

C4 CGOA Rockfish Program Adjustments Initial Review



April 2022

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Introduction

- ▶ February 2022 – Council initiated an analysis to modify the CGOA Rockfish Program
 - ▶ Change season start date from May 1 to April 1
 - ▶ Eliminate the CV cooperative holding cap of 30%
 - ▶ Increase the processor cap to 35% - 40% of the CV quota for sablefish, Pacific cod, and/or primary rockfish
 - ▶ Revise the CV aggregate primary rockfish harvesting cap by capping only POP at 8%
- ▶ Purpose and need is to increase flexibility and efficiency, improve functionality, and better ensure the rockfish quota are fully harvested and landed in Kodiak as intended (Section 2.2; page 9)



Categorical Exclusion

- ▶ Analysts have preliminary determined that none of alternatives have the potential to have an effect individually or cumulatively on the human environment
 - ▶ The proposed April 1 start date is within the range of dates analyzed for the RP, so this action would not have any effects beyond those previously analyzed, which were determined to be not significant
 - ▶ The 2021 April 1 RP start date emergency rule was categorical excluded from need to prepare an EA
 - ▶ This preliminary determination is subject to further review and public comment
 - ▶ If this determination is confirmed when a proposed rule is prepared, the proposed action will be categorically excluded from the need to prepare an EA



Background

- ▶ Section 2.4 notes the analysis draws largely on AM111, CGOA RP review, final RIR for a temporary rule to modify the RP season start date for 2021 (pages 10-11)
- ▶ Section 2.5 builds on the background sections from AM111 and final RIR for the emergency rule to include overviews of the following elements:
 - ▶ Overall harvest to include vessels, LLP licenses, processing plants, reported catch, exvessel value and wholesale value for CV and CP sectors (Section 2.5.1; pages 12-13)
 - ▶ TAC and catch of the RP primary and secondary species (Section 2.5.2; pages 13-16)
 - ▶ Seasonal fishing activity for CV and CP RP vessels (Section 2.5.3; pages 16-17)
 - ▶ PSC species (Section 2.5.4; pages 18-20)
 - ▶ Cooperatives (Section 2.5.5 pages; 20-21)
 - ▶ Excessive share limits (Section 2.5.6; pages 21-23)
 - ▶ Shore-based processors (Section 2.5.7; page 23)
 - ▶ Fishing communities (Section 2.5.8; pages 24-25)
 - ▶ Rockfish products (Section 2.5.9; pages 27-28)
 - ▶ Safety considerations (Section 2.5.10; pages 27-28)
 - ▶ Cost recovery (Section 2.5.11; pages 28-30)



Option 1: April 1 Start Date

- ▶ In February 2021, the Council recommended, and the Agency approved an emergency rule to modify the RP start date for 2021 to April 1
 - ▶ Intended to address negative economic and social impacts on harvesters and processors participating in the RP due to the COVID-19 pandemic
- ▶ Given the ongoing potential of another COVID-19 pandemic outbreak and the loss of the April arrowtooth market due to the trade tariffs Council proposed changing the RP start date to April 1



Option 1: April 1 Start Date

- ▶ Alternative 1 would maintain the May 1 start date:
 - ▶ Continued reduced operations in April since there are limited fisheries during this period
 - ▶ The one exception is the recent increase in the herring fishery during this period
 - ▶ Limit flexibility to adapt to COVID-19 restrictions which could lead to overlapping operational conflicts between the RP and the salmon fisheries
- ▶ Alternative 2, Option 1 would change the start date to April 1:
 - ▶ Provide enhanced flexibility to mitigate some of operational impacts from the loss of the April flatfish market
 - ▶ Adjust operations if future COVID-19 outbreaks occur to prevent overlapping RP and salmon operations



Option 2: Elimination of CV Cooperative Holding Cap

- ▶ The cooperative holding cap was intended to provide greater opportunity for multiple shorebased processors to receive RP quota
 - ▶ Processor cap rather than cooperative cap is a more direct in providing opportunity for multiple shorebased processors by establishing a minimum number of processors that would be required to process all the CV quota
 - ▶ There are also no restrictions on multiple cooperatives associating with a single processor
 - ▶ Currently there are two RP cooperatives associated with the same processor



Option 2: Elimination of CV Cooperative Holding Cap

- ▶ Alternative 1 would maintain 30% CV cooperative holding cap:
 - ▶ Maintaining the 30% cap would limit cooperative consolidation which indirectly through the processor association with each cooperative could provide opportunity for multiple shorebased processors to receive RP quota
 - ▶ No regulation that prevents multiple cooperatives being associated with the same processor
 - ▶ Could result in higher management and administrative costs for those cooperatives that are associated with the same processor that may want to consolidate



Option 2: Elimination of CV Cooperative Holding Cap

- ▶ Alternative 2, Option 2 would remove the 30% CV cooperative holding cap:
 - ▶ Given the RP includes processor caps which are also intended to maintain processing distribution amongst a minimum number of processors, removing the 30% cooperative cap would likely reduce management and administrative costs for those cooperatives associated with the same processor that would like to consolidate into one cooperative
 - ▶ Only two cooperatives are currently associated with same shorebased processor, and if combined, the CQ would exceed the existing 30% cap
 - ▶ Likely these two cooperatives would consolidate into a single cooperative under this option



Option 3: Increase the CV Quota Share Pool Processor Caps

- ▶ Processor caps were intended to maintain the distribution of processing activity to a minimum of 4 processors, which would benefit employees of those plants
- ▶ Cap was also intended to stabilize the Kodiak processing sector
- ▶ From 2012 – 2014, there were 7 shorebased processors
- ▶ Starting in 2015, the number of shorebased processors declined to low of 4 in 2020 and 2021
 - ▶ In 2014, Trident purchased Western Alaska Fisheries, so in 2015 Western Alaska Fisheries Rockfish Cooperative associated with Star of Kodiak as its processor
 - ▶ Global Seafoods ceased processing operations altogether in 2018
 - ▶ Pacific Seafoods no longer takes rockfish deliveries
- ▶ As a result of the declining number of shorebased processors, the 30% processing cap has become constraining for some shorebased processors



Option 3: Increase the CV Quota Share Pool Processor Caps

- ▶ Alternative 1 would maintain the 30% CV shorebased processing caps for sablefish, Pacific cod, and primary rockfish:
 - ▶ Given the current 30% caps are now constraining for Pacific cod and sablefish fisheries, these two species will continue to be constraining under Alt 1
 - ▶ Would likely result in some portion of the CV quota remaining unharvested
 - ▶ Primary species could be constraining under Alt 1 if the Council revises the harvest cap (Option 4) to only limit POP to 8% under this action



Option 3: Increase the CV Quota Share Pool Processor Caps

- ▶ Alternative 2, Option 3 would increase the CV shorebased processing caps to 35% - 40%:
 - ▶ Would likely provide additional flexibility to ensure all the CV quota is harvested and processed
 - ▶ This especially true for Pacific cod and sablefish which are fully utilized quota and the 30% cap is constraining for these two species
 - ▶ For aggregate rockfish, the limited harvest of northern rockfish and dusky rockfish reduces the risk of a constraining processor cap
 - ▶ If Council revises the harvester cap to no longer apply to northern rockfish and dusky rockfish, there is the potential that over time that the processing cap for the aggregate rockfish quota could be fully utilized and increase the risk of constraining processing cap at 30%



Option 3: Increase the CV Quota Share Pool Processor Caps

- ▶ Increase the CV shorebased processing caps to 35% - 40% (Alt 2):
 - ▶ Increasing processors cap could improve economic efficiencies for those processors constrained by the current caps
 - ▶ Processors can operate at a more efficient capacity, which may reduce costs per unit of production
 - ▶ May also allow processors to develop new markets by increasing the amount of product they can supply and increase their ability to develop new product forms
 - ▶ Overall, the proposed processor caps will ensure that a minimum of three Kodiak processors will be required to process all the CV rockfish quota while providing some additional flexibility for current Kodiak processors



Option 4: Revise CV Aggregated Rockfish Harvesting Cap

- ▶ Harvesting cap was intended to ensure that harvest activity does not exceed the specified threshold and at a minimum 13 harvesting vessels would be needed to harvest all the CV quota
- ▶ As noted in Table 2-1 (page 13), in 2021 there were 26 CVs active in the RP
- ▶ CAS data indicates no CVs have exceeded the 8% harvesting cap limit
 - ▶ Three or fewer CVs have reported primary species catch data approaching the 8% limit
- ▶ Catch amongst the three primary species is very different
 - ▶ Figure 2-1 (page 14) shows that POP is a fully harvest species
 - ▶ Figures 2-2 & 2-3 (page 15) shows that northern rockfish and dusky rockfish are far from a fully harvested species
 - ▶ The reason northern and dusky rockfish species are not fully utilized is because they are much harder to catch relative to POP and CVs have a limited window to harvest the RP quota



Option 4: Revise CV Aggregated Rockfish Harvesting Cap

- ▶ Alternative 1 would leave in place the existing 8% CV aggregate rockfish caps:
 - ▶ Would likely continue a pattern of low quota harvests of northern rockfish and dusky rockfish due to the difficulty catching these two rockfish species relative to POP
- ▶ Alternative 2 would revise the CV aggregated rockfish harvesting cap to only cap POP at 8%:
- ▶ Could provide an incentive to harvest a greater portion of the northern rockfish and dusky rockfish CV quota since these species would not have a harvesting cap
 - ▶ One to three CVs have harvested rockfish quota near the aggregate cap, but have never exceeded the cap
 - ▶ The CVs that harvested rockfish quota near the 8% cap primarily harvest POP, so maintain the 8% cap for POP will continue to restrict these vessels from exceeding the cap for POP



Net Benefits to the Nation

- ▶ It is expected that Alternative 2 will result in greater net benefits to the Nation compared to Alternative 1
 - ▶ Changing the start date to April 1 would likely provide a lower cost of production for harvester and processors due to increase opportunity and flexibility to adapt to changes in other fisheries outside the RP, changes in the labor market for processors, and future COVID mitigation measures
 - ▶ Removing the cooperative cap would likely increase efficiency by reducing administrative and management costs those cooperatives associated with the same processor that can consolidate to one cooperative
 - ▶ Increasing the processor caps for aggregate rockfish, Pacific cod, and sablefish would likely increase economic efficiencies for processors and reduce the risk of leaving CV quota unharvested
 - ▶ Revising the CV harvester caps for rockfish to only cap POP could provide a greater incentive to harvest more northern rockfish and dusky rockfish CV quota



Thank You

Questions?

