

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2612 SCOMM 114: HOUSE SPEC. COMM ON FISHERIES, 1999-2000

Table 5 – 1999 C/P Directed Yellowfin Sole Fishing

Vessel	Yellowfin sole (mt)	Non - target Groundfish (mt)	Halibut mort. (mt)	Herring (mt)	Red King crab (N)	Bairdi (N)	Other Tanner (N)	Chinook (N)	Other salmon (N)
Endurance	2,241	768	24	0	405	17,900	23,440	0	0
Northern Eagle	3,093	467	6	0	0	756	2,254	0	0
Northern Hawk	2,187	321	8	0	0	1,176	2,429	0	0
Northern Jaeger	2,162	313	1	0	61	927	941	0	0
Arctic Storm	1,948	481	11	0	0	25,556	30,584	0	0
Totals	11,631	2,351	50	0	466	46,314	59,649	0	0
Catch Rates	0.83	0.17	0.00	0.00	0.03	3.31	4.27	0.00	0.00

Table 5 Comments:

1. The PCC Membership Agreement provides that "Members shall annually allocate among themselves the amount of non-pollock groundfish allocations available for directed harvest...in direct proportion to the catch history...in the Base Years [meaning 1995-1997 as identified in the AFA], or during such other year(s) as all Members may agree." (PCC Membership Agreement 1b(i)) At a PCC meeting on January 11, 1999, PCC members agreed that PCC members who had traditionally participated in the directed yellowfin sole fishery (American Seafoods, Alaska Trawl Fisheries, and Arctic Storm) would participate in the 1999 directed yellowfin sole fishery.
2. The AFA "sideboard" on directed yellowfin sole fishing establishes a cap, but does not guarantee that AFA-eligible catcher/processors will be able to harvest any amount of yellowfin sole.
3. The disparity in crab bycatch levels among catcher/processors in the yellowfin sole fishery was likely the result of a difference in the areas being fished. The 1999 crab bycatch rates for the catcher/processor fleet as a whole are below the fishery-wide averages.

Table 6 – 1999 C/P Directed Atka Mackerel Fishing

Vessel	Mackerel (mt)	Non - target Groundfish (mt)	Halibut mort. (mt)	Herring (mt)	Red King crab (N)	Bairdi (N)	Other Tanner (N)	Chinook (N)	Other salmon (N)
American Triumph	564	81	0	0	0	0	0	0	0
Catch Rates	0.87	0.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Table 6 Comments:

1. The PCC Membership Agreement provides that "Members shall annually allocate among themselves the amount of non-pollock groundfish allocations available for directed harvest...in direct proportion to the catch history...in the Base Years [meaning 1995-1997 as identified in the AFA], or during such other year(s) as all Members may agree." (PCC Membership Agreement 1b(i)) At a PCC meeting on January 11, 1999, PCC members agreed that PCC members that had traditionally fished for mackerel would later advise the PCC of their plans for the fishery. This was the extent of any agreement under the PCC with respect to Atka mackerel.
2. The closure of the Aleutian Islands to pollock fishing was a disincentive for some PCC catcher/processors to go to the Aleutians Islands, where they might otherwise have fished for Atka mackerel as well as pollock.

Table 7 – 1999 C/P Vessel-By-Vessel Catch of All Non-Pollock Species

Vessel Name	Pacific Cod	Sablefish BS	Mackerel CA	Mackerel EA	Mackerel WA	Yellowfin sole	Rock sole	Turbot Al	Turbot BS	Arrow- tooth	Flathead sole	Other flatfish
Alaska Ocean	62					23	22		4	17	71	0
American Triumph	162		567	2	12	10	9	2	11	24	60	1
Arctic Fjord	25			0		0	10		0	2	24	0
Arctic Storm	73	0		0		1,948	77		1	3	45	275
Endurance	72					2,241	168		0	0	61	206
Highland Light	1,754			19		13	44		0	23	54	1
Island Enterprise	50			0		0	49		0	1	42	0
Katie Anne	1,350	0		2		0	104		0	9	18	1
Kodiak Enterprise	37			0		1	30		0	3	48	0
Northern Eagle	63	0		0		3,093	125		1	2	82	223
Northern Glacier	1,086	0		0		9	66	0	0	25	111	1
Northern Hawk	139	0		0		2,195	62		2	34	67	146
Northern Jaeger	161			0		2,164	92		1	8	155	121
Ocean Rover	591			0		10	45	0	2	30	190	2
Pacific Glacier	854			0		4	77	0	1	21	92	1
Starbound	74					0	14		0	6	88	1
Total	6,561	0	567	23	12	11,713	995	3	24	209	1,221	979

Table 7 – Continued (2 of 3)

Vessel Name	POP CA	POP EA	POP WA	POP BS	Other Red Rock – BS	SC/NO Al	SR/RE Al	Other rock BS	Other rock Al	Squid	Other species
Alaska Ocean				77	8				0	45	22
American Triumph	6	10	0	1	6	45	1	2	0	67	37
Arctic Fjord									0	0	6
Arctic Storm				0	0				0	0	36
Endurance									0		64
Highland Light	0	1		0		7	0	3	0	1	32
Island Enterprise				17					0	0	8
Katie Anne		3		0	0	3	0	4	0		29
Kodiak Enterprise				0					0	0	9
Northern Eagle				4	0				0	5	76
Northern Glacier		0		1	1	2		1	0	5	40
Northern Hawk				1	2				0	67	55
Northern Jaeger				0	0				0	3	117
Ocean Rover		2		4	2	0		0		5	40
Pacific Glacier		0		1	0	0			0	8	62
Starbound				4	0				0	0	14
Total	6	17	0	110	20	57	1	9	1	206	651

Table 7 – Continued (3 of 3)

Vessel Name	Halibut mortality	Herring	Chinook	Other salmon	Red king crab	Other King Crab	C. bairdi Zone 1	C. bairdi Zone 2	C. opilio Tanner
Alaska Ocean	1	46	493	78				6	
American Triumph	5	12	612	606				2	10
Arctic Fjord	1	3	59	103					
Arctic Storm	11	1	87	67			3,041	22,515	30,596
Endurance	25	0	12		405		13,343	4,509	23,441
Highland Light	8	22	283	235	100		24	67	323
Island Enterprise	1	0	94	34					3
Katie Anne	3	0	119	1	45	378			77
Kodiak Enterprise	1	0	106	25					4
Northern Eagle	7	0	431	105			541	232	2,311
Northern Glacier	10	35	230	286				263	1,671
Northern Hawk	14	5	1,157	294			328	848	2,444
Northern Jaeger	4	0	247	116	62		712	225	1,002
Ocean Rover	14	0	158	262				11	103
Pacific Glacier	9	32	375	76		18		35	92
Starbound	2	32	329	200				7	24
Total	116	191	4,808	2,487	612	396	17,989	28,718	62,103

Catcher Vessel Sideboard Limitations -- General

Summary of AFA Requirements

Two sections of the AFA deal with 1999 sideboard provisions for catcher vessels in the offshore sector.

With respect to crab fisheries, AFA section 211(c)(2)(C) states that "catcher vessels eligible under section 208(b) are prohibited from participating in a directed fishery for any species of crab in the Bering Sea and Aleutian Management Area unless the catcher vessel harvested crab in the directed fishery for that species of crab in such Area during 1997 and is eligible under the license limitation program recommended by the North Pacific Council and approved by the Secretary."

With respect to fisheries other than crab, AFA section 210(c) states "such catcher vessels may participate in a fisheries cooperative that will be in effect during 1999 only if the contract implementing such a cooperative establishes penalties to prevent such vessels from exceeding in 1999 the traditional levels harvested by such vessels in all other fisheries in the exclusive economic zone of the United States."

HSCC Sideboard Provisions

The HSCC Membership Agreement contains the following section concerning sideboard fisheries participation:

a. Limitation on Participation in Fisheries Other Than Pollock: Each Member agrees to identify its traditional fisheries and its historical level of participation in those fisheries. The board shall then determine which vessels and to what extent each Member may participate in each fishery so that the traditional levels of harvest, as defined in Section 205(5) of the Act, by the Members in 1999 does not exceed the traditional levels harvested by section 208(b) vessels in other fisheries in the exclusive economic zone of the United States. The board shall then assign entitlement to participate in a fishery based upon prior participation. Priority shall be based on the extent of prior participation.

Upon the Board of Directors or two or more Members in good standing concluding that a Member may have participated in a fishery in which he was not entitled, Section 4.4 of the Bylaws shall be implemented for a determination of whether there has been an unauthorized participation, and if so, the penalty to be assessed. To determine the proper penalty, the forum shall be guided by the penalties assessed by judicial forums for illegal participation in similar fisheries. All revenue resulting from the assessment of penalties shall be used as determined by the Board of Directors.

While the AFA used a variety of time windows for various purposes, it did not specifically define "traditional." The NPFMC considered a variety of time windows for CV sideboards, and at the June 1999 meeting ultimately chose 1995-1997 for groundfish, 1992-1997 for crab, and 1996 or 1997 for scallops.

Lacking fore-knowledge of how the Council would define specific sideboard restrictions, in January 1999 the HSCC met to engage in a dialogue with other industry associations about fulfilling our AFA sideboard obligations, and to seek their concurrence that our plans provided adequate protection, while allowing us to continue in our traditional efforts in non-pollock fisheries. At the February NPFMC meeting that followed this dialogue, the HSCC made the following statement concerning participation in North Pacific non-pollock fisheries in 1999.

General Statement

- a) Our members will not participate at a greater level of effort in any concurrent fishery in 1999, than the level at which they participated in 1995-1998.
- b) Our members will not enter any fishery in 1999, in which they did not participate during 1995-1998, whether the fishery is concurrent or not."

Additionally, HSCC informed the NPFMC that we would manage concurrent fisheries and non-concurrent fisheries. Concurrent fisheries limits would be based on catch history tonnage during the period of overlap with the normal pollock season (similar to the P. Cod sideboards adopted at the June meeting for mothership sector vessels). Non-concurrent fisheries would be managed based on effort ("days at sea") or an "in/out" test (similar to the opilio sideboard provisions). The fishing plan developed by HSCC was well within the range of sideboard options considered by the NPFMC.

Table 8 – Proposed Catcher Vessel Sideboards

Species	% of '99 TAC	EA/RIR	Average Catch 95-97
Atka Mackerel - Central AI	-	-	-
Atka Mackerel - Eastern AI	0.01%	1	2
Atka Mackerel - Western AI	-	-	-
Arrowtooth Flounder - BSAI	0.72%	822	89
Other Flatfish - BSAI	0.31%	406	94
Flathead Sole - BSAI	0.44%	289	129
Greenland Turbot - Aleutian Islands	0.15%	4	3
Greenland Turbot - Bering Sea	0.26%	13	15
Other Species - BSAI	0.39%	109	87
Pacific Cod (Fixed Gear) - BSAI	0.05%	42	65
* P.Cod (Trawl CVs)-BSAI (97 only)	7.49%	2,882	4899
Pacific Ocean Perch - Bering Sea	0.16%	2	3
* POP - Central AI (96-97 only)	-	-	-
*POP - Eastern AI (96-97 only)	0.05%	1	2
*POP - Western AI (96-97 only)	-	-	-
Other Rockfish - Aleutian Islands	0.21%	1	1
Other Rockfish - Bering Sea	0.58%	2	2
Rock Sole - BSAI	0.36%	367	245
Sablefish (Trawl Gear) - AI	0.35%	2	1
Sablefish (Trawl Gear) - Bering Sea	-	-	-
Sharpchin/Northern Rockfish - AI	0.05%	2	2
Squid - BSAI	0.38%	6	5
Shortraker/Rougheye Rockfish - AI	-	-	-
Other Red Rockfish - Bering Sea	0.36%	1	4
Yellowfin Sole - BSAI	0.18%	318	312

Table 9 – 1999 C/V BSAI Directed Cod Fishing

Species	Catch - All Vessels	Muir Milach	Ocean Harvester	Sea Storm	Tracy Anne
Cod mt	3,470	1,255	335	107	1,773.0
Non target Groundfish mt	217	37	80	0	100.0
Halibut mort. Mt	10	2	5	0	3.0
Herring (mt)	0	0	-	0	0
Red King Crab (N)	0	0	-	0	0
Bairdi (N)	146	0	-	0	146
Other Tanner (N)	45	30	-	0	15
Chinook (N)	0	0	-	0	0
Other Salmon (N)	0	0	-	0	0

Table 9 Comments:

Four vessels landed cod in the BSAI directed cod fishery. Under an agreement reached with MTC and UCB, fishing prior to March 1st was limited to less than 192 mt of cod. Fishing after March 1st was to be treated as an open access fishery (similar to the NPFMC's recommended mothership sector exemption). Had the NPFMC's June recommendation been in effect, the sideboard guideline would have been 2,882 mt. This compares to their 1997 catch history of 4,899 mt. or 7.49% of the CV allocation. Total landings of BSAI cod for 1999 were 3,473 mt.

Table 10 – C/V GAO Groundfish Fishing

Species	Catch - All Vessels	Forum Star	Tracy Anne	Muir Milach
Arrowtooth flounder	28.2	28.2		
Pacific cod	0.9		0.9	
Flathead sole	1.4		1.4	
Rock sole	0.9	0.9		
Dover sole	3.2	2.3	0.9	
Petrale sole	0.0		0.0	
Rex sole	0.0	0.0		
Unidentified rockfish	0.2		0.2	
Pacific ocean perch	14.2		14.2	
Thornyhead rockfish	2.7	0.5	2.2	
Yelloweye rockfish	0.3	0.2	0.1	
Rougheye rockfish	0.6		0.6	
Shortraker rockfish	0.9	0.2	0.7	
Dusky rockfish	38.2		38.2	
Silvergray rockfish	4.3		4.3	
Redstripe rockfish	3.5		3.5	
Sablefish	2.3	0.2	2.2	
Other species	0.9			0.9
Pollock	204.8	176.8		28.1
Squid	0.7			0.7
Halibut	0.7			0.7

Table 10 Comments:

GOA Pollock

Two HSCC vessels landed pollock in the GOA directed pollock fishery. Had the NPFMC's June recommended sideboards been in effect, the sideboard guideline would have been 297 mt. However, one of the two vessels would have been exempt under the 1700 mt criteria. Total pollock landings were 205 mt.

GOA Flatfish

One HSCC vessel landed flatfish in the GOA directed flatfish fishery. This vessel would be exempt under the 1700 mt criteria. Total flatfish landings were 35 mt.

GOA Rockfish

One HSCC vessel landed rockfish in the directed rockfish fishery. Total rockfish landings were 65 mt. This amount is within the catch history constraints that were recommended by the NPFMC in June.

Table 11 – 1999 C/V Bristol Bay Red King Crab

Species	Catch - All Vessels	Muir Milach	Ocean Harvester	Sea Storm
Bristol Bay Red King Crab	87,438	26,527	32,810	28,101

Table 11 Comments:

Three vessels participated in the 1999 Bristol Bay Red King Crab fishery, making one delivery apiece. This was the only crab fishery in which HSCC members participated in 1999. This was a one-delivery fishery with a pre-season GHLL of 10,127,000 lbs. The 41 AFA vessels will be limited to 12.8% under the NPFMC's June recommendation. This would have been 1,296,256 lbs, or 31,616 lb per vessel if managed on an equal trip limit basis. The combined trip limits for the three HSCC vessels would have been 94,848 lbs. Total landings for the three vessels were 87,438 lbs.

Table 12 – 1999 C/V Scallop Fishing

Species	Catch - All Vessels	Forum Star
Scallops	62,881.0	62,881.0

Table 12 Comments:

One HSCC vessel landed scallops in 1999. The preferred alternative recommended by the NPFMC in June would limit the one AFA catcher vessel that also participated in the scallop fishery to the 7.6 percent it harvested of the 1997 scallop fishery. That percentage will be multiplied by the upper end of the state-wide guideline harvest level to determine the actual amount of scallops it will be allowed to harvest under a cap. A projected 860,000 pound GHF would result in the vessel being capped at 65,600 pounds. Total landings of scallops were 62,881 lbs.

Table 13 – VIP Rates: Observed Shoreside Deliveries

VIP rates - Observed
Shoreside Deliveries

OCEAN HARVESTER	TRW	BSA	C	22.31	0.00	0.00	0.00	0.00	0.00	3
TRACY ANNE	TRW	GOA	K	9.64	0.00	0.00	0.00	0.00	0.00	1

Table 14 – 1999 C/V Vessel-By-Vessel Catch of All Species

Species	Catch - All Vessels	Muir Milach	Neahkanie	Ocean Harvester	Sea Storm	Tracy Anne
Atka Mackerel - Central AI						
Atka Mackerel - Eastern AI	20.7	8.1		0.0		12.6
Atka Mackerel - Western AI						
Arrowtooth Flounder - BSAI	2.5	1.5	0.0	0.1	0.1	0.8
Other Flatfish - BSAI	38.9	0.0	0.0	38.8	0.0	0.0
Flathead Sole - BSAI	25.2	0.7	4.9	15.0	4.1	0.5
Greenland Turbot - Aleutian Islands						
Greenland Turbot - Bering Sea	0.0			0.0		
Other Species - BSAI	41.1	17.4	0.5	10.0		13.2
Pacific Cod (Fixed Gear) - BSAI						
* P.Cod (Trawl CVs)-BSAI (97 only)	3,489.1	1,261.9	2.2	342.2	109.8	1,772.9
Pacific Ocean Perch - Bering Sea	2.0	0.0	0.3	0.0	1.4	0.3
* POP - Central AI (96-97 only)						
*POP - Eastern AI (96-97 only)	2.9	0.4		0.0		2.6
*POP - Western AI (96-97 only)						
Other Rockfish - Aleutian Islands	7.0	2.6		0.0	0.2	4.2
Other Rockfish - Bering Sea	1.5	0.3	0.4	0.0	0.7	0.0
Rock Sole - BSAI	70.8	10.7	3.9	1.1	2.0	53.2
Sablefish (Trawl Gear) - AI						
Sablefish (Trawl Gear) - Bering Sea	0.5	0.1	0.1	0.0	0.2	
Sharpchin/Northern Rockfish - AI	18.3	4.3		0.0		14.0
Squid - BSAI	0.2	0.1	0.0	0.0	0.1	0.0
Shortraker/Rougheye Rockfish - AI	0.0	0.0		0.0		
Other Red Rockfish - Bering Sea	0.1	0.0	0.0	0.0	0.0	0.0
Yellowfin Sole - BSAI	0.0		0.0	0.0	0.0	
Pollock - bycatch - AI	0.9	0.5		0.0		0.4
Total Pollock - A1/A2	7,049.9	498.5	2,182.2	1,474.2	2,750.9	144.1
Total Pollock - B/C	1,074.7	0.2		1,074.5		
Chinook	248.1	141.8	49.0	15.6	41.4	0.4
Halibut mortality	9.6	1.8	0.2	4.9	0.1	2.5
Herring	0.0	0.0	0.0	0.0	0.0	-
Other King Crab	60.8	-	-	0.0	-	60.8
Other salmon	57.2	9.0	22.9	0.0	25.3	-
Other Tanner Crab	66.0	29.9		20.0	0.8	15.3
Bairdi Crab	-	-	-	-	-	-

Table 15 – 1999 Product Mix and Total Product Recovery

Product Forms	1998 Product Form Percentage by Weight	1999 Product Form Percentage by Weight
Surimi	42.5 %	46.6%
Deep-Skin Fillets	19.5%	27.8%
Mince	10.5%	5.9%
Fillets	12.9%	3.2%
Roe	5.9%	5.8%
Fish Meal	8.7%	10.7%
Total	100%	100%

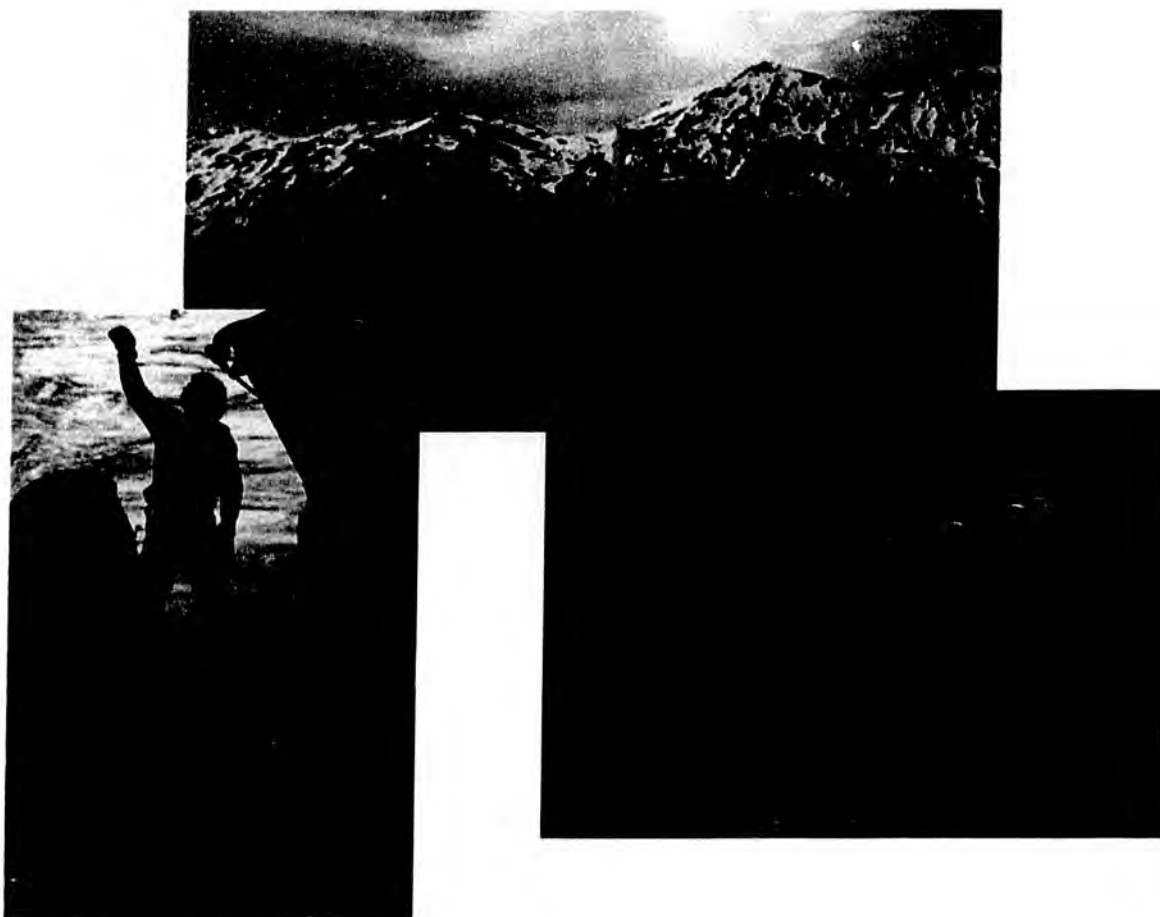
Table 15 Comments:

1. Percentages represent product mix by weight for AFA-eligible catcher/processors in 1998 and 1999.
2. Processing of all pollock allocated to HSCC members was done by AFA-eligible catcher/processors in 1999.
3. Preliminary data indicates that total product recovery increased by more than 20 percent per ton of pollock in 1999 as compared to 1998.



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Partners for Healthy Fisheries



**Preliminary Assessment
of the
Pollock Conservation Cooperative**

December 1999

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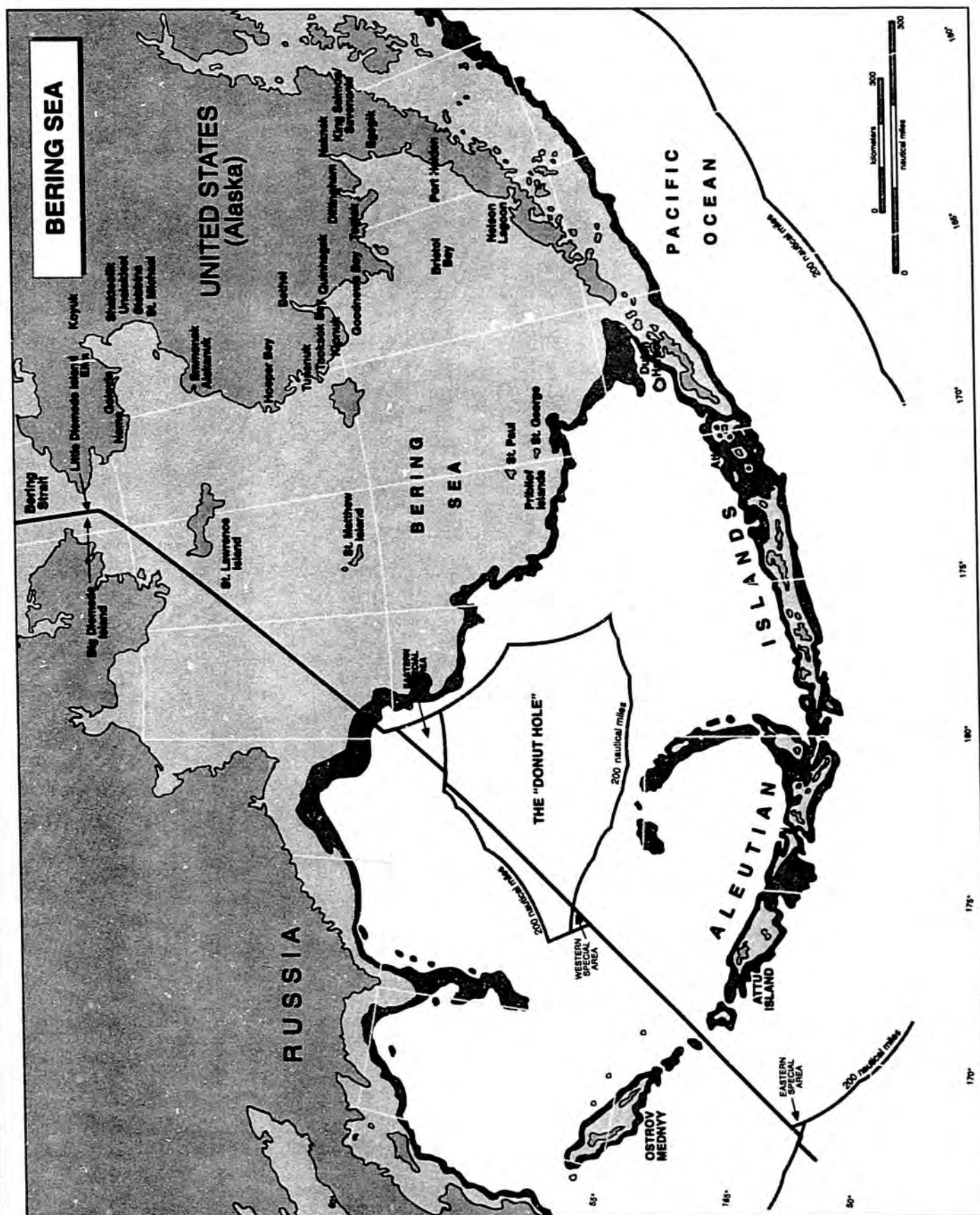
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Description of the Bering Sea/Aleutian Islands (BS/AI) Pollock Fishery.

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Map of the Bering Sea and Western Alaska Communities



Executive Summary

The American Fisheries Act (AFA), enacted in October, 1998, made key changes to the Bering Sea/Aleutian Islands (BS/AI) fishery management structure that facilitated formation of a fish harvesting cooperative for the pollock catcher/processor sector. Two key provisions in the Act that cleared the way for catcher/processors to act cooperatively were creation of a three-sector allocation system and specification of eligible participants in each of the three industry sectors.

The creation of a discrete catcher/processor allocation and the specification of eligible participants in that sector provided the framework necessary for the nine companies operating qualified, U.S.-flag catcher/processor vessels to form the Pollock Conservation Cooperative (PCC). Anticipating that these two key changes to the fisheries management structure would result in a catcher/processor cooperative, Congress also set strict limitations on catcher/processor participation in non-pollock fisheries and imposed numerous other restrictions and obligations on the fleet. These measures avoided "spillover" of catcher/processor capacity to other fisheries.

Participation in the PCC is voluntary. Under the PCC agreement, the participating fishermen limit their individual catches to a specific percentage of the annual quota, or total allowable catch (TAC), that is allocated to their sector, thereby allowing the fishery to be conducted at a more deliberate, rational pace. While participation in the co-op is voluntary, if a single, qualified entrant continued to engage in a race for fish, it would likely undermine collective efforts by the remaining fishing companies to rationalize fishing practices.

PCC members' catch is reported electronically to the National Marine Fisheries Service (NMFS) on a daily basis. Two federal fishery observers are onboard PCC member vessels at all times when fishing and processing operations are underway, providing perhaps the most comprehensive fisheries monitoring and enforcement program in the world. NMFS is responsible for setting the overall TAC for the pollock fishery, closing the fishery when the sectoral allocation is reached. NMFS and the North Pacific Fishery Management Council set season opening and closing dates for the pollock fishery, impose restrictions against fishing in certain areas and at certain times, and set bycatch limits as necessary for non-pollock species. Catch information from PCC vessels is also monitored by a private sector firm, SeaState, that tracks daily catch and bycatch data to ensure that each PCC member stays within its agreed upon harvest limits.

Traditionally, the BS/AI pollock fishery was managed as an "Olympic-style" fishery. Under the Olympic system, fishery managers set an overall quota, but no limit was set on the amount of the harvest that an individual vessel or company could catch. As a result, fishermen and processors raced against each other to catch and process the largest share possible of the common quota. One consequence of this race for fish was overcapitalization, as pollock harvesters and processors continued to increase capacity in an effort to maximize their share of the catch.

The race for fish and attendant overcapitalization created economic and social instability. The PCC is successfully addressing overcapitalization in the catcher/processor sector. In the winter/spring pollock fishing season, 16 of the 20 eligible catcher/processors fished. In the summer/fall fishery, only 14 of the 20 vessels fished. The end of the race for fish is not only reflected in the reduction in the number of vessels. Vessel owners no longer need to invest in equipment that enables vessels to fish, or process fish, faster. Such investments, also called "capital stuffing," contributed greatly to the severe overcapitalization problem in the pollock fishery in the 1990's.

Executive Summary (cont.)

Rationalizing the fishery by matching fishing effort to the available harvest resulted in an average daily catch rate during the 1999 winter/spring pollock fishery that was one-third the rate achieved in the 1998 catcher/processor fishery. The catcher/processors' winter/spring fishery lasted 59 days in 1999 compared with just 26 days in 1998. Remarkably, the catcher/processors' winter/spring seasons more than doubled in length from 1998 to 1999, while the amount of fish available to the sector was nearly halved.

Reducing daily catch rates and increasing season length complemented new regulations issued by NMFS in 1999 intended to reduce any possible impacts of the pollock fishery on Steller sea lion populations. NMFS hypothesizes that dispersing pollock fishing effort over time could benefit Steller sea lion populations that forage for pollock.

The chaotic manner of the Olympic fishery precluded optimal use of fishery resources. The PCC is a promising tool for promoting more effective utilization of fishery resources and enhancing conservation of marine resources. In the 1999 winter/spring fishery, catcher/processors made fewer tows per day and caught fewer fish per tow. Reducing the amount of pollock netted in a single tow can reduce bruising, or other damage, to the fish and enhance product quality. Benefits can be realized as well in processing operations. Under a cooperative, processors operating at an optimal pace can achieve increases in the amount of food derived from each pound of fish harvested and better meet marketplace demands for product forms and product specifications.

Preliminary information indicates that PCC vessels produced approximately 20 percent more fish products on a per pound basis in 1999 than the fleet produced in 1998 in an Olympic-style fishery. While the proportion of fillet-type products to surimi products did not change significantly, there was a substantial change in the type of fillet products made in 1999. Catcher/processors produced a much higher percentage of higher-valued deep-skin fillet products in 1999 than in the previous year and decreased production of lower-valued mince and fillet block products.

The cooperative is expected to address economic problems stemming largely from chronic overcapitalization. Fishing companies, workers and coastal communities were adversely affected as half of the 34 pollock catcher/processors that fished between 1994 and 1998 experienced financial difficulties that either resulted in bankruptcy or forced the sale of the vessel. Although the buyback provisions of the AFA further reduced the fleet's size and resulted in additional layoffs, rationalization of the fishery through a co-op should help companies better control costs and enhance the value of harvested resources.

The 3,000 men and women currently employed in the catcher/processor sector, most of whom are residents of the Pacific Northwest and Alaska, should benefit from the improved economic climate. Crewmember wages, which are usually based on a share of the value of the catch, should be enhanced by a system that results in increased utilization of harvested fish and improved quality of seafood products.

Stabilizing the economic climate for the catcher/processor fleet is not only important to protecting the hundreds of family-wage jobs held by Western Alaska natives onboard catcher/processor vessels, but also to enhancing the value of investments made by Western Alaska Community Development Quota (CDQ) groups in PCC member companies. Three of the six CDQ groups have an ownership interest in PCC companies and vessels. There might be other opportunities for Western Alaska native investment in the fleet as well in the coming months and years.

I. The Pollock Conservation Cooperative (PCC)

A. Background.

In December 1998, nine companies operating qualified, U.S.-flag catcher/processor vessels formed a fish harvesting cooperative, the Pollock Conservation Cooperative (PCC). The PCC followed enactment of the American Fisheries Act (AFA) in October, 1998 (P.L. 105-277, Division C, Section II, Subtitle I.) Although the legal authority to create a catcher/processor cooperative already existed, the AFA made key changes to the Bering Sea/Aleutian Islands (BS/AI) fishery management structure that facilitated formation of a cooperative. The two changes were creation of a three-sector allocation system (inshore, catcher/processor and mothership) and specification of eligible participants in each of the three industry sectors. In anticipation of a catcher/processor pollock cooperative, Congress also set strict limitations on catcher/processor participation in non-pollock fisheries and imposed numerous other restrictions and obligations on the catcher/processor fleet.

The PCC was formed to end the race for fish, which had resulted in overcapitalization and a failure to optimize utilization of the pollock resource. Under the cooperative fishing agreement, the participating fishermen agree among themselves to limit their individual catches to a specific percentage of the annual quota or total allowable catch (TAC) that is allocated to their sector, thereby allowing the fishery to be conducted at a more deliberate, rational pace.

The PCC member companies are:

***Alaska Ocean Seafood, LP
American Seafoods Company
Arctic Storm, Inc.
Highland Light Seafoods, L.L.C.
Trident Seafoods***

***Alaska Trawl Fisheries, Inc.
Arctic Fjord, Inc.
Glacier Fish Company
Starbound Ltd. Partnership***

Traditionally, the BS/AI pollock fishery was managed as an "Olympic-style" fishery. Under the Olympic system, fishery managers set an overall quota, but no limit is set on the amount of the harvest that an individual vessel or company can catch. As a result, historically, fishermen and processors raced against each other to catch and process the largest share possible of the common quota. One consequence of this race for fish was overcapitalization, as pollock harvesters and processors continued to increase capacity in an effort to maximize their share of the catch. During the 1990's, fishermen and processors invested in newer, faster equipment, adding three times the capacity needed to harvest the annual pollock TAC. As a result of this increased harvesting capacity, the TAC, which was taken in 12 months in 1990, was caught in about three months in 1998. The pollock industry suffered numerous bankruptcies and consolidation during the 1990's as a result, in large part, of overcapitalization. Throughout this period, the catcher/processor fleet advocated for an end to the harmful race for fish to resolve the problems created by excess capacity.

In addition to creating economic and social problems, the chaotic manner of the race for fish also precluded optimal use of fishery resources. The experience of catcher/processors in the Pacific Whiting Conservation Cooperative (PWCC), which is similar in purpose and structure to the PCC and includes some of the same members, showed that the rational pace of cooperative fishing can help increase the amount of food and other fish products produced from each pound of fish harvested. Food quality improvements can also be realized, and the bycatch of non-target species can be reduced.

I. The Pollock Conservation Cooperative (PCC) (cont.)

The PCC has submitted a letter to the Department of Justice's Antitrust Division explaining its limited purpose and requesting a business review letter affirming that the cooperative's activities conform to the Nation's antitrust laws and any other applicable laws. The Justice Department response is pending at this time. However, the Department did provide a business review letter in 1997 at the request of the Pacific Whiting Conservation Cooperative. The Antitrust Division's business review letter states in part,

"The Department of Justice has previously stated that reliance on an Olympic race system to gather a fixed quota of fish 'is both inefficient and wasteful' because it is likely to generate 'inefficient overinvestment in fishing and processing capacity'... To the extent that the proposed agreement allows for more efficient processing that increases the usable yield (output) of the processed Pacific Whiting and/or reduces the inadvertent catching of other fish species whose preservation is also a matter of regulatory concern, it could have procompetitive effects."

(May 20, 1997 letter from Assistant Attorney General Joel Klein)

While the PCC was not formed under any specific legislative authority, the AFA expressly authorizes the pollock mothership sector to form a cooperative under the Fishermen's Collective Marketing Act of 1934, and the Act presumes inshore pollock cooperatives will also form under the same authority. The AFA permits mothership and inshore sector cooperatives to operate in 2000, providing time for the North Pacific Council to consider management measures which might be necessary to avoid "spillover" effects from such cooperatives into other fisheries. Other fishing industry sectors are also examining the prospects of forming cooperatives.

C. Monitoring and Enforcement of PCC Activities.

All data used in monitoring PCC pollock and non-pollock fishing activities are obtained from the National Marine Fisheries Service's (NMFS) observer program office. Catch and bycatch data are reported electronically and on a daily basis, which allows for real-time monitoring of individual vessel and overall fleet performance. Catch measurement is precise because vessels are equipped with flow scales, which weigh the fish as it moves along conveyor belts in the factory. Federal fishery observers sample the hauls to determine the amount of bycatch. In 1999, observers sampled 4,704 of 4,797 pollock hauls. NMFS, of course, is responsible for closing the fishery when the sectoral allocation is reached.

The PCC contracts with SeaState, a private sector firm, to track daily NMFS' observer catch data to ensure that each PCC member stays within its agreed upon harvest limits. The PCC agreement imposes significant financial penalties on any company that exceeds its assigned quota. Otherwise, a member that exceeded its quota would be depriving other member companies of their promised allocation. In 1999, there were no enforcement actions taken against any PCC members; members harvested their shares within agreed upon levels. SeaState also monitors NMFS' observer bycatch data. SeaState advises PCC members about bycatch trends and identifies for all members fishing areas to be avoided if vessel reports indicate that high bycatch levels have been encountered.

I. The Pollock Conservation Cooperative (PCC) (cont.)

D. Providing Competitive Markets for Catcher Vessels.

The AFA reserves 8.5% of the catcher/processor sector pollock allocation (or 3.4% of the overall pollock TAC) for seven catcher vessels that historically delivered pollock to catcher/processor vessels. The seven catcher vessels also formed a co-op, the High Seas Catchers' Cooperative (HSCC), in order to rationalize harvesting of pollock by catcher vessels marketing their pollock to catcher/processor vessels. The PCC membership agreement provides assurances that the catcher vessels will not be disadvantaged in marketing their allotted catch among the nine signatories to the PCC. In 1999, the prices received by catcher vessels were the highest paid in any sector of the pollock industry.

E. Western Alaska Communities and Formation of the PCC.

The PCC membership agreement also reflects a commitment that catcher/processor partners in the Western Alaska Community Development Quota (CDQ) program not be disadvantaged. Companies operating catcher/processors are partners with five of the six CDQ groups that represent 57 Western Alaska coastal villages. The economic interests of the CDQ groups have been protected and enhanced by formation of the PCC. This issue is discussed more fully in Section V of the report.

F. Developing and Funding Marine Research Programs.

The PCC agreement includes a commitment to develop and fund research programs to promote conservation and management of marine resources. The PCC expects to spend up to \$300,000 per year on marine research, including contributing \$100,000 annually for the next three years to the North Pacific Universities Marine Mammal Research Consortium. The Consortium conducts scientific research that seeks to determine the cause of the decline of Steller sea lion populations and to discern what measures, if any, can be taken to aid in the recovery of the species. Furthermore, the PCC has contributed \$25,000 to support marine mammal research projects at the Alaska Sealife Center in Seward, Alaska and has funded a project to catalogue research findings on the impacts of trawl fishing. The PCC is coordinating its scientific program with that of the Pacific Whiting Conservation Cooperative (PWCC). The PWCC has sponsored research on stock assessment information to maintain a sustainable fishery and towards maximizing utilization of the resource while minimizing fishery impacts, such as achieving even lower bycatch. Both the PCC and the PWCC coordinate their research programs with federal and private sector interests.

II. Cooperative Fishing Within the Federal Fishery Regulatory Structure

It is important to emphasize that although the PCC is a private entity, fishing activities are conducted within the context of a comprehensive federal fishery management structure. The cooperative complements the Fishery Management Plan (FMP) for BS/AI Groundfish that was adopted by the North Pacific Fishery Management Council and approved by the Secretary of Commerce.

Federal fishery managers set the total allowable catch (TAC) of BS/AI pollock annually. The TAC is set at, or below, the acceptable biological catch (ABC) level, which is the amount of pollock that fishery scientists and managers determine can be harvested on a sustainable basis. Ten percent of the TAC is allocated to the Western Alaska CDQ program. A percentage of the TAC is held in reserve to account for the anticipated bycatch of pollock by non-pollock fishermen. This set aside amounts to roughly 5 percent of the TAC annually.

The remainder of the TAC, called the directed fishing allowance, is allocated among sectors of the pollock fishing industry. The AFA increased the inshore sector allocation to 50 percent of the directed fishing allowance, a 42 percent increase from its historical level. The catcher/processor sector's allocation was reduced to 40 percent of the directed fishing allowance, including the set aside for catcher vessels delivering to catcher/processors. The remaining 10 percent is available to the mothership sector. Table 1 shows the allocation scheme for Bering Sea pollock that existed during the 1999 fishery.

Table 1. Harvest allocations of Bering Sea pollock for the 1999 fishery.

	Metric Tons	Percent
Acceptable Biological Catch (ABC)	992,000	
Total Allowable Catch (TAC)	992,000	
Community Development Quota (CDQ)	99,200	
Bycatch Set Aside for Non-Pollock Fisheries	46,426	
Directed Fishing Allowance	846,374	100.0
Inshore Sector	423,187	50.0
Catcher-Processor Vessels	309,773	36.6
Catcher Vessels Delivering to C/P Fleet	28,777	3.4
Catcher Vessels Delivering to Motherships	84,637	10.0

The North Pacific Council and NMFS set season opening and closing dates for the pollock fishery, impose restrictions against fishing in certain areas and at certain times, and set bycatch limits for some species, including Chinook salmon. PCC members must comply with these and all other applicable federal laws and regulations, in addition to fulfilling the contractual requirements of the PCC agreement.

III. The American Fisheries Act

A. Three-Sector Pollock Allocation and Identifying Eligible Participants.

By creating a three-sector allocation system for BS/AI pollock and specifying the eligible participants in the catcher/processor sector, the Act facilitated the formation of the PCC. In 1992, the Bering Sea pollock fishery was divided into two sectors—inshore and offshore. The catcher/processor and mothership sectors both participated in the offshore sector. The three-sector split provided for in the AFA separated out the catcher/processor and mothership sectors. The 1997 Justice Department business review letter for the Pacific whiting cooperative cited earlier also stated that existing law allows a sector composed of vertically integrated harvesting and processing components to form a harvest cooperative. Thus, the AFA's three-sector division of the Bering Sea pollock quota created a discrete category for catcher/processor vessels and helped avoid potential complications to forming an offshore cooperative.

The AFA also facilitated formation of the PCC by identifying the existing pollock catcher/processor vessels and limiting participation in the fishery to current participants. A co-op of current participants in a fully subscribed fishery would not be viable if non-pollock fishermen were free to enter the fishery. The new participants would either race to catch fish, undermining efforts by co-op members to rationalize the fishery, or demand catch allowances in a fishery in which they had not previously participated.

B. Reduced Pollock Allocations for the Catcher/Processor Sector.

From 1992-1998, the BS/AI pollock TAC (after reserving pollock for the CDQ program and for the bycatch needs of other fisheries) was split between the inshore sector and the offshore sector. The offshore sector, which included catcher/processor vessels, mothership vessels, and trawl catcher vessels that marketed their catch to at-sea processors, harvested 65 percent of the TAC. The inshore sector harvested 35 percent.

Under the AFA, the inshore sector's share of the TAC was increased from 35 percent to 50 percent and the newly created mothership sector was allocated 10 percent of the pollock TAC, commensurate with that sector's historical production. The catcher/processor sector, which had been processing approximately 55 percent of the overall pollock TAC, was reduced to 40 percent. The Act established a buyback program to retire nine pollock catcher/processor vessels that, on average, processed 10 percent of the TAC annually. Thus, the pollock reallocation provision in the AFA resulted in an "uncompensated" reduction in the catcher/processor sector of 5 percent of the overall pollock TAC. The uncompensated reduction roughly equates to a 10 percent loss of quota to the remaining catcher/processors.

In addition to redistributing a substantial amount of the pollock TAC from the catcher/processor sector to the onshore sector, the AFA increased the CDQ allocation from 7.5 percent to 10 percent of the TAC, a 33% increase. Furthermore, in setting the TAC for 1999, fishery managers also determined that a 10 percent reduction was warranted from the 1998 Bering Sea TAC level. As a result of these three changes, the amount of pollock available to be harvested or processed by the catcher/processor sector declined from about 508,000 metric tons of pollock in 1998 to roughly 333,000 metric tons in 1999, a one-third reduction in the amount of available fish.

III. The American Fisheries Act (cont.)

Fishery managers also reduced the amount of pollock available in the more valuable "A" seasons, which occur during the winter/spring months, from 45 percent of the TAC down to 40 percent of the TAC. In 1998, catcher/processors caught 244,026 metric tons of pollock in the winter/spring fishery. In 1999, only 136,225 metric tons of pollock were available, a reduction of 44 percent from the 1998 level. In evaluating the PCC's performance in its first year, it is important to remember that members faced significantly reduced access to the pollock resource in 1999 from previous years' levels.

C. Reduced Opportunities for Pollock Catcher/Processors in Other Fisheries—Preventing "Spillover" Effects.

While the AFA limits participation in the catcher/processor sector of the BS/AI pollock fishery to 20 catcher/processor vessels, it also limits fishing and processing opportunities for those 20 vessels in other U.S. fisheries. Congress recognized that under a fish harvesting cooperative, a multi-vessel company could achieve economic efficiencies by using less than a full complement of its vessels to harvest the company's co-op share of the BS/AI pollock quota. With a specific quantity of fish reserved for each co-op participant, even a single vessel company would have more flexibility to shift fishing operations between cooperative and non-cooperative fisheries.

To guard against pollock catcher/processor fishing and processing capacity "spilling over" and further capitalizing other fisheries, the AFA imposed the following limits:

- Pollock catcher/processor catches of non-pollock BS/AI groundfish species are capped at the fleet's average harvest percentage in the years 1995-1997. Because non-pollock species are still managed under an Olympic system, there is no guarantee that the PCC vessels will have the opportunity to harvest up to their cap. Other participants in the fisheries can catch those fish as the race for fish for most species continues.
- The Act bars pollock catcher/processors from processing BS/AI crab species and from harvesting any fish in the Gulf of Alaska.
- Opportunities for processing certain groundfish species in the Gulf of Alaska are subject to further restrictions.
- Except for West Coast Pacific whiting, the 20 pollock catcher/processors identified in the Act are prohibited from participating in other fisheries in the U.S. unless the relevant regional fishery management council grants specific authority.
- Eight of the nine catcher/processors that were retired from the pollock fishery under the Act's buyout program were scrapped.

IV. The PCC and the 1999 BS/AI Pollock Fishery

Although only in its first year of operation, the PCC appears successful in resolving overcapitalization in the catcher/processor sector, while promoting more effective utilization of fishery resources and enhancing conservation of marine resources. However, caution should be exercised in drawing too many conclusions at this early date. Environmental conditions are constantly changing and such changes in weather, ocean temperatures and currents affect fishing patterns and performance from year to year. In addition, market conditions change, which affects business activities. And the composition of the catcher/processor fleet changed radically from 1998 to 1999, which makes it more difficult to compare the catcher/processor fleet's performance under an Olympic system with its co-op experience.

The task of comparing fishing activities under the co-op with previous years' experience is further complicated because NMFS significantly changed management regulations for the 1999 BS/AI and Gulf of Alaska (GOA) pollock fisheries. The purpose of the new regulations was to insure that the pollock fisheries do not jeopardize the recovery of endangered Steller sea lions or adversely modify sea lion critical habitat. NMFS' measures disperse fishing effort temporally and spatially and exclude pollock fishing around rookeries and haulout sites. These measures caused all pollock fishermen to fish in different areas and at different times of the year than in previous pollock seasons and aggregations of pollock and non-pollock species were unknown.

The following measures directly affected the catcher/processor fleet. First, the Bering Sea pollock fishery is now divided into four seasons. In previous years, the fishery had two season openings, one in winter and one in late summer. Second, new rules sharply curtail fishing opportunities within the area designated as sea lion critical habitat. This is significant because in the Bering Sea, critical habitat encompasses over 18,000 square miles, roughly the combined size of Connecticut, Massachusetts and New Jersey. Third, the entire Aleutian Islands management area is now closed to pollock fishing. The closure of the Aleutian Islands management area, most of which is outside sea lion critical habitat, reduces revenues for the catcher/processor fleet by approximately \$22 million annually. As a result of these amendments to the pollock fishery management structure, the areas in which catcher/processors fished and the times when fishing occurred differed significantly between 1998 and 1999.

A. Reducing Fleet Size to Address Overcapitalization.

The AFA's buyout provision, which established a fee on the inshore pollock sector to pay most of the cost of retiring nine catcher/processors from the fishery, was a first step to addressing chronic overcapitalization in the fishery. (Consistent with U.S. government policies to promote sustainable fisheries by addressing the root problem of overcapitalization in many world fisheries, the AFA requires the scrapping of eight of the nine catcher/processors bought out of the fishery.) The Act further addressed the need to reduce over capacity by limiting participation in the BS/AI pollock fishery, including the catcher/processor sector, to current participants.

Implementation of the cooperative was a vital next step for reducing excess capacity. By ending the race for fish, the co-op eliminates the incentive to maintain fishing and processing capacity beyond what is needed to take the available harvest. Two multi-vessel companies have sufficient capacity to harvest their share of the catch during the fishing season without fishing all of their vessels. As a result, some qualified catcher/processors have either not fished at all or sharply reduced their time at sea in 1999. Thus, in the winter/spring pollock seasons, 16 of the 20 eligible catcher/processors fished. In the summer/fall fishing seasons, 14 of the 20 pollock catcher/processors

IV. The PCC and the 1999 BS/AI Pollock Fishery (cont.)

participated in the fishery. One catcher/processor vessel, the *F/T Endurance* operated by Alaska Trawl Fisheries, transferred its summer/fall pollock allocation to other PCC members. PCC members will likely acquire Alaska Trawl Fisheries' share before fishing begins in 2000; the vessel will be retired from U.S. fisheries.

There is additional evidence of rationalization and de-capitalization in the business relationships between certain catcher vessels and the catcher/processor sector. The AFA provides that 8.5 percent of the catcher/processor sectoral allocation shall be available to catcher vessels that have historically delivered pollock for processing by catcher/processors. Independent fishermen own some of the seven catcher vessels qualified to participate in this subset of the catcher/processor sector. Catcher/processor companies, that had sought to supplement their catch during the race for fish, also own catcher vessels qualified under the AFA for the 8.5 percent set aside. In this latter case, some PCC members chose to harvest some or all of their catcher vessel allocation using their catcher/processor vessel. Such an arrangement is not unlike the decision of multi-vessel catcher/processor companies to tie up unneeded catcher/processors and to catch their PCC pollock allotment with their remaining vessels.

In addition, there have been lease arrangements between independently owned catcher vessels and catcher/processors. In some cases, catcher vessels and catcher/processors have swapped quota, that is, they have exchanged allocations to fish pollock in certain areas or at certain times. Leases and other forms of exchanges have provided catcher vessels the flexibility needed to cope with new sea lion mitigation measures and the ability to enhance safety. Detailed information about the nature and extent of transfers of pollock allocations among vessels is provided in a December 1999 PCC report to the North Pacific Council.

B. Daily Harvest Rates Declined in the 1999 Cooperative Fishery.

In the 1999 winter/spring, or "A," seasons, the 16 PCC catcher/processor fleet's average daily harvest rate was one-third the rate achieved by the 29 catcher/processors operating in the 1998 winter "A" season. Some of the reduction in daily catch rates is obviously a consequence of the reduced fleet size. However, a head-to-head comparison of the daily catch rates of the 16 PCC vessels that fished the 1999 "A" season with the same vessels' daily catch rates under the Olympic system from 1995-1998 shows a 60 percent reduction in daily catch rates for the 16 PCC vessels. (See Figure 1.)

Figures 2 and 3 (pg. 14 and 15) explain the reduction in daily catch. The data show that in 1999 the 16 PCC catcher/processors made fewer tows per day and harvested fewer fish per tow than they did under an Olympic-style fishery. The number of hauls per day by the 16 vessels was reduced by 45 percent from previous years, and the average catch per haul was 27 percent lower. Figure 4 shows a commensurate increase in the length of the catcher/processors' winter/spring "A" seasons to 59 days in 1999 compared with just 26 days in 1998. Remarkably, the catcher/processors' "A" season doubled in length from 1998 to 1999, even though the amount of pollock available to the sector was nearly halved!

IV. The PCC and the 1999 BS/AI Pollock Fishery (cont.)

Data on the frequency and size of tows is not yet available for the 1999 summer/fall pollock fishery. However, there was a similar lengthening of the fishing season. The 92-day summer/fall season length in 1999 contrasts with the 49-day summer/fall fishing season for 1998. What is not known at this early date is how much of the slower pace of fishing is attributable to rationalizing the fishery and how much is a consequence of other factors, such as bad weather or coping with new fishing regulations pertaining to Steller sea lions, but clearly the cooperative had an important effect on spreading out fishing effort.

C. Reducing Catch Per Day Complements Other Conservation Objectives.

One obvious consequence of slowing down the catcher/processor pollock fishery by cooperative fishing is that it fosters NMFS' goal of achieving greater temporal distribution of fishing effort in the Bering Sea pollock fishery. In January 1999, NMFS promulgated regulations to spread the pollock fishery out over a longer period of time. The agency deemed the rulemaking necessary to reduce any potential competition between pollock fishers and Steller sea lions foraging for pollock. NMFS' October 1999 Revised Final Reasonable and Prudent Alternatives for the Pollock Fisheries acknowledged that the rational pace of cooperative fishing complemented the agency's efforts to spread out fishing effort.

D. PCC Members Increased Utilization of Fishery Resources by 20 Percent in 1999.

By the mid-to-late 1990's, there were few new vessels or processing facilities entering the pollock fishery. However, overcapitalization, already evident in the fishery, was exacerbated by "capital stuffing," which is the continuing investment in new equipment to increase the fishing and processing capacity of existing vessels and plants. Absent a race for fish, PCC members need not continue to invest in equipment that enables vessels to fish, or process fish, faster. Processors are now turning their attention to achieving increased utilization of harvested resources, maintaining high quality, and otherwise meeting marketplace needs.

Preliminary information comparing pollock vessels that fished in the co-op in 1999 and under the Olympic system in 1998 indicate that processing operations achieved higher yields under the co-op. A comprehensive analysis of the yield differential is not available at this time; however, data comparing catcher/processors operating in both 1998 and 1999 indicate that the amount of product made by PCC members from a given amount of fish increased by more than 20 percent in 1999.

Cooperative members will continue to innovate and improve performance in a rationalized fishery. Processing facilities onboard some catcher/processors are being revamped. More sophisticated and versatile processing equipment designed to provide market flexibility and enhance utilization is now replacing fish processing equipment that was better suited to increasing throughput, which was necessary in the race for fish. Factory conversions are providing some catcher/processors the flexibility to produce fillets for the domestic market or to mince the fillet into surimi. In the past, some vessels were equipped only to produce surimi.

**Figure 1. Average daily catch for C/P fleet in Bering Sea pollock
A season, 1995-1999**

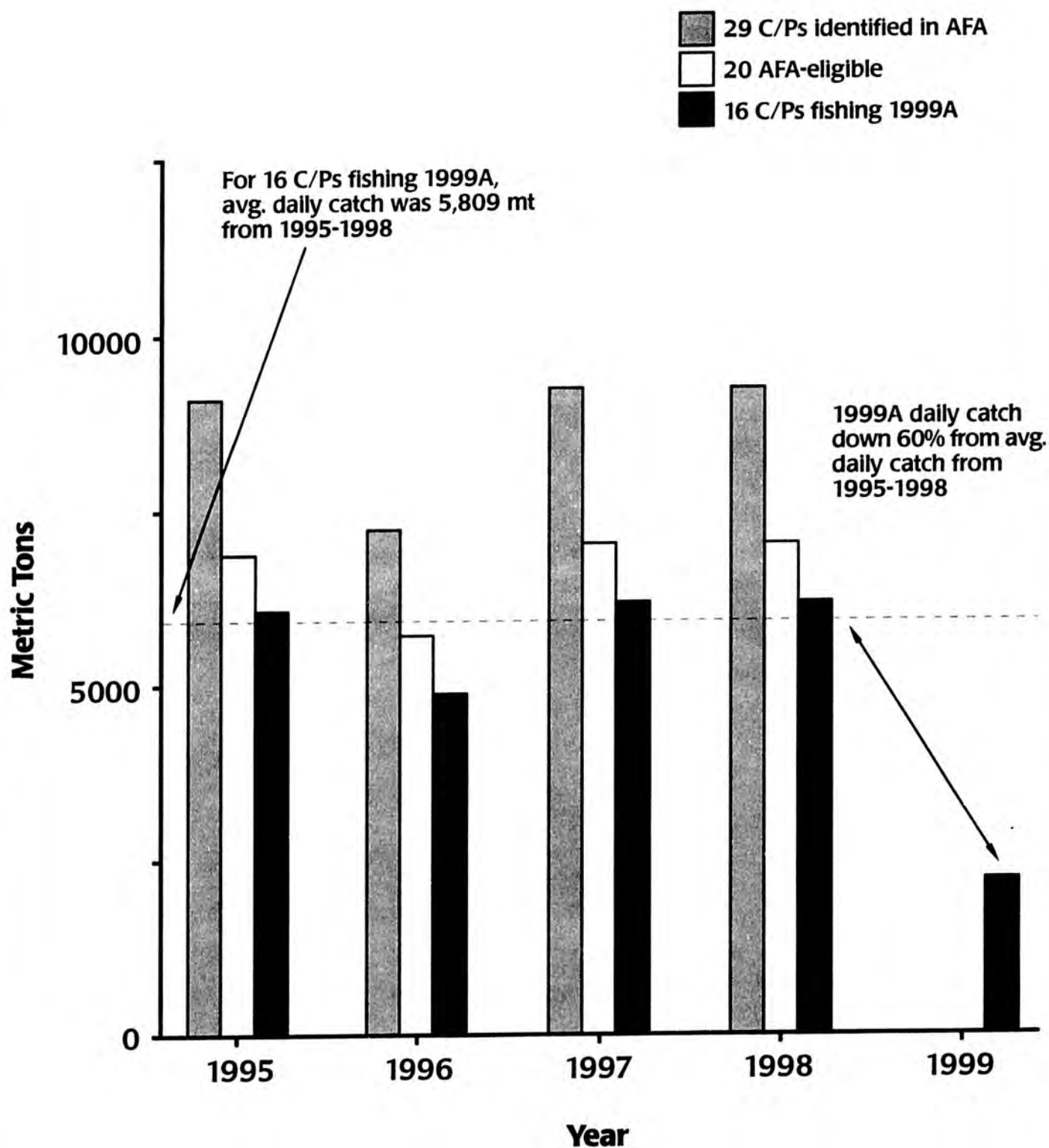


**Figure 2. Fleet-wide avg. hauls per day in BS/AI pollock
A season, 1995-1999**

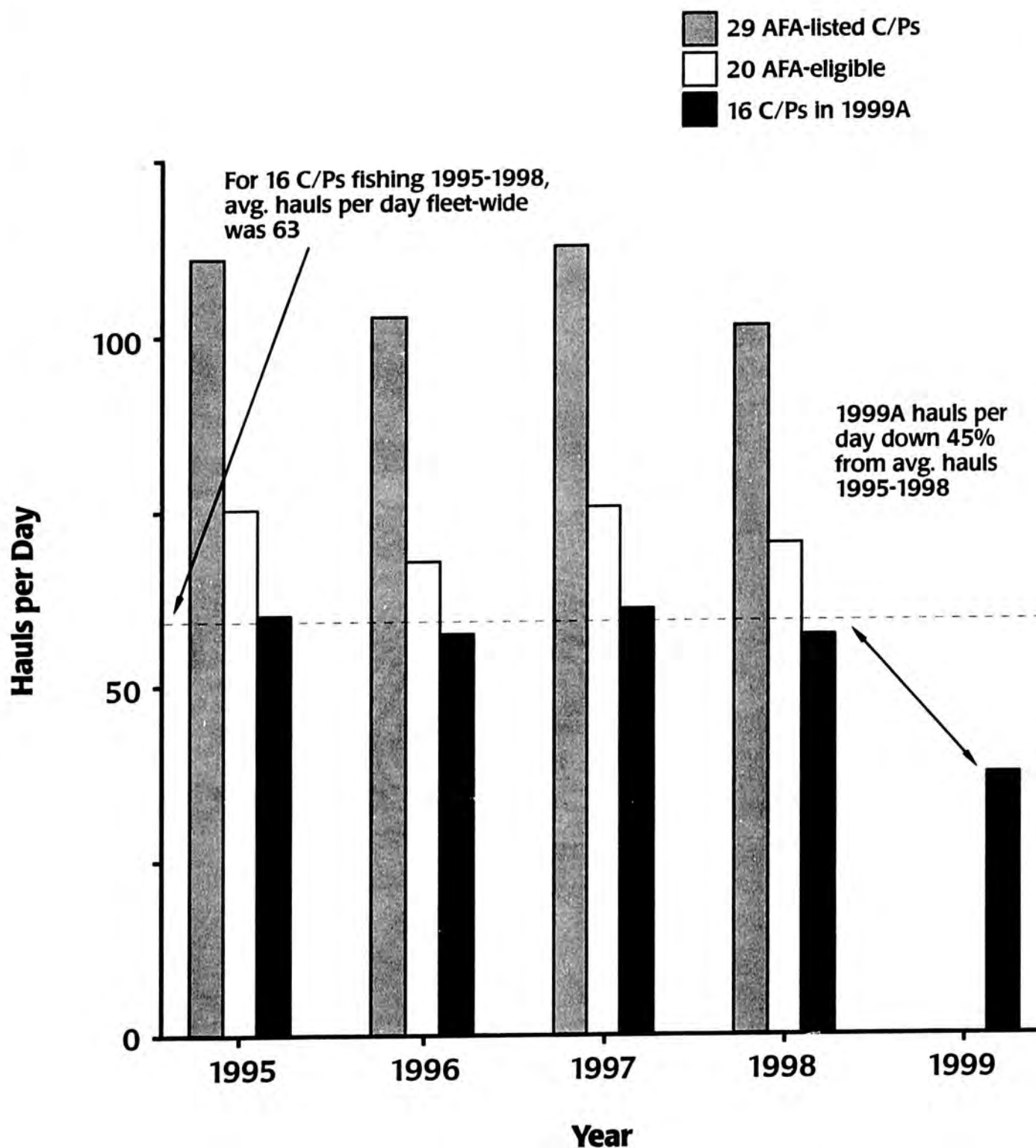


**Figure 3. Average catch per haul for C/P fleet in Bering Sea pollock
A Season, 1995-1999**

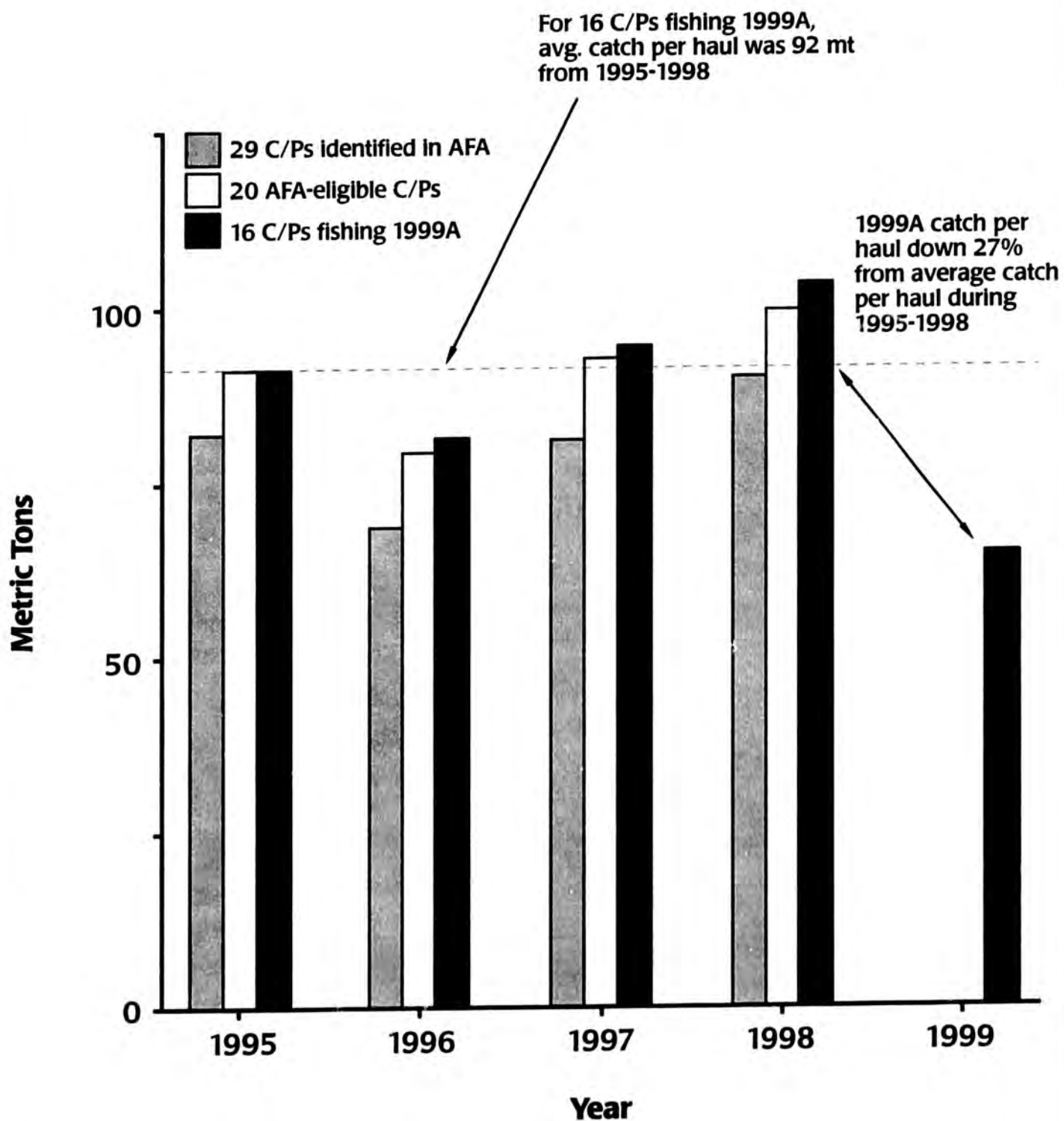
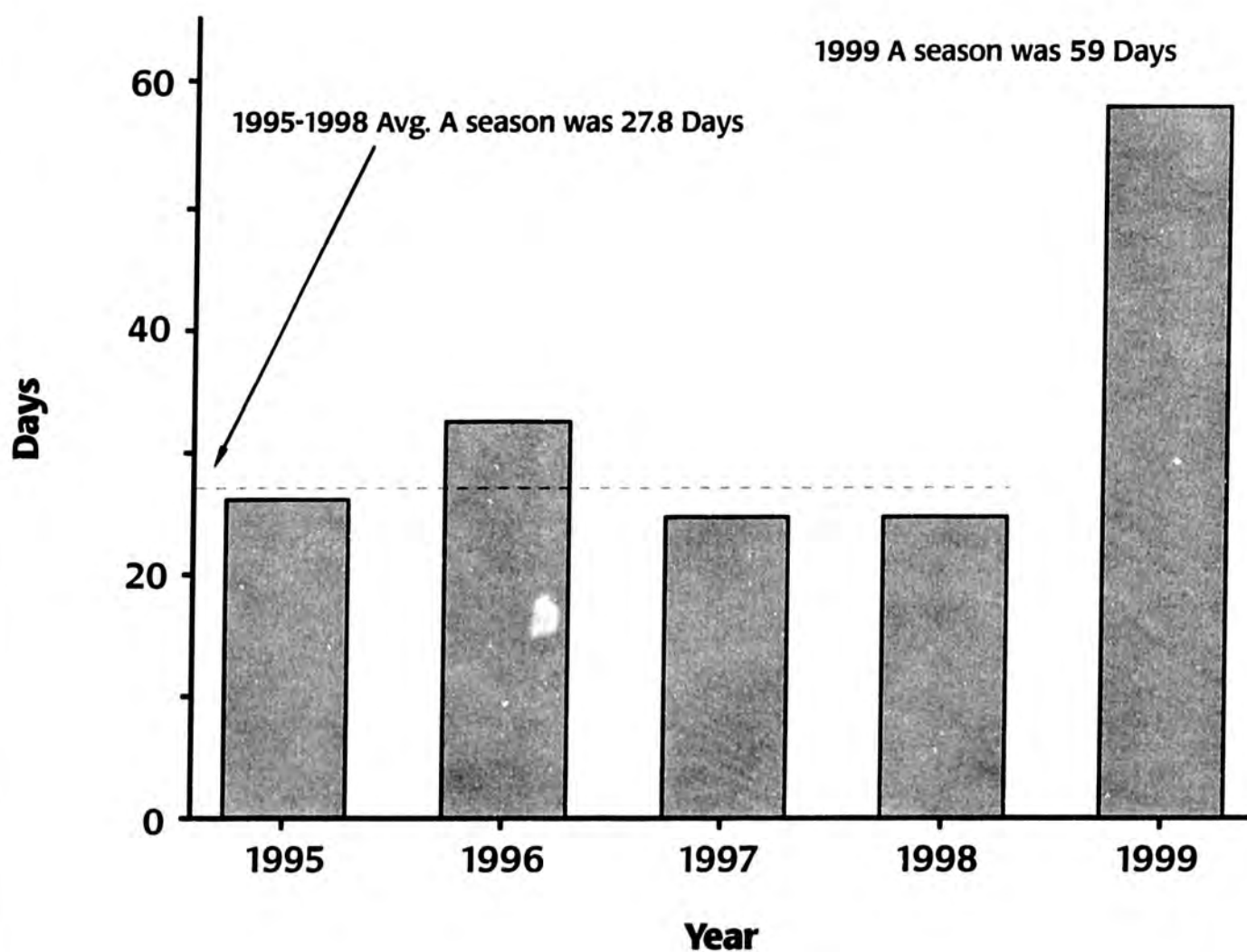


Figure 4. Number of fishing days for C/P fleet in Bering Sea pollock A Season, 1995-1999



IV. The PCC and the 1999 BS/AI Pollock Fishery (cont.)

Catcher/processors are also adding or upgrading mincing machines and decanters, processing equipment that recovers protein that might be inadvertently lost at the initial processing stage. This equipment helps maximize the amount of food produced from each pound of harvested fish. Catcher/processors have used this type of equipment to varying degrees in prior years, but the benefits of increased utilization or recovery through added processing steps had to be weighed against lost throughput in the race for fish. The cooperative places the incentive on enhanced recovery and utilization. Now, when vessel owners consider capital improvements in their food processing facilities, they no longer need to choose between equipment to increase volume and equipment to improve recovery and utilization.

E. Rational Fishing Practices Improved Quality and Utilization of Fish Products and Might Account for Changes in Product Mix.

As shown in Figure 3 above, the 16 catcher/processors that participated in this year's winter/spring pollock fishery averaged 92 metric tons per tow during the 1995-98 winter/spring pollock fisheries. This year, the same vessels averaged 67 tons per tow. By reducing the amount of pollock caught per tow, catcher/processors can improve utilization and enhance product quality. Smaller tow sizes reduce bruising and damage to harvested fish. It is likely that smaller tow sizes contributed to the improvement in the quality of roe products that some industry members have noted in 1999.

In the co-op's first year, there was a significant shift in production away from mince and fillet block products to deep-skin pollock fillets, a higher-valued product form that is currently in strong demand by major U.S. seafood buyers. Changes in fishing operations likely accounted for this effect. The rational pace of fishing allowed vessel captains additional time to locate schools of larger-sized fish that are more suitable for deep-skin production. Also, nets with larger mesh sizes, which enable more juvenile fish to escape, could be used without forgoing catch opportunities. And limiting tow sizes to improve the quality of fish entering the factory contributed to the catcher/processor sector's increased emphasis on producing higher-valued deep-skin pollock fillets. From a fish processing standpoint, the cooperative allows for more exacting processing techniques. The slower pace in the fish processing factory can help ensure more precise cuts and allow for other, more labor-intensive activities that focus on increasing utilization, emphasizing production of higher-valued products and improving quality. As Table 2 (below) shows, the proportional increase in deep-skin fillets was offset by decreases in the percentage of lower-valued mince and fillet-block products that were produced.

Table 2. Product Mix by Weight for AFA Eligible Catcher/Processors for 1998-1999.

Product Forms by Category	1998 Product Forms Percentage by Weight	1999 Product Forms Percentage by Weight
Surimi	42.5 %	46.6%
Deep-Skin Fillets	19.5%	27.8%
Mince	10.5%	5.9%
Fillets	12.9%	3.2%
Roe	5.9%	5.8%
Fish Meal	8.7%	10.7%
Total	100%	100%

IV. The PCC and the 1999 BS/AI Pollock Fishery (cont.)

NMFS product reports also show that catcher/processors continued to produce surimi in amounts almost equal to 1998 production levels despite a one-third reduction in the amount of pollock available to catcher/processors in 1999. And while the amount of food produced increased per pound of pollock harvested, so did fish meal production, suggesting that the slower pace of factory operations allowed fish meal operations to keep pace with food production. More of the inedible parts of the pollock were used to make fish meal, a secondary product that is primarily exported.

F. Low Bycatch in the Bering Sea Pollock Fishery.

Because pollock swim in enormous, dense schools and generally congregate off the ocean floor, there is little incidental catch of non-pollock species in the fishery. In fact, the Bering Sea fishery is recognized as one of the cleanest fisheries in the world. Recent changes to the management system to prohibit bottom trawling for pollock and to require retention of all pollock and cod harvested were intended to further reduce bycatch and to increase utilization of the pollock resource.

In 1999, there was a 1.1 percent bycatch rate of non-pollock groundfish by vessels participating in the catcher/processor sector of the Bering Sea pollock fishery. Incidental catches of species reserved for non-trawl fishers, including halibut and crab, were also low. The halibut bycatch rate for the catcher/processor sector was 0.0001, or one pound of halibut caught for every 10,000 pounds of pollock harvested. A complete accounting of the bycatch amounts for each PCC vessel is included in a December 1999 PCC report to the North Pacific Council.

V. Coastal Communities and Economic and Social Stability

The U.S.-flag catcher/processor fleet contributed substantially to the phase out of foreign-flag vessels from the U.S. 200-mile Exclusive Economic Zone (EEZ) off Alaska. By 1989, the newly built American fleet supplanted the foreign fleet, which had conducted extensive harvesting and processing operations for pollock and other groundfish species. New onshore pollock plants increased processing capacity substantially in the early 1990's and the number, size and capacity of catcher vessels also dramatically increased.

In relatively short order, the Olympic-style race for fish, which promoted overcapitalization in the pollock fishery, sparked allocation disputes among various, competing industry sectors. In 1992, the pollock fishery was divided between the onshore and offshore sectors, with the at-sea processing sector's share of the pollock TAC reduced from the level it had been taking. The effect of this economic setback was exacerbated when the pollock biomass, which peaked in the late 1980's and early 1990's, declined and the TAC was lowered accordingly during the mid-to-late 1990's to ensure sustainable fishing levels. The catcher/processor fleet not only faced increasing costs from overcapitalization and lower production from allocation measures, but declining revenue. Among the reasons for declining revenues was the nearly decade-long recession in the Japanese economy that resulted in steep price declines for surimi products.

Between 1994 and 1998, half of the 34 catcher/processor vessels experienced financial difficulties that either resulted in bankruptcy or forced the sale of the vessel. Bankruptcies or forced sales of assets resulted in consolidation of the fleet among fewer companies. Hundreds of jobs were lost when vessels went bankrupt or sought fishing opportunities abroad. Higher costs, lower revenues and reduced access to the pollock resource threatened the long-term job security of the remaining workers.

As noted above, the AFA further reduced the fleet size, providing for a buyout of nine of the 29 catcher/processors that participated in the fishery in 1998. To mitigate the impact of the buyout on workers, American Seafoods Company, which owned the retired vessels, provided generous severance packages to key crewmembers. In addition, the company organized an industry job fair to help displaced workers find employment with catcher/processor companies, and conducted workshops to help affected workers gain job search skills.

A. Co-op Impacts on Employment and Wages.

The de-capitalization and reallocation provisions of the AFA imposed significant costs on individuals and companies in the catcher/processor sector. However, formation of the cooperative has mitigated some of these adverse impacts. The co-op appears to be providing a measure of economic and social stability for the PCC member companies and the approximately 3,000 men and women employed in the catcher/processor sector.

Prior to 1999, workers faced shortened fishing seasons and reduced opportunities as companies struggled to deal with chronic overcapitalization, inefficiencies caused by the race for fish and other problems, including low commodity prices for certain pollock products. Crewmember compensation, often computed as a percentage of the value of the vessel's catch, has stabilized, if not increased, as a result of rationalizing the fishery.

V. Coastal Communities and Economic and Social Stability (cont.)

Family wage jobs are being protected because:

- Co-op participants are producing as much as 20 percent more product from each pound of fish harvested;
- Absent a race for fish, if market prices warrant, a vessel operator can shift to processing types of products, such as deep-skin fillets, that are more labor intensive, or for some other reason, take longer to make.
- Conducting fishing and processing operations at optimal speed enables processors to more consistently produce higher-grade products, which enables companies to better compete in the international marketplace.

B. Alaska Coastal Communities and the Catcher/Processor Sector.

The pollock catcher/processor sector generates substantial economic activity in the 57 Western Alaska communities that participate in the CDQ program. In addition, the fleet represents an important source of jobs and revenue in the community of Unalaska, which serves as the fleet's base of operations during the fishing season. The remaining economic benefits accrue principally to non-Western Alaskans employed by the catcher/processor fleet and to companies providing support services, such as Alaska Ship and Drydock in Ketchikan.

1. Western Alaska Community Development Quota Groups.

As noted earlier, the AFA provided a 33 percent increase in the percentage of pollock allocated annually to the CDQ program. Although quota share value fluctuates with changes in the TAC, the annual value of the CDQ quota share is roughly \$22-28 million. In addition, the Act states that cooperative contracts shall require cooperative members to pay the equivalent of the amount due for the State of Alaska's landing tax for any BS/AI pollock not landed in the State. In 1999, PCC members paid almost \$3 million in landing taxes. Under the State's landing tax law, half of the revenue generated from such taxes is shared with the relevant local community.

In addition to the economic support provided to Western Alaska communities by the AFA, the PCC agreement includes a provision ensuring that the co-op arrangement will not disadvantage Western Alaska communities. Evidence to date suggests that the PCC has had a positive impact vis-à-vis Western Alaska and has dissipated any concerns that the co-op might have a negative effect.

One obvious benefit of the co-op has been to enhance the investments held by Western Alaska CDQ groups that have an ownership interest in PCC companies and vessels. The Norton Sound Economic Development Corporation owns 50 percent of Glacier Fish Company and the Bristol Bay Economic Development Corporation owns 20 percent of the *F/T Arctic Fjord* and the offshore catcher vessel *F/V Neahkahnle*. In addition, the Aleutian Pribilof Island Community Development Association recently finalized the purchase of an ownership interest in the *F/T Starbound*. The economic stability resulting from formation of the cooperative directly and positively benefits native groups' investments in the catcher/processor fleet.

V. Coastal Communities and Economic and Social Stability (cont.)

PCC benefits are also being realized at the individual level. Most CDQ partnerships between Western Alaska communities and catcher/processor companies include commitments for the training and hiring of Western Alaskans onboard vessels. In addition, catcher/processor companies, including those without CDQ partnerships, participate in the At-sea Processors Association's Alaska hire program. By increasing the value of fish products produced in both the CDQ and non-CDQ fisheries through formation of the co-op, the family-wage jobs held by hundreds of Western Alaska workers are more secure.

2. City of Unalaska/Port of Dutch Harbor.

AFA provisions retiring nine vessels from the catcher/processor fleet likely resulted in reduced business opportunities for the support sector in Unalaska/Dutch Harbor. And while some vessels are not being fished as a result of de-capitalization under the cooperative, reports from Unalaska residents suggest that the support sector is adapting quickly to servicing the remaining fishing vessels that are operating at a more deliberate pace. With fishing seasons lasting twice as long, catcher/processors are using services more months out of the year. Also, absent the race for fish, vessels stay in port longer when fish products are off-loaded and ship supplies are being purchased and loaded on to the vessel. Vessel activity is less intense, but there is "more of a steady hum" of vessel port calls, according to one local resident.

Appendix "A" - Description of the BS/AI Pollock Fishery

A. The Pollock Resource and Fishery Management Structure.

The pollock fishery, which occurs within the U.S. 200-mile Exclusive Economic Zone (EEZ) off Alaska, is the largest U.S. fishery by volume. Over two billion pounds of pollock are landed annually, while total U.S. fishery landings are approximately 10 billion pounds each year. The BS/AI pollock resource is healthy, and the fishery is managed conservatively to promote sustainable use. In fact, NMFS' October 1999 report to Congress on the status of U.S. fish stocks indicates that none of the BS/AI groundfish species are either overfished or approaching overfished status. The groundfish fisheries are healthy because federal fishery scientists and managers set an allowable harvest level each year and fishing stops when the quota is reached. Accurate catch measurement is assured by a comprehensive set of federal rules, including a requirement that all catch be weighed. There is an extensive federal fishery observer program and observer reports are filed electronically to ensure timely reporting. All fish caught counts against the annual quota.

The pollock resource is harvested using mid-water trawl nets, which are cone-shaped nets towed behind a vessel. Pollock swim in enormous, tightly packed schools and do not co-mingle with other fish species. In a typical tow, pollock comprise 98 or 99 percent of the catch. The United Nations' Food and Agricultural Organization (FAO) identifies the BS/AI pollock fishery as one of the "cleanest" fisheries in the world. To further minimize incidental catch of non-pollock species, known as bycatch, federal fishery regulations prohibit bottom trawling for pollock. Federal rules also require the retention of all pollock (and cod). Discards of those species are prohibited except in very limited circumstances.

U.S. Coast Guard and National Marine Fisheries Service (NMFS) fishery enforcement efforts are complemented by the presence of federal fishery observers onboard vessels. The pollock fishery is subject to one of the most comprehensive observer programs of any fishery in the world. Two fishery observers are stationed onboard every pollock catcher/processor vessel. In 1999, observers sampled 4,704 of the 4,797 pollock hauls. All other vessels 125 feet in length, or greater, are required to carry onboard a federal fishery observer. Thirty percent observer coverage is in effect for catcher vessels under 125 feet in length. Fishing industry members pay the cost of the \$7 million North Pacific fishery observer program.

B. The Pollock Catcher/Processor Sector.

The catcher/processor sector is comprised of 20 U.S.-flag catcher/processor vessels and 7 catcher vessels that market their catch to catcher/processors. Almost 3,000 men and women are employed in the catcher/processor sector. Licensed masters, mates and engineers operate the vessels, which are anywhere from 250 to 360 feet in length. The deck crew conducts fishing operations, and processors work in the factory where the catch is processed into frozen food products. Galley workers prepare four meals a day for crewmembers and there is a housekeeping staff to handle cleaning and laundry chores. The catcher/processor sector provides high-wage jobs. Often, crewmembers are paid a share of the value of the catch, which is made into value-added, primary processed seafood products (generally fillets and/or surimi).

Appendix "A" - Description of the BS/AI Pollock Fishery (cont.)

Over 80 percent of the crewmembers are residents of Alaska and the Pacific Northwest. Typically, workers alternate between two to three-month voyages and spending two to three months at home. During a two-month voyage, a pollock catcher/processor will spend several weeks at sea, fishing, processing and storing finished products in a refrigerated cargo hold, before off-loading the catch and taking on supplies in Dutch Harbor, Alaska. Dutch Harbor is located on the Aleutian Islands chain approximately 800 miles southwest of Anchorage.

In addition to the catcher/processor sector, there is an inshore sector and a mothership processing sector. The inshore processing sector, which is allocated 50 percent of the directed pollock harvest, is comprised of seven processing facilities. Five plants are located onshore—three in Dutch Harbor and one each in Akutan and Sand Point. There are two floating processors, which by regulation must remain anchored at a single location during the pollock fishing season. Approximately 100 catcher vessels deliver pollock to the inshore processing sector. Three processing vessels comprise the mothership sector, which receives 10 percent of the directed pollock catch. Motherships process but do not harvest fish. The vessels are mobile. A fleet of approximately 20 catcher vessels deliver to the three vessels named in the AFA as eligible motherships.

C. Pollock Seafood Products.

Pollock are processed into fillets for fish and chips, fish sandwiches and frozen food products and into surimi, a minced fish product used to make imitation crab and other analog products. Pollock roe, which is available in the winter/spring months, is a valuable product as well. Fishmeal is a secondary product made from inedible parts of pollock. Pollock fillets are consumed primarily in the U.S. and the catcher/processor fleet far outpaces other pollock sectors in producing fillets for domestic consumption. Surimi and pollock roe are largely produced for export with Japan as the principal market. Fishmeal is an important export as well. The annual value of pollock products after primary processing is roughly \$700 million.

TESTIMONY OF CHRIS BLACKBURN, ALASKA GROUND FISH DATA
U.S. SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
MAGNUSON-STEVENSON ACT HEARING
ANCHORAGE, ALASKA – JANUARY 18, 2000

SUBJECT
DEVELOPMENT OF FISHING COOPERATIVES FOR THE GULF OF ALASKA

I appreciate the opportunity to testify to this committee. I am Chris Blackburn, sole proprietor of the consulting firm Alaska Groundfish Data Bank which represents trawl vessels and processing plants in the Gulf of Alaska and Bering Sea.

In this presentation I am representing the portion of the Greater Kodiak Area of Alaska east of 157 degrees longitude west to 140 longitude degrees west as shown on the map in your packet. For simplicity's sake I refer to this area as the Greater Kodiak Area. Beth Stewart who is also speaking today represents the East Aleutian Borough which is west of the Greater Kodiak Area. We support the East Aleutians Borough's proposal. It meets their unique circumstances which are different from the Greater Kodiak Area.

During the fifteen years Alaska Groundfish Data Bank has been in business the harvesting of Alaska's marine resources has constantly changed. I remember when the foreign fleets caught Alaska's pollock and cod and flatfish, when U.S. vessels caught Alaska's marine resources and sold the fish to foreign processors, and the jubilation when all of Alaska's fisheries were harvested by U.S. vessels and processed within Alaska. Senator Ted Stevens helped with, if not initiated, each step in the evolution of Alaska's fisheries.

Alaska is blessed with tremendous marine resources which have been well managed by the North Pacific Fishery Management Council. Alaska's fishing industry, as most fisheries in the U.S., is, with a few exceptions, an open access fishery. Open access is a polite name for "race for fish". Alaska's fisherman take to heart need for sustainable fisheries, need to protect habitat, reduce bycatch, protect sea lions and bring to the dock or the deck of a factory trawler or mothership quality product.

Fishing open access is totally at odds with sustainable fishing, with reducing bycatch, and producing quality products. Open access results in an ever tightening spiral in the race for fish and the evaporation of profits. For example, processors have had to freeze whole Pacific cod and send it to Asian markets for processing, simply because more cod was delivered than the processor could handle. Less than optimal fish may be delivered because the race for fish does not allow waiting until the fish school up or recover from spawning.

As the race for fish intensifies, the fishing seasons shorten and small vessels, considered the most ecologically sound, are left waiting weather and perhaps losing the entire season for a species.

The best science possible is used in managing Alaska's fish, but the management of the fishing fleet effort has remained Neolithic. The American Fisheries Act was a brilliant solution for rationalizing the Alaska pollock fishery. It allows the Bering Sea pollock fishermen to opt out of the race for pollock. The At Sea trawlers who fished as a pollock co-op in 1999 increased recovery (the amount of the fish used) by 20%.

The benefits of co-ops are obvious. Unlike IFQ's co-ops do not privatize a national resource nor is a fisherman who wants to continue fishing open access have to coop. Those who do choose to co-op receive the benefit of having their own quota as contractually arranged in the co-op so that they may fish at the times that are most suitable for the vessel and the processor.

GULF EXCLUDED FROM THE AMERICAN FISHERIES ACT

The Greater Kodiak Area pollock fishery was not included in the final draft of the American Fisheries Act. The Greater Kodiak Area processors and fisherman request that this oversight be remedied.

We ask that the Greater Kodiak Area pollock processors be limited as they were in the Bering Sea. This requires a Congressional Bill. Currently there are seven processors in Kodiak – Alaska Fresh Seafoods, Alaska Pacific Seafoods, Western Alaska Seafoods, Trident Seafoods, Ocean Beauty (aka Kodiak King Crab), International Seafoods, and Cook Inlet Seafoods. Outside of Kodiak the Cook Inlet Seafoods plant in Seward and the North Pacific Processors Cordova plant also process pollock.

We also ask that the bill allow that co-ops be formed if 80% of a processors fleet (the vessels which fished for that processor in 1999) vote to co-op as was done in the Bering Sea.

Because of the great diversity in vessel size and fishing patterns in the Greater Kodiak Area we ask that the qualifying years for vessels be 1995 thru 1999. To qualify as a Greater Kodiak Area co-op vessel, the vessel must have made at least one landing in each of two years. Catch history for the eligible vessels is proposed as the average of the three best years within 1995 thru 1999. Pollock discarded at sea or sent whole to a meal plant cannot be counted in a vessel's catch history. There are no tonnage or landing criteria.

Vessels that are Bering Sea American Fisheries Act vessels may also qualify to co-op in the Greater Kodiak Area of Alaska.

Processors need to be part of the co-op structure. This need was recognized in the American Fisheries Act which named the Bering Sea shorebased plants, motherships and factory trawlers eligible for co-ops. If the processors are not limited they will continue to be overcapitalized which means less profit for the plant and for the vessels. The inevitable outcome will be fewer processors due to mergers or bankruptcy. Hardest hurt will be the small companies and family owned businesses.

If diversity of processors, vessels and product forms are to be maintained in the Alaska coastal communities pollock coops must be available for all pollock processors and vessels. If the ability to develop coops in the Greater Kodiak Area is granted as we propose the coastal communities will have the economic stability necessary to survive.



COMMITTEE:
HOUSE FISHERIES COMMITTEE

DATE:
March 8, 2000

SUBJECT OF MEETING:

OVERVIEW: GULF CO-OPS

SIGN-IN

PLEASE PRINT!

NAME _____

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REPRESENTING

**DO YOU
WANT TO
TESTIFY ?**

[illegible]



COMMITTEE:
HOUSE FISHERIES COMMITTEE

DATE:
March 8, 2000

SIGN-IN

SUBJECT OF MEETING:

OVERVIEW: GULF CO-OPS

PLEASE PRINT!
NAME

ADDRESS (MAILING / ZIP)

PHONE

REPRESENTING

DO YOU
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TESTIFY?

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~~Oliver Holm~~	~~PO Box 3865 Kodiak~~	~~486-6957~~	~~self Fle Sailing~~	X
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Cordova - Ken Roemhilat /
Travis Yarborough



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To: JNU
From: LISA M. VANDYCK
Date: March 08, 2000
Time: 05:04 PM
Message: ALL: Ken Roembild to testify in Cordova

To: JNU
From: LISA M. VANDYCK
Date: March 08, 2000
Time: 05:04 PM
Message: Cordova is online with one to testify... expecting a couple more possibly.

To: JNU
From: LORNA STEELMAN
Date: March 08, 2000
Time: 05:03 PM
Message: Ms Chris Blackburn, Mr. Al Burch, Mr Bruce Schacter are the testifiers so far in KOD, many observers

To: JNU
From: ED TAGABAN
Date: March 08, 2000
Time: 05:02 PM
Message: ALL: Parts for Petersburg Kris Norosz - Observer Arne Euvlog - Observer Gary Morgan - Testify Thanks. Pat/PSG

To: JNU
From: PEG WARREN
Date: March 08, 2000
Time: 04:58 PM
Message: ALL: For now, give me your parts names in a LTNS message. thx. pw

To: JNU
From: MARY BEA BYRNE
Date: March 08, 2000
Time: 04:56 PM
Message: Hi Peg, Kathleen here in Kenai. Am standing by. No parts yet. Ken/ljo

To: JNU
From: Sandra Nelson
Date: March 08, 2000
Time: 04:55 PM
Message: I have a Mr. [redacted] to testify. Sandra/Anc

To: JNU
From: Sandra Nelson
Date: March 08, 2000
Time: 04:53 PM
Message: Ltns parts is still not working. Sandra/Anc

To: JNU
From: PEG WARREN
Date: March 08, 2000
Time: 04:52 PM
Message: ALL: no committee as yet. peg here until marie relieves me. pw

To: JNU
From: Sandra Nelson
Date: March 08, 2000
Time: 04:50 PM
Message: I have 1 part here to testify: Mr. [redacted] Sandra/Anc

To: JNU
From: CHARLENE DITTON
Date: March 08, 2000
Time: 02:39 PM
Message: JUN: please add Homer. thanks/charlene/Homer



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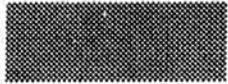
City /St /Zip: Kodiak ak 99615

Bill: Alaska Groundfish Databank

Phone: 486-4422

Affiliation:

Type: Testifier



Kodiak - Mr. Randy Blonden
late arrival - would like to
testify

Introduced by: Scalzi
Date: 02/29/00
Action: Adopted
Vote: 7 Yes, 0 No, 2 Absent

MAR 08 2000

**KENAI PENINSULA BOROUGH
RESOLUTION 2000-013**

**A RESOLUTION TO THE ALASKA CONGRESSIONAL DELEGATION TO
OPPOSE ANY LIMITED RESTRICTIVE MEASURES ON COMMERCIAL
FISH PROCESSORS IN THE GULF OF ALASKA**

WHEREAS, under the American Fisheries Act, the Bering Sea Pollock resource is now closed to any new processors and the ability of fishermen to sell their Pollock product to new markets is severely restricted; and

WHEREAS, there is a movement in the Gulf of Alaska by several processors, represented by the Groundfish Data Bank, to achieve a similar restrictive access to Pollock and other groundfish resources; and

WHEREAS, the testimony to Congress given by the Groundfish Data Bank implies representation of the whole Gulf of Alaska including the Kenai Peninsula; and

WHEREAS, the Kenai Peninsula Borough recognizes fisheries and processing shifts are subject to significant cyclical variations and recognizes its primary processing seaports of Seward, Kenai, Homer and Seldovia have gone through great shifts in processing companies and capacity in the past thirty years; and

WHEREAS, the Kenai Peninsula Borough recognizes that to have the resident or future processors limited to specific species in the Gulf of Alaska would be detrimental to the overall economy of the Kenai Peninsula Borough;

**NOW THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI
PENINSULA BOROUGH:**

SECTION 1. That the Kenai Peninsula Borough strongly urges the Alaska Congressional Delegation to oppose any proposal that would limit the processing opportunities of current or future processors in the Kenai Peninsula Borough.

SECTION 2. That the Kenai Peninsula Borough:

**CITY AND BOROUGH OF YAKUTAT, ALASKA
RESOLUTION 00-05**

A RESOLUTION OF THE CITY AND BOROUGH OF YAKUTAT TO OPPOSE THE FORMATION OF THE GULF OF ALASKA FISHERY/PROCESSOR COOPERATIVES IN THE 140 AND 157 DEGREES WEST LONGITUDE.

WHEREAS, The area in the Gulf of Alaska proposed by the Alaska Ground Fish Data Bank (AGDB) is within the boundaries of the City and Borough Yakutat; and,

WHEREAS, Fisherman/Processors within borough boundaries are reliant upon the resources from the Gulf of Alaska; and,

WHEREAS, The action proposed by the AGDB would limit current and future marine resources in the Gulf of Alaska to fisherman and processors within the City and Borough of Yakutat located from 138 to 144 degrees west longitude; and,

WHEREAS, Restricting access to Pollock and Ground fish stocks in the Gulf of Alaska to local processors would have a detrimental long term economic impacts on the future economic viability of the City and Borough of Yakutat; and,

WHEREAS, Such a broad based resource allocation should never be considered without an economic impact study on affected coastal communities; and,

WHEREAS, The City and Borough of Yakutat was not consulted by AGDB, nor represented at the US Senate Committee on Commerce, Science, and Transportation, Magnuson-Stevens Act Hearing in Anchorage, Alaska on January 18, 2000; and,

WHEREAS, The City and Borough of Yakutat does not support ideas and suggestions made by Chris Blackburn and the AGDB.

NOW, THEREFORE BE IT RESOLVED BY THE BOROUGH ASSEMBLY OF THE CITY AND BOROUGH OF YAKUTAT, that:

SECTION 1: The City and Borough of Yakutat advocates that the Alaska Congressional Delegation oppose any propositions that would limit processing capabilities of current and future processors within the City and Borough of Yakutat.

SECTION 2: The City and Borough of Yakutat supports the Magnuson-Stevens Act and the Regional Council process which is set up for implementing changes to regional fisheries.

CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION**



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

Introduced by: Scalzi
Date: 02/29/00
Action: Adopted
Vote: 7 Yes, 0 No, 2 Absent

MAR 08 2000

**KENAI PENINSULA BOROUGH
RESOLUTION 2000-013**

**A RESOLUTION TO THE ALASKA CONGRESSIONAL DELEGATION TO
OPPOSE ANY LIMITED RESTRICTIVE MEASURES ON COMMERCIAL
FISH PROCESSORS IN THE GULF OF ALASKA**

WHEREAS, under the American Fisheries Act, the Bering Sea Pollock resource is now closed to any new processors and the ability of fishermen to sell their Pollock product to new markets is severely restricted; and

WHEREAS, there is a movement in the Gulf of Alaska by several processors, represented by the Groundfish Data Bank, to achieve a similar restrictive access to Pollock and other groundfish resources; and

WHEREAS, the testimony to Congress given by the Groundfish Data Bank implies representation of the whole Gulf of Alaska including the Kenai Peninsula; and

WHEREAS, the Kenai Peninsula Borough recognizes fisheries and processing shifts are subject to significant cyclical variations and recognizes its primary processing seaports of Seward, Kenai, Homer and Seldovia have gone through great shifts in processing companies and capacity in the past thirty years; and

WHEREAS, the Kenai Peninsula Borough recognizes that to have the resident or future processors limited to specific species in the Gulf of Alaska would be detrimental to the overall economy of the Kenai Peninsula Borough;

NOW THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough strongly urges the Alaska Congressional Delegation to oppose any proposal that would limit the processing opportunities of current or future processors in the Kenai Peninsula Borough.

SECTION 2. That the Kenai Peninsula Borough:

- a. Strongly supports the Magnuson-Stevens Act and the Regional Council process set up for implementing changes to regional fisheries;
- b. Encourages the Alaska Congressional Delegation to demand any Congressional changes to the Magnuson-Stevens Act be reviewed by the appropriate Regional Fisheries Management Council set up for that purpose; and
- c. Requests that any measures regarding restrictive access to fishing or processing in the Gulf of Alaska first be addressed at the North Pacific Fisheries Management Council.

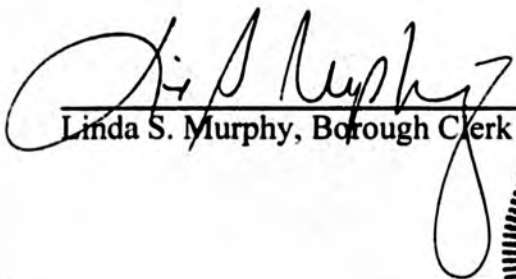
SECTION 3. That a copy of this resolution be sent to Senator Ted Stevens, Senator Frank Murkowski, Congressman Don Young, Senator John Torgerson, Senator Jerry Ward, Senator Georgianna Lincoln, Representative Gail Phillips, Representative Gary Davis, Representative Hal Smalley and Representative Carl Morgan.

SECTION 4. That this resolution shall take effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 29TH DAY OF FEBRUARY, 2000


William Popp, Assembly President

ATTEST:


Linda S. Murphy, Borough Clerk



**CITY AND BOROUGH OF YAKUTAT, ALASKA
RESOLUTION 00-05**

A RESOLUTION OF THE CITY AND BOROUGH OF YAKUTAT TO OPPOSE THE FORMATION OF THE GULF OF ALASKA FISHERY/PROCESSOR COOPERATIVES IN THE 140 AND 157 DEGREES WEST LONGITUDE.

WHEREAS, The area in the Gulf of Alaska proposed by the Alaska Ground Fish Data Bank (AGDB) is within the boundaries of the City and Borough Yakutat; and,

WHEREAS, Fisherman/Processors within borough boundaries are reliant upon the resources from the Gulf of Alaska; and,

WHEREAS, The action proposed by the AGDB would limit current and future marine resources in the Gulf of Alaska to fisherman and processors within the City and Borough of Yakutat located from 138 to 144 degrees west longitude; and,

WHEREAS, Restricting access to Pollock and Ground fish stocks in the Gulf of Alaska to local processors would have a detrimental long term economic impacts on the future economic viability of the City and Borough of Yakutat; and,

WHEREAS, Such a broad based resource allocation should never be considered without an economic impact study on affected coastal communities; and,

WHEREAS, The City and Borough of Yakutat was not consulted by AGDB, nor represented at the US Senate Committee on Commerce, Science, and Transportation, Magnuson-Stevens Act Hearing in Anchorage, Alaska on January 18, 2000; and,

WHEREAS, The City and Borough of Yakutat does not support ideas and suggestions made by Chris Blackburn and the AGDB.

NOW, THEREFORE BE IT RESOLVED BY THE BOROUGH ASSEMBLY OF THE CITY AND BOROUGH OF YAKUTAT, that:

SECTION 1: The City and Borough of Yakutat advocates that the Alaska Congressional Delegation oppose any propositions that would limit processing capabilities of current and future processors within the City and Borough of Yakutat.

SECTION 2: The City and Borough of Yakutat supports the Magnuson-Stevens Act and the Regional Council process which is set up for implementing changes to regional fisheries.

Resolution 00-05

Page 2

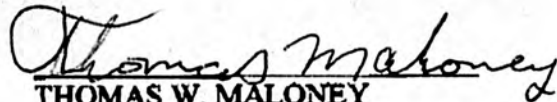
SECTION 3: The City and Borough of Yakutat encourages the Alaska Congressional Delegation to demand any Congressional changes to the Magnuson-Stevens Act be reviewed by the appropriate Regional Fisheries Management Council set up for that purpose.

SECTION 4: That any measures regarding restrictive access to fishing or processing in the Gulf of Alaska first be addressed at the North Pacific Fisheries Management Council.

SECTION 5: Upon passage this resolution shall be sent to Governor Tony Knowles, the Alaska Congressional Delegation, Senator Jerry Maackie and Representative Albert Kookesh.

PASSED AND APPROVED by a duly constituted quorum of the Borough Assembly this 7 day of March, 2000.

ATTEST:


THOMAS W. MALONEY
Mayor

MONA SWANSON
Borough Clerk

SCOMM

114:7

Alaska State Legislature

HOUSE OF REPRESENTATIVES

Rep. Bill Hudson, Chair
Rep. Fred Dyson
Rep. John Harris
Rep. Carl Morgan
Rep. John Whitaker
Rep. Mary Kapsner
Rep. Harold Smalley



State Capitol
Juneau, Alaska
99801-1182
(907) 465-6890 or
465-3744
Fax (907) 465-2273

Special Committee on Fisheries

Monday, February 8, 1999
5:00 PM – 7:00 PM
Room 124

DRAFT AGENDA

I. CALL TO ORDER

II. OVERVIEW: ASMI and Seafood Markets

a. Barbara Belknap, Executive Director, Alaska Seafood Marketing Institute
Overview of Marketplace
Review of ASMI Programs

b. Large Processor Representative - TBA

c. Sandro Lane, President, Taku Smokeries, Juneau, AK
Eric Norman, General Manager, Taku Smokeries, Juneau, AK

III. No Meeting on Monday, February 15, 1999 -- President's Day



Alaska Seafood Marketing Institute - An Overview
Prepared for the Alaska State Legislature Fisheries Committee
By Barbara Belknap, Executive Director
February 8, 1999

The following is a synopsis of ASMI programs. We have full reports on all of our programs available in our Juneau office.

ASMI's mission statement: To create a dynamic, market-driven environment that will expand the global consumption of Alaska seafood by fostering growth opportunities within the food industry through collaborative marketing and quality assurance efforts.

Public Relations:

This program shapes favorable public perceptions of Alaska seafood products, the Alaska seafood industry and ASMI in order to expand awareness of and demand for Alaska seafood. The P.R. program includes providing salmon prices and worldwide salmon market information to the salmon permit holders and others through the Salmon Market Information Service and supporting the development of value-added salmon products with a \$15,000 annual sponsorship of the Symphony of Salmon contest. Program tactics include press releases, newsletters, taking advantage of opportunities in sponsorships or underwriting, having booths at in-state trade shows and Fish Expo in Seattle, developing relationships with various food and health-related organizations, arranging speaking engagement opportunities, overseeing the development of ASMI's homepage, etc. This program also handles (with the Seafood Technical Program) crisis management, i.e., reports of toxins, oil spills, illnesses caused by seafood, etc. Through the homepage, ASMI educates the public about Alaska seafood, provides the Directory of Alaska Seafood Suppliers, disseminates information on quality and the health advantages of Alaska seafood, and – soon – puts out notices of ASMI's marketing programs. (See www.alaskaseafood.org.)

Seafood Technical (Quality):

This very important program develops market oriented quality specifications for Alaska seafoods to be used in developing a high quality image for Alaska seafood in domestic and world markets, and adopts and distributes recommendations regarding the handling of seafood from the moment of capture to distribution. This program serves all of ASMI's programs with technical assistance.

Tactics to accomplish this program's mission include educational materials, videos, workshops, seminars, in-person outreach. ASMI also provides technical assistance on Alaska seafood to the seafood industry, food industry, state and federal government, and the public. This program seeks opportunities to enhance the value of Alaska seafood through educating the public about its health and nutritional benefits. Anything that can assist the industry that has a scientific or technical nature is covered by the Seafood Technical Program. A critical area of importance is also crisis management.

ASMI's **overseas export program** markets Alaska seafood in countries approved and funded by the federal government's Market Access Program (Japan, Taiwan, China/Hong Kong, Australia, and the European Union) with a cash match taken from ASMI assessment revenues. ASMI works in the foodservice (hotels, restaurants and institutions) and retail sectors, educates consumers, conducts trade missions overseas and familiarization tours to Alaska. This program develops new markets for Alaska seafood and maintains and expands traditional markets. Tactics include hotel promotions, in-store demonstrations and promotions, special events, trade shows, educating the trade, recipe development, and other marketing methods.

The **domestic foodservice program** generates increased foodservice demand and product usage via "Alaska seafood" brand-oriented marketing programs. The program works with all aspects of the foodservice industry – the operators, distributors, chefs, waitstaff, recipe development, trade shows. ASMI's programs have been used by virtually every major hotel and restaurant chain in the United States. For instance, this spring, Marriott Hotels will be featuring Alaskan halibut in 160 hotel restaurants across the country through an ASMI promotion. ASMI's foodservice program develops tailor-made promotions for each client.

The **domestic retail program** generates ongoing support for Alaska seafood products and persuades grocery store customers to purchase Alaska seafood products by having current consumers buy more and attracting new consumers. ASMI's programs concentrate on the major grocery store chains in the midwest and southeast, with some work in the west. Rather than spread limited funds throughout the country, ASMI's strategy is to concentrate heavily on regions, expanding as revenues increase. An exception is the Schwann's Alaska seafood promotion. Schwann's delivers meals via truck to hundreds of thousands of customers all over the Lower 48. They have a catalog with a national distribution. ASMI was able to get Schwann's to use six value-added Alaska seafood products and have them use the ASMI logo on the packaging. ASMI's retail tactics include in-store demonstrations and tastings, seasonal promotions throughout all the stores, fishermen in the stores, incentives (trips to Alaska as prizes), trade shows and special events.

New initiatives:

- Takeout project (also known as home meal replacement or HMR) to position Alaska seafood in this fast-growing segment of the food industry
- Proactive communication with environmental groups to educate about Alaska's seafood as a sustainable fishery
- Major public relations campaign to educate consumers that Alaska salmon is not endangered. A common misperception throughout the world is that all wild salmon is virtually extinct.
- Positioning Alaska seafood as an ingredient (i.e., in soups/stews)
- Using the imagery of Ray Troll to emphasize the wild/natural characteristics of Alaska salmon
- Working with the American Heart Association to include Alaska salmon in its logo program
- Educating Alaskans about the U.S. market for Alaskan salmon through the video, *The Salmon Market: Challenges and Opportunities*

CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION**



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

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**Alaska Seafood Marketing Institute
Quantified Performance Measures
Fiscal Year 1999**

Marketing Programs (retail, foodservice, export): Each marketing dollar spent furthers the mission of increasing the awareness, trial and usage of Alaska seafood.

Foodservice:

To be provided at board meetings. The type of measurements cited will depend upon the partner (store, restaurant, hotel, etc.).

- Cost of promotion
- New Alaska seafood item on menu
- Added Alaska seafood items on menu after initial promotion
- Increase in check average for partner
- Did sales continue after promotion?
- Guest counts up during promotion
- Percentage of increase of sales over prior year
- Testimonials – was it a success for our partner?
- Number of pounds sold will be provided if it can be obtained from the supplier.

Retail:

To be provided at board meetings. The type of measurements will depend upon promotion.

- Cost of promotion
- Species and pounds of product moved
- Number of participating grocery chains
- Number of stores represented
- Number of in-store demonstration days/number of samples
- Percentage of sales lift with back-up material on file
- Number of sweepstakes entries
- For canned, volume and percentage increase in sales of canned salmon per Nielsen Marketing Research during promotion
- Percentage of coupon redemption
- Number of new clients (additional stores in chain, new chains, restaurants, industrial partners) for Alaska products reported at board meetings.
- Annual report to board at Fall meeting on incremental gains with existing clients.

Public Relations:

To be provided at board meetings.

- Track number of contacts with media.
- Review number, placement and content of articles about ASMI in Alaska.
- Monitor industry press, trade press, and when possible, general media for number, placement and content of articles about ASMI and Alaska seafood in the United States and overseas.
- Tabulate number of newspapers that pick up ASMI recipe releases and compute circulation/impressions to measure the number of individuals exposed to key Alaska seafood messages.
- Tabulate visits to ASMI homepage before and after revisions to monitor growth and measure ASMI's electronic reach.

Seafood Technical:

To be provided at board meetings.

- Track number and type of training sessions conducted.
- Track number of outreach efforts, e.g., presentations at meetings, mailouts to industry, etc.
- Track number of briefing papers produced by Seafood Technical Program on health and safety and quality-related issues.
- Track type and number of materials ordered.

SMIS

MARKET BULLETIN

November 1998 Issue No. One, Volume 1

An introduction to the McDowell Group

Dear Alaska Fishermen and Women,

The McDowell Group, Inc., is pleased to be the new contractor for the Salmon Market Information Service (SMIS) for Alaska's fishermen. Our team also includes Christianson Communications of Juneau, who will expand the presence and presentation of the program for Alaska fishermen and the state's media. We hope you find our first effort, including the 1998 Season Wrap-up - interesting, educational and useful. Having studied the seafood industry many times over for the past 26 years, we are excited by the opportunity to focus on the world salmon market and Alaska's place in it. This first newsletter represents a transition time, as we continue to identify the sources and types of data that can best serve Alaska fishermen.

We are a full-service research and consulting company based in Juneau and have spent our careers studying the Alaska economy and all of its industries and regions. One of our projects was the Alaska Seafood

Industry Study, the first study to quantify the importance of your industry to the state's economy. The core members of our SMIS team - economist Jim Calvin and market analysts Chris McDowell and Eric McDowell - are lifetime Alaskans. Two of us are former commercial fishermen, power trolling and longlining in the Eastern Gulf for more than 20 years until 1997. In addition to our professional knowledge as researchers, we know first-hand about the impacts of prices, runs, weather, market conditions, fish quality, treaties, politics, currency markets and foreign interception on the ability to make a living from the sea.

In our proposal we suggested a fresh look at the Salmon Market Information Service by asking fishermen the kind, format and frequency of information most useful to you. We will be surveying a sample of fishermen and fisheries organizations and meeting with the ASMI Salmon Marketing Committee at Fish Expo in Seattle in November. We also ask you to call, e-mail or write us with your ideas for making the service as useful to you as possible. As Alaska fishermen experience consequences of the ongoing Asian recession, additional market development is a critical issue for the industry. Already, we plan to provide more information on the European and North American markets. With your input we will recommend to ASMI the kind of publications and information we believe will serve you best.

We look forward to meeting many of you over the next two years. We appreciate the opportunity and privilege ASMI has given us of providing you with Alaska's Salmon Market Information Service.


Jim Calvin, MS
SMIS Economist
Managing Partner


Chris McDowell, BA
SMIS Market Analyst
Research Manager


Eric McDowell, MBA
SMIS Market Analyst
Senior Partner

What's Inside

1998 Season Wrap-up

The Japanese Market

The European Market

The North American Market

Bits and Pieces


McDowell
GROUP

Mail: P.O. Box 2, 000
Juneau, Alaska 99801

Phone: (907) 586-1111

Fax: (907) 586-1112

E-mail: smis@mc-dowell.com

Salmon Market Information Service

1998 Season Wrap-up

Preliminary catch data from the Alaska Department of Fish and Game show a strong year for pinks and chums but weaker returns for the high-value species, especially sockeye. Estimates show a total catch of 149 million salmon in 1998. This is below the 10-year average (164 million fish) but better than last year's 121 million and still 10 million higher than the 20-year average. By weight, pinks and chums account for over three-quarters of this year's harvest poundage - the highest proportion ever.

Ex-vessel value estimates from ADF&G (also preliminary) show a

dollar amount of \$280 million, slightly better than last year but well below the 4-year average of \$390 million for the 1994-1997 seasons. Keep in mind that 1994 and 1995 were record production years, with nearly a billion pounds of salmon landed in 1995.

Sockeye

Sockeye was still king in 1998, but just barely. Although prices closed strong, it was something of a consolation prize for fishermen dealing with the smallest statewide sockeye harvest since 1978. Preliminary ADF&G estimates put the statewide catch at 22.4 million fish, well short of the preseason projection of 36.5 million and less than half the 10-year average of 49 million reds.

The bright spot in the state was Kodiak, where fishermen caught 3.6 million sockeye, beating their projection by 50%.

Bristol Bay fishermen, still smarting from last year, landed just 10 million sockeye. Compare this to the 4-year average of 30 million fish... which includes the dismal 1997 season.

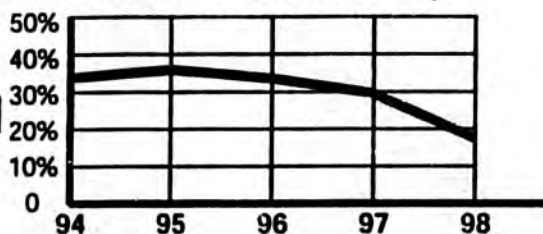
Prices took a big jump when the Bristol Bay fish didn't show. Prices in the bay opened at 50 cents but by season's end were as high as \$1.25. Copper river sockeyes were fetching \$1.50 in July and Southeast gillnet fish closed at \$1.50. Japan wholesale prices (in yen) hit a 6-year high late in July, but softened through October.

Traditionally, sockeyes have been the financial backbone of the Alaska

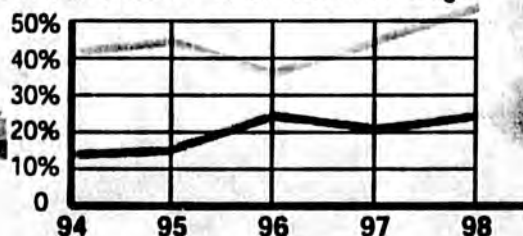
1994 - 1998 Alaska Salmon Harvest
In Millions of Pounds

Species	1994	% catch by weight	1995	% catch by weight	1996	% catch by weight	1997	% catch by weight	1998	% catch by weight
King	12	1%	13	1%	10	1%	12	2%	7	1%
Coho	75	9%	48	5%	47	5%	23	4%	31	4%
Pink	365	42%	432	44%	325	36%	272	44%	367	53%
Chum	131	21%	131	21%	131	21%	131	21%	131	21%
Total Poundage in Millions	867		990		909		625		699	
Total Value in Millions \$	\$489		\$466		\$366		\$274		\$280	

SOCKEYE - % of Total Poundage



PINK & CHUM - % of Total Poundage



1998
Combined,
12%
higher
than any
previous
year

salmon harvest. In recent years (1994 through 1997) sockeyes have accounted for 30% to 36% of Alaska salmon poundage and an average 67% of ex-vessel value. However, that value figure will be closer to 55% this year, as estimates put sockeye poundage at just 18% of the total Alaska salmon harvest.

Chum

The statewide chum harvest of 18.4 million came in almost exactly on projection, mostly due to strong catches in Southeast. The Central region came in slightly under projection, while Westward chum catches were less than half the pre-season projection. Southeast fishermen found plenty of chums though, landing over 15 million fish against a projection of 11.3 million for the region.

According to ADF&G, Southeast seine fish brought 19 cents early in the season and closed at 18 cents in September. Gillnet fish went for 22 cents early in the season and closed at 25 cents. Four out of five chums landed in Alaska were caught in Southeast.

The AYK region was extremely hard-hit by lack of fish this summer, landing just 13% of their chum projection. Yukon gillnetters got a single 3-hour directed opening for chums this year.

Pink

The pink harvest was over 100 million fish again. This is the fifth-largest catch in Alaska history, despite season-long trip limits and buying stoppages on a strong PWS run. Kodiak seiners mopped up, tripling their pre-season projection with over 22 million pinks, despite trip limits late in the season.

Base price for Kodiak and PWS pinks was 12 cents. Southeast seine pinks closed at 14 cents but base price was 12 cents for much of the season.

Last year's modest catch bumped up canned pink prices over the winter (\$27.50/case in February) but with a strong catch this season, prices have declined moderately. Although this year's catch is 30% higher, August frozen holdings are down slightly from



1997, indicating a sizable pack. The Alaska Department of Revenue wholesale price report has 24-talls at \$25-26/case as of August.

There have been two rounds of USDA canned-pink purchases this year. Average prices for the September 28 offer were \$26/case (24-tall basis) and \$25/case for the October 5 offer. Another sale will be finalized early in November. The USDA budget for canned pink purchases is \$8 million this year, up a million dollars from last year. We will have more detail on canned prices and trends in the next bulletin.

Coho

Statewide coho landings were 4.2 million for the 1998 season, down from the 10-year average of 5.9 million but head and shoulders above the 1997 catch of just 2.9 million. The 1998 projection was for 6.3 million cohos statewide.

Southeast fishermen landed 2.8 million cohos, a million more than last year but still short of the projection by 20%. Troll prices started at 75 cents and closed at 90 cents while prices for gillnet fish ranged from 38 to 61 cents over the course of the season.

Landings were off in the Central and AYK regions (less than half of projection) but cohos are not a large portion of the catch in either region. Westward catches were 82% of the projection this year; 800,000 fish.

As of October 1, Japan wholesale prices for frozen troll cohos and frozen farm cohos were almost identical; \$2.50 a pound for troll fish and \$2.53 for farmed fish. From late August through September farmed cohos were ahead, selling for about \$2.80/lb while troll fish were bringing \$2.50/lb.

King

Preliminary ADF&G figures place the 1998 statewide king harvest at just 380,000 fish, one of the lowest ever. Southeast finished the season well short of the king quota with troll effort dampened by low prices and tough weather.

Southeast troll prices early in July were in the \$1.00 range and topped out in early September at \$1.10 -1.20. Prices went up in late September as landings slowed to a trickle and processors began selling on the fresh

Japan Wholesale Sockeye Prices

Tsukiji Market Price, 4-6 lb. Frozen Bristol Bay Sockeye

	Quantity	Yen/Dollar	Dollar/lb.
Apr. 1992	1380	133	\$4.71
Oct. 1992	980	120	\$3.70
Oct. 1993	640	106	\$2.74
Oct. 1994	639	99	\$2.93
Oct. 1995	601	100	\$2.73
Oct. 1996	473	111	\$1.93
Oct. 1997	776	121	\$2.91
Oct. 1998	1220	136	\$4.07

market. One Southeast processor reported paying \$2.25 for winter kings in mid-October.

Copper River gillnetters landed 69,000 kings this year, averaging \$2.14 a pound according to ADF&G. Yukon gillnetters continue to enjoy the benefits of a Japanese niche market (\$2.51 a pound this year) but landed only 42,000 kings against a 4-year average of 110,000.

Japanese Market

Japan is the world's single largest salmon market, consuming over half a million metric tons per year; one-third of the world supply in 1997. For perspective, consider that the total 1997 Alaska harvest was about 283,000 metric tons.*

Sockeye is the value leader in U.S. exports to Japan, accounting for 73 percent last year. With such a large proportion, changes in sockeye harvest and prices have a major impact on Alaska producers. The Alaska sockeye harvest dropped by 20 million fish between 1996 and 1997 and exports of frozen sockeye to Japan decreased by \$120

million. Total U.S. salmon exports to Japan declined from \$524 million in 1996 to \$302 million last year.

Japan has about one-third its "normal" supply of sockeye this year. Alaska sockeye landings are less than half of the 10-year average.

Russian sockeye production is down by one-third from last year and Canadian and Puget Sound landings are less than half of last year. While the shortage has driven wholesale prices to a six-year high, economic conditions in Japan mean that the correlation between scarcity and price is not as strong as in the past.

For Alaska fishermen the weaker yen means less yield in U.S. dollars,

of the long-term recession on Japanese consumers, who have become increasingly price-conscious. Chilean-farmed coho and trout are acceptable, lower-cost alternatives in producing kirimi; the thinly sliced, salted fillets which are a Japanese staple. While consumers prefer sockeye (the wholesale price difference of \$1.50/lb. makes this quite clear) it is expensive this year and they are buying more farmed fish. Japanese import data through August show frozen sockeye imports down 10,000 tons over last year while farmed coho and farmed trout imports are up by 12,000 tons.

* A metric ton is equal to 2,204 pounds.

European Market

Europe consumes nearly three-fourths as much salmon as Japan.

European countries purchased 363,000 metric tons of salmon in 1997, 23 percent of the world supply for the year. Seventy percent of that was imported, with U.S. product accounting for 15 percent (about 36,000 metric tons) of import volume. Most of this (90 percent) is Alaska salmon.

Canned salmon is the value leader in U.S. exports to Europe. Over the last five years, canned product accounted for 69

percent of U.S. export value to Europe. Frozen chums, frozen pinks and a small amount of roe make up the remainder. The United Kingdom buys over half (58 percent) of all U.S. canned sockeye exports and more than a third (37 percent) of all U.S. canned pink exports.



despite the strong wholesale price. For example, the October 1 wholesale price for 4-6 lb. Bristol Bay sockeye on the Tsukiji market was 1220 yen/kilo, or \$4.07/lb. If the exchange rate were at 1994 levels, that same price would translate to \$5.59/lb.

Even more significant is the impact

1997 World Salmon Production

Round Weight - Thousands Of Metric Tons

Species	Farmed	Wild	Total	Alaska Catch	Alaska % of Total
King	10	18	28	5	18%
Sockeye	0	131	131	85	65%
Coho	87	15	102	10	10%
Pink	0	300	300	123	41%
Chum	0	315	315	59	19%
Trout	125	0	125	0	
Atlantic	600	0	600	0	
World Total	830	771	1601	282	18%

As of July, U.S. exports to Europe are down 20 percent from last year. Regional competition with Norway is a factor, but the decline is mostly due to production shortfalls in Alaska. Canned pink exports to Europe are down substantially, but are expected to rebound with the strong harvest this season.

Clearly, the European market is important to Alaska producers. In addition to the UK, two European countries are seen as having strong potential for U.S. salmon exports.

- Italy has been earmarked as an untapped market by the U.S. government. Most salmon imports are from Norway, but U.S. imports rose last year. With growing seafood consumption and a population of 58 million, Italy is a promising market.

- Danish imports of U.S. salmon were off 30 percent last year, attributed to erratic buying patterns by a large supermarket chain which disrupted the market in that country. The problem has been resolved and exports are expected to recover this year. Denmark is a significant importer of frozen chums, pinks and cohos from the U.S.



North American Market

The North American Market (Canada and the U.S.) will be the subject of an article in the next bulletin. American consumption is on the rise and considering the strength of the dollar against other currencies, the domestic market deserves a closer look.

U.S. export data show 40,000 metric tons of American salmon going to Canada in 1997. We will be looking at Canadian market trends, including salmon farming and re-export of canned product to the European market.

Salmon Market Bulletin

A publication of the Salmon Market Information Service.

The Salmon Market Information Service is funded by the Alaska Seafood Marketing Institute from part of the 1% salmon marketing tax paid by Alaska salmon fishermen.

Bits and Pieces

- Outside-coast trollers in Southeast reported net-marked cohos this summer. Pacific Fishing magazine places the percentage as high as 10% in some loads, but ADF&G has not confirmed that with SMIS.
- Roe poundage on the Yukon was about 400 pounds in 1998, down from 86,000 pounds last year.
- The New Zealand market reopened to imports of uncooked fish products after a 15-year ban. Look for repeal of a similar ban in Australia some time in 1999. New Zealand and Australia imported over 12 million pounds of U.S. canned salmon in 1997.

Salmon Market Information Service

P.O. Box 21009, Juneau, Alaska 99802
Phone: 907-586-6126

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Special Committee on Fisheries

5PM

Monday, 3/6/00

Capitol 124

Representative Carl Morgan, Jr. and Representative John Harris, Co-Chairs

1. Call to Order

Today's date is March 6, 2000

The time is

Roll Call – (Quorum – need 4)

Representative Harris, Co-Chair

Representative Morgan, Co-Chair

Representative Dyson

Representative Hudson

Representative Kapsner

Representative Smalley

Representative Whitaker

2. Identify Teleconference Sites

Ask moderator to list sites that have persons who wish to testify.

Three minute testimony will be heard later in the meeting.

3. Purpose of the Meeting

Continuation of Hearing on HB 363

Overview of Aquatic Farm industry

5. Committee Action on HB363

6. Shellfish Overview

INDUSTRY OVERVIEW

- Industry overview of Geoduck Dive Fishery
 - *Gig Decker*
- Overview of Aquatic Farm Industry
 - *Rodger Painter*
 - *Bob Hartley*
 - *Ray RaLonde*

- Industry Efforts to Initiate On- Bottom Aquatic Farming
 - *Rodger Painter*
- Applicant Issues with Agency Reviews of Clam Farming Applications
 - *Ray RaLonde*
 - *Rodger Painter*
 - *Bob Hartley*
 - *Jon Agosti (teleconference)*
 - *Scott Thomas*
- Industry Proposals to Resolve the Issues
 - *Rodger Painter*
 - *Bob Hartley*

AGENCY OVERVIEWS

- Alaska Department of Fish and Game
 Department progress in Aquatic Farm Act program development
 - *Frank Rue, Commissioner; Doug Mecum, Director Commercial Fisheries; Kevin Duffy, Deputy Commercial Fisheries; Ken Taylor, Director, Habitat Division; Confirmed. Scott Marshall, Regional Supervisor, Commercial Fisheries; Tentative.*
 - Alaska Department of Natural Resources
 Department progress in Aquatic Farm Act program development
 - *John Shively, Commissioner, Tentative*
Bob Loeffler, Ric Thompson, Kim Kruse by teleconference from Anchorage. Confirmed.
 - Division of Governmental Coordination
 Division's Role in Coastal Management Program's consistency review process. Numbers of permit application reviewed, issued, appealed, etc.
 - *Mr. Pat Galvin, Director. Confirmed*
7. Others wishing to testify. Please limit testimony to three minutes
 8. Other Business
 9. Adjournment

1-LS1298VH

Utermohle

3/1/00

CS FOR HOUSE BILL NO. 363(FSH)**IN THE LEGISLATURE OF THE STATE OF ALASKA****TWENTY-FIRST LEGISLATURE - SECOND SESSION****BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES**

Offered:

Referred:

Sponsor(s): **REPRESENTATIVES AUSTERMAN, Harris****A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to salmon product reports; and providing for an effective date."

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * **Section 1.** AS 43.80.050(a) is amended to read:

4 (a) A fish processor engaged in the business of selling [THERMALLY
5 PROCESSED] salmon products at wholesale and whose business sells more than
6 240,000 pounds of [THERMALLY PROCESSED] salmon products at wholesale
7 during a calendar year shall submit to the department during the following calendar
8 year, on a form provided by the department, reports of (1) the prices received for and
9 quantity of salmon products sold at wholesale by the processor or an affiliate of the
10 processor; and (2) the quantity of salmon products produced by the processor or
11 an affiliate of the processor [FOR THE SALE OF THERMALLY PROCESSED
12 SALMON]. Not later than May 31 of each reporting year, a processor shall submit
13 a report for the period January 1 through April 30 of the reporting year. Not later than
14 September 30 of each reporting year, a processor shall submit a report for the period
15 May 1 through August 31 of the reporting year. Not later than January 31 of each

1 reporting year, a processor shall submit a report for the period September 1 through
2 December 31 of the reporting year.

3 * Sec. 2. AS 43.80.050(b) is repealed and reenacted to read:

4 (b) A report submitted by a processor

5 (1) under (a)(1) or (c) of this section for sales to buyers that are not
6 affiliates of the processor, must include a description of the products, the total quantity
7 of each salmon product form sold by area of production by species, and the wholesale
8 price received;

9 (2) under (a)(2) of this section for salmon product production, must
10 include a description of the products and the total quantity of each salmon product
11 form produced by area of production by species;

12 (3) under (a)(1), (a)(2), or (c) of this section, must include the
13 requested information

14 (A) for the following salmon product forms:

- 15 (i) thermally processed salmon products;
16 (ii) fresh headed and gutted salmon products;
17 (iii) fresh fillet salmon products;
18 (iv) frozen headed and gutted salmon products;
19 (v) frozen fillet salmon products;
20 (vi) salmon roe products;

21 (B) regarding the total quantity of each salmon product form
22 sold or produced by providing

23 (i) the total number of each size of container in which
24 thermally processed salmon products were sold or produced by the
25 processor or its affiliate; and

26 (ii) the total number of pounds for each of the other
27 salmon product forms sold or produced by the processor or its affiliate.

28 * Sec. 3. AS 43.80.050(c) is amended to read:

29 (c) A sale to an affiliate of the processor may not be included in a report
30 submitted under this section by a processor. However, the processor shall report sales
31 by an affiliate at wholesale of [THERMALLY PROCESSED] salmon products that

1 were [WAS] obtained from the processor. The report must [SHALL] include a
2 description of the products and the total quantity of each salmon product form sold
3 by the affiliate by area of production by species and [BY THE SIZE OF THE
4 CONTAINER IN WHICH THE SALMON IS SOLD AND] the wholesale prices
5 received by the affiliate.

6 * Sec. 4. AS 43.80.055 is amended to read:

7 **Sec. 43.80.055. Wholesale price averages; Alaska salmon price report.** (a)

8 Based on the information provided in reports submitted under AS 43.80.050, the
9 department shall determine the [STATEWIDE] average wholesale prices paid to fish
10 processors and their affiliates for the sale of [THERMALLY PROCESSED] salmon
11 products.

12 (b) The department shall determine under this section the monthly and annual
13 wholesale price averages for

14 (1) each species of [THERMALLY PROCESSED] salmon for each size
15 of the container in which thermally processed [THE] salmon products are [IS] sold;

16 (2) each pound of other salmon products by area of production by
17 species by product form.

18 * Sec. 5. AS 43.80.055 is amended by adding a new subsection to read:

19 (c) The department shall publish the average wholesale prices paid for salmon
20 products in a report entitled the "Alaska Salmon Price Report."

21 * Sec. 6. AS 43.80.060 is amended to read:

22 **Sec. 43.80.060. Report to the legislature.** Not later than the 15th day of each
23 regular legislative session, the department shall make available to the legislature a
24 report of [STATEWIDE] average wholesale [THERMALLY PROCESSED SALMON]
25 prices paid for salmon products. The department shall notify the legislature that the
26 report is available.

27 * Sec. 7. AS 43.80.100(4) is amended to read:

28 (4) "fish processor" means a person engaging or attempting to engage
29 in a business for which a license is required under AS 43.75.010 - 43.75.055; "fish
30 processor" does not include a person engaged solely in secondary processing of
31 salmon products; in this paragraph, "secondary processing" means additional or

supplemental processing performed on salmon products that were purchased at wholesale and for which the fisheries business tax under AS 43.75 was paid by another fisheries business;

* Sec. 8. AS 43.80.100(5) is amended to read:

(5) "reporting year" means the calendar year after the calendar year in which a fish processor's business sells more than 240,000 pounds of [THERMALLY PROCESSED] salmon products at wholesale;

* Sec. 9. AS 43.80.100(7) is amended to read:

(7) "wholesale price" includes all receipts, whether in the form of money, credits, or other consideration, from the sale of a finished [THERMALLY PROCESSED] salmon product at less than retail, without deduction for the costs of property sold, materials used, insurance, labor, services, labeling, transportation, storage, interest, taxes, losses, or any other expense [EXCEPT

(A) CASH DISCOUNTS ALLOWED ON SALES, NOT TO EXCEED TWO PERCENT; AND

(B) COMMISSIONS ACTUALLY PAID TO INDEPENDENT BROKERS, NOT TO EXCEED FIVE PERCENT].

* Sec. 10. AS 43.80.100 is amended by adding a new paragraph to read:

(8) "area of production" means the area in which a salmon product was produced; in this paragraph, "area" means one of the following areas:

(A) Southeastern and Yakutat;

(B) Prince William Sound;

(C) Cook Inlet;

(D) Kodiak;

(E) Chignik;

(F) Aleutian Islands, Atka-Amlia Islands, and Alaska Peninsula;

(G) Bristol Bay; or

(H) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence,

and Kotzebue.

* Sec. 11. Section 12, ch. 37, SLA 1998, is repealed.

* Sec. 12. The uncoded law of the State of Alaska is amended by adding a new section