



May 31, 2024

Angel Drobnica
Chair, NPFMC

Dear Ms. Drobnica and Council Members:

Please consider these comments on behalf of the Pacific Seafood Processors Association (PSPA) on agenda item D-2 BSAI Crab Rationalization Program Review. PSPA is a non-profit trade association representing motherships and shorebased seafood processors operating in 21 Alaska coastal communities. Our members include the shorebased processors that have historically participated in the Bering Sea crab fisheries in St. Paul, Kodiak, Unalaska, and Akutan.

We appreciate the review document and the opportunity to comment, and request the Council consider some potential changes to the program to reduce cost, burden, and uncertainty for active crab processors given the very challenging conditions in the Bering Sea crab fisheries. Very few active processors remain in the fishery, necessitating the Council consider refinements to the program to ensure the future viability of the sector and the crab fisheries. Otherwise, it is possible even fewer crab processors will apply for their processing quota, because they cannot continue to risk losing money in these fisheries.

The program review is clear that custom processing has always existed in the program. As discussed in this and previous reviews, custom processing arrangements are particularly attractive to processing quota holders who want to achieve efficiencies in processing (reduce the cost of capital, labor, and transportation) while maintaining interest in the crab and processed products, especially in remote communities, which is everywhere crab processing exists. However, the original regulations did not anticipate the level of processor shares that would be acquired by people that do not own processing facilities and thus need a processing plant to custom process their crab. The program review indicates 23 entities hold processing quota share (Table 7-3, p. 131) and an increasing percentage of each crab species is being custom processed, about 40% - 100% depending on the species (Figure 7-1, p. 130). But there were only 8 active processors in the program in 2022¹ (Table 8-16, p. 170), 6 of those being shoreside plants, and only 4 of those 6 are currently operating.

As described in the review in Section 3.2 and other recent Council actions, poor global market conditions (higher global crab supply particularly from Russia and Canada; strong US dollar) and other external factors (rising costs; low TAC levels; trade policy) greatly affect the overall crab and groundfish

¹ Compared to the 2011 – 2015 annual average number of active processors (14.6) and the 2006 – 2010 annual average (18.6), Table 8-16, p. 170.

processing capacity in BSAI communities. The rising costs of labor, energy, insurance, borrowing money, transportation, and other capital costs of operating a processing facility in the BSAI, none of which are currently accounted for under the 2005 non-binding price formula used in the current arbitration process, represent a substantial challenge for existing processors and a barrier for new processors, on top of the uncertainty with crab stock status given the rapidly changing and warming marine ecosystem. All of these changes have created significant disruption to harvesters, processors, and dependent communities in the Aleutian Islands and St. Paul, including extremely inefficient operations and high costs to process small volumes of crab. The Council cannot change these circumstances with changes to the crab program regulations, but it can recognize places where added regulatory costs and uncertainty are adding to the current problems.

Overall, the Council should evaluate whether changes to the complicated and costly arbitration system could serve to reduce regulatory costs of the program, which puts the processing sector in an untenable position, especially at low TAC levels. The following does not change the overall structure of the catch share program or the community protections. The Council could consider further review of:

- The process for applying (and withdrawing) for processing quota share. Processors must apply for quota by June 15, months prior to when the TACs for each crab fishery are established. This means processors are guessing whether they will have a viable operation for the coming season. It is also unclear if a processor can decline its IPQ if a small TAC is announced in October, or if they are forced to operate and lose money. Because once a processor applies for and receives its shares, the regulations require them to share-match with harvesters.
- The inability for processors to trigger the arbitration process. Currently only harvesters can require arbitration.
- The inability of the arbitrator to choose a compromise position. The regulations require the arbitrator choose either the harvester or processor proposal during arbitration, despite the opportunity for compromise based on the information provided during the process.
- The lack of records of decisions from arbitration. Currently each arbitration exists in a vacuum with no written record of decision to inform parties as to why the arbiter ruled in favor of a specific party or to inform future parties or arbiters of past precedent.
- The costs of arbitration. These include the costs of the arbitration organization, which every crab quota holder is required to belong to and pay; hiring of a market analyst for each crab fishery; hiring of a non-binding price formula arbitrator; hiring of a share-matching vendor; and several contract arbitrators ready to go if a harvester triggers an arbitration.

The North Pacific Council should acknowledge the current challenges in the crab fisheries, including those that exist from the program regulations developed decades ago. Please consider supporting further evaluation for a more workable fishery, which includes a viable, active processing sector, competitive markets available for fishermen, and communities again supported by the employment and tax revenue that crab processing brings to Alaska. Thank you for the opportunity to comment.

Sincerely,



Julie Decker
President, PSPA