic market.

Despite 28 pages of text, the Discussion Paper provides *no* economic analysis of the competitive impact of this proposed rulemaking on participants within this fishery. Specifically, the Discussion Paper contains no discussion on the economic impact on competitive pricing, namely on how this proposed rulemaking would allow a handful of dominant processors to effectively suppress the prices paid to fishermen. The Discussion Paper also fails to address or assess the adverse effect of this proposed rulemaking on competition within this market. Instead, this proposal would pave the way for further market consolidation by effectively eliminating the only competition that currently exists to the shoreside processors.

Our investigation and analysis to date indicates that there are 118 catcher vessels that can fish for Pacific cod in the Bering Sea. Of these vessels, approximately 50% of the fleet are

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vertically integrated catcher vessels owned or controlled by entities with shoreside processing capacity. Further, approximately one-third of the relevant fleet, while not vertically integrated, are linked to shoreside processors through certain Bering Sea Pollok cooperatives set up by the AFA. By our count, only 20 vessels (17% of the relevant fleet) are independently owned and able to operate autonomously from shoreside processing interests. Many of these "independent" vessels do not have Refrigerated Seawater (RSW) tanks and therefore only have the ability to deliver offshore. As such, elimination of offshore processing capacity would effectively prohibit these vessels from even participating in the cod fishery.

Proper economic analysis of this proposed rulemaking would also reveal that, for those independent vessels currently able to sell their catch to offshore processors, the price paid and terms tendered are superior to those being offered by the shoreside facilities. Simply stated, this proposed rulemaking would eliminate competition in an already highly concentrated market. The proposed rule would, due to reduced (i.e. suppressed) prices paid to fishermen, adversely impact not only our clients, but ultimately their families and local communities. We urge the Council to take the necessary time and conduct the appropriate analysis to evaluate the effects of this proposed rulemaking before increasing the power of the already dominate shoreside processors, and eliminating what little competition currently exists in this market.

We thank you for your time and consideration of this submission.

Very truly yours,



Michael K. Kelley

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