



# Discussion of Potential IFQ Changes

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# Programs' Goals and Objectives

- Reduce overcapacity
  - Overcapacity is the difference between the maximum amount of fish a fleet can harvest at full efficiency and applicable quota(s)
- Mitigate derby fishing conditions
  - Increase market stability
  - Eliminate quota closures
  - Increase flexibility for fishing operations
  - Improve safety at sea
  - Cost effective and enforceable management of IFQ species
  - Balance social, economic and biological benefits






# IFQ Review Background

- 3 program reviews
  - Red Snapper IFQ 5-year Review: reviewed 2007-2011 data; pub. 2013
  - Grouper-Tilefish IFQ 5-year Review: reviewed 2010-2014 data; pub. 2018
  - Joint Red Snapper and Grouper-Tilefish IFQ Review: reviewed 2007-2018 data; pub. 2021
- National Academy of Sciences “Use of Limited Access Privilege Programs in Mixed-Use Fisheries” (pub. 2021)
- NMFS Annual reports for Red Snapper and Grouper-Tilefish IFQ programs
- Recommendations from Advisory Panels, SSCs, and Council meetings



# Joint Review Conclusions (2012-2018)

Eval.	Criteria	Notes
	Data Collection	<ul style="list-style-type: none"><li>• Further improvement may be needed for accurate price information</li></ul>
	Participation	<ul style="list-style-type: none"><li>• Limited success in reducing overcapacity</li><li>• Increases in vessels harvesting RS</li><li>• Increased participation (allocation holders and dealers)</li></ul>
	Share & Allocation Caps	<ul style="list-style-type: none"><li>• IFQ is not the driver for unequal landings – existed prior to the program</li><li>• Market power not detected – future studies should look at vertical integration</li><li>• Caps do not constrain landings</li></ul>



# Joint Review Conclusions (2012-2018)

Eval.	Criteria	Notes
+	Catch & Sustainability	<ul style="list-style-type: none"><li>• Provides year round fishing</li><li>• ACLs have not been exceeded since programs began</li><li>• RG/GG multi-use primarily used for gag - program may benefit by eliminating multi-use</li><li>• 10% overage and SWG/DWG flexibility measures reduce discards</li><li>• Programs met goal of reducing discards</li><li>• Minimum size limits are main driver of discards</li></ul>
+	Safety at Sea	<ul style="list-style-type: none"><li>• Safety at sea improved, driven by flexibility programs offer of selecting when to fish</li><li>• Expansion of IFQ to other species may further increase safety at sea.</li></ul>



# Joint Review Conclusions (2012-2018)

Eval.	Criteria	Notes
	Price Information	<ul style="list-style-type: none"><li>• Enhanced profitability of fishing through the added flexibilities offered by the programs</li><li>• Ex-vessel prices stabilized after the programs</li><li>• RS ex-vessel prices increased but no similar trend in grouper-tilefish</li><li>• While improved, complete accurate price reporting still remains a challenge<sup>1</sup></li></ul>
	New Entrants	<ul style="list-style-type: none"><li>• Promoting new entrants is inconsistent with LAPP goal of reducing overcapacity</li><li>• Many potential new entrants are already in the program as crew or hired captains</li><li>• Promoting replacement fishermen is consistent with goals of the program</li></ul>

<sup>1</sup>In recent years, only 51-77% of share and allocation prices are representative; Ex-vessel prices are more representative (81-100%). Transfer reasons are often no comment.



# IFQ Themes Discussed

- Modification of programs' goals
- Reducing discards within the IFQ programs
- Transparency and effectiveness of the IFQ share and allocation 'markets'
- IFQ share distribution
- Access, concentration, and control of shares and allocation
- Exploratory innovations
- Loan Program



# Program Goals and Objectives

## Theme Description

The programs have been successful in meeting many of their goals.

Changes in the programs should continue to support market stability, flexibility for fishing operations, and safety at sea.

NMFS policy states that goals should be clear, measurable, and achievable.

## For Discussion

- How can we redefine our goals to be clear, measurable, and achievable?
- Are there new goals or objectives?
- Do we want to modify existing goals or objectives?
- How do we balance social and economic concerns?
  - How do we balance overcapacity with other social and economic goals such as expanding access?





# Reducing IFQ Discards Theme

## Theme Description

The IFQ program eliminated discards due to trip limits and seasonal closures<sup>1</sup>. Discards due to size limits remained (6 species). IFQ program created discards due to lack of allocation.

Multi-species fisheries, like reef fish, target an array of species. This creates discards across the entire fishery. Specifically identified was reducing red snapper discards from fishers targeting groupers.

## For Discussion

- IFQ program has successfully reduced discards for the fishery
- Some tools already exist to reduce discards
  - Gag-red grouper multi-use
  - Flexibility measures for specific SWG and DWG species
  - 10% overage measures
- Are there specific species concerns?
  - Gag – reduction in quota?
  - Red snapper and longlines?
- What is driving discards?
  - Main driver: size limits
  - Secondary driver: Lack of allocation
  - Third driver: ex-vessel value
- Are there tools to address discards?
  - Switch multi-use to red grouper-red snapper
  - Revisit quota banks
  - Full retention
  - Require minimum allocation to go fishing ('choke' allocation)

<sup>1</sup>Exception is the longline gear restriction from June – August inside 35-fathom contour.

# IFQ Market Transparency and Effectiveness Theme



## Theme Description

Finding allocation or shares for sale is often word of mouth, websites, or who you know. An unintended consequence is this may lead to geographical area limitations in transfers.

RS allocation price may be cost-prohibitive. Current price information is often not available for individuals to make determinations of value for shares or allocation.

## For Discussion

- Limited tools exist to show price information
  - Annual reports
  - IFQ newsletter – prices shown twice per year
- Network analysis showed large differences in transfer behaviors among accounts?
  - Some accounts widely transferred across geographical space
  - Other accounts were narrow in number of accounts and geographical space
- Tools to address the market effectiveness?
  - Remove “no comment” option from transfer reasons
  - Create a marketplace within the IFQ system to advertise shares and allocation to buy or sell
  - Create an index in IFQ for most recent allocation or share prices
  - Create a quota bank to offer allocation to participants
    - Potentially seed with NMFS held quota, but would need additional shares to operate



# Share Distribution Themes

## Theme Description

This theme encompassed a wide variety of topics including: inheritance of shares, NMFS held shares, and regional distribution of shares.

Share distribution is entangled with public participation (PP), related account concepts, and access issues.

## For Discussion

- Traditionally, catch shares give out shares once
- Public participation effect:
  - Prior to PP, shares from deceased shareholders had to be sold to permitted shareholders
  - Related accounts increased by 30% after PP
- NMFS holds small amount of shares from Amend. 36A
  - <0.5% per share category
  - Pounds between 291 and 5,576 by category
- Tools to address distribution?
  - Adaptive catch share management<sup>1</sup>
  - Shares of deceased participants returns to NMFS
  - Use NMFS shares to start quota bank
  - Create regional shares and allocation
  - Create gear driven shares or allocation

<sup>1</sup>See example of this concept in the [IFQ Catch Up on Catch Shares newsletter Issue 3](#), p 6-7



# Access, Control, & Concentration Themes

## Theme Description

MSA requires no entity acquire an excessive share or privilege. Control can be restricted through caps on shares, allocation, or landings.

Access for fishers at a reasonable cost appears to be a main driver in IFQ discussions, particularly for key species.

## For Discussion

- Both programs contain share caps, but only GT-IFQ has an allocation cap
  - Review - caps do not constrain landings
  - Review – market power not detected
- Re-examine concentration
  - Study the impacts of vertical integration
- Methods to address access and concentration?
  - Require permit to hold shares and allocation
  - Require landings to hold shares
  - Adaptive catch share management
  - Alternative methods to distribute quota increases
  - Add RS-IFQ allocation cap
  - Replace GT-IFQ allocation caps with vessel landing caps (add RS-IFQ landing vessel cap)



# Loan Program Themes

## Theme Description

The Fisheries Finance Program's (FFP) Harvesting Privileges loans could provide assistance to acquiring shares. All FFP loans have the same terms and changes to terms are Congressionally driven.

While loans can be obtained through traditional methods, the fishing industry and catch shares are not always fully understood by traditional lending institutes.

## For Discussion

- Loan program operates under 46 U.S.C. 53701 authority
  - 25-year max loan term
  - Borrower must be US citizen and meet normal credit requirements
  - Can only loan 80% of cost
- 2018: Loan Authority expanded to include catch share programs
  - Loans must be secured with UCC filings and control of shares
- 2020 IFQ system modified to control shares and track collateral interest
  - Harvesting privileges (shares) will be the primary collateral for the loan.
  - Program may require additional securities pledges
  - All shares are counted against borrower's share cap, even when held by FFP
  - All parties with significant ownership may be required to guarantee loan repayment
- Currently 2 approved loans in operation in our program



# Innovative Explorations Themes

## Theme Description

This theme is a bit of a catch-all. Are there innovative ideas that can be explored prior to implementation to improve the program in relation to any of the above ideas?

What avenues are open to explore concepts within the IFQ programs? What additional information may be needed to better understand how IFQ functions?

## For Discussion

- Exempted fishing permits (EFP) and/or research set asides (RSA) are methods to explore innovative ideas
- Require quota to implement either EFPs or RSAs
- More information is needed for administration and oversight of any EFP or RSA
- How would the Council like to use RSA or EFPs?
- Species specific ideas?
- Quota related concepts?
  - Changes in quotas
  - Sector allocation affects
  - Quota utilization
- What drives prices?
  - IFQ and non-IFQ factors
- How does 'IFQ generations' affect stakeholders perceptions?
  - Original stakeholders
  - Stakeholders joined prior to public participation
  - Stakeholders joined after public participation



# Questions for Council

- Are there additional themes or priorities we have overlooked?
- Would you recommend excluding any of the themes discussed?
- Are there any administrative changes that would aid in investigating these or other themes?
- Which themes should be prioritized for future Council action?
  - Is there further information needed to make these choices?

# Themes Summary

Theme	Potential Actions or Ideas	
Programs Goals & Objectives	<ul style="list-style-type: none"> <li>Refine goals and objectives to meet today's social and economic concerns</li> </ul>	<ul style="list-style-type: none"> <li>Explore consequences, if any, of replacement fishermen</li> </ul>
Reducing IFQ discards	<ul style="list-style-type: none"> <li>New multi-use considerations</li> <li>Quota bank</li> </ul>	<ul style="list-style-type: none"> <li>Full retention</li> <li>Minimum allocation threshold</li> </ul>
Market Transparency Effectiveness	<ul style="list-style-type: none"> <li>Modify transfer reasons<sup>1</sup></li> <li>Quota bank</li> </ul>	<ul style="list-style-type: none"> <li>Create IFQ marketplace<sup>2</sup></li> <li>Create IFQ index<sup>2</sup></li> </ul>
Share Distribution	<ul style="list-style-type: none"> <li>Adaptive catch shares</li> <li>Quota bank</li> </ul>	<ul style="list-style-type: none"> <li>Deceased shareholder's shares</li> <li>Regional shares/allocation</li> </ul>
Access, Control, & Concentration	<ul style="list-style-type: none"> <li>Permit requirements</li> <li>Landings requirements</li> <li>Adaptive catch shares</li> </ul>	<ul style="list-style-type: none"> <li>Quota increase distributions</li> <li>Allocation/vessel caps</li> </ul>
Innovative Exploration	<ul style="list-style-type: none"> <li>RSA or EFP ideas</li> <li>Quota explorations</li> </ul>	<ul style="list-style-type: none"> <li>Price exploration<sup>2</sup></li> <li>Generational explorations<sup>2</sup></li> </ul>
Loan programs	<ul style="list-style-type: none"> <li>Likely limited to action from Congress</li> </ul>	

<sup>1</sup> May require Council action – may be administrative

<sup>2</sup> Administrative changes or explorations thru grants – best to solicit input from stakeholders on topics

<sup>3</sup> Informational only





# Additional question





# Background Material - Fisheries Finance Program Information





# Fisheries Finance Program

- Direct government loan program
  - The program is designed to assist those in the commercial fishing industry
- Offers 4 different types of loans
  - Fishing vessel loans
  - Fisheries processing facilities loans
  - Aquaculture and Mariculture facilities loans
  - **Federal Harvesting Privileges loans**

In addition the program is able to reimburse previous capital expenditures on eligible projects.



# Basic Requirements

- Applicants must:
  - Be in commercial or charter fishing industry
  - Have good credit history
  - Provide 3 years of financial statements
  - Individuals must be US Citizens. Business entities must be at minimum 75% owned by US citizens
  - Vessels must be USCG documented and be properly insured

\**Fishing Industry* for the purposes of this part, means the broad sector of the national economy comprised of persons or entities that are engaged in or substantially associated with fishing, including aquaculture, charter operators, guides, harvesters, outfitters, processors, suppliers, among others, without regard to the location of their activity or whether they are engaged in fishing for wild stocks or aquaculture.



# Loan Basics

- Loans can fund up to 80% of costs
- Application fee is half of one percent of loan amount,
  - A quarter percent is refundable if the loan request is declined or applicant withdraws
- Loan maturity may not exceed 25 years, but may be shorter depending on credit and other considerations.
- Interest rate is fixed and set 3 days prior to closing
  - Interest is the Treasury Rate + 2%
- No minimum or maximum loan amount
- Repayment is quarterly with no pre-payment penalties



# Southeast Fisheries Finance Office

- Southeast region services the Gulf and South Atlantic from Texas to North Carolina
- Contacts
  - David Moyer – SE Branch chief
    - 727-824-5377
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# Background Materials - Detailed Joint Review Conclusions





# Joint Review Conclusions (2012-2018)

- Data Collection
  - Improved due to transfer reasons and minimum price requirements
- Participation/Eligibility
  - Allocation holders have **increased** over time in both programs
    - Number of related accounts has increased over time
    - Majority of public accounts (no permit) are related to shareholder accounts
  - Dealers have **increased** over time
  - Programs have had **limited success in reducing overcapacity**, a primary goal of both programs
  - From annual reports:
    - RS harvesting vessels have **increased** since 2007 (+88 in 2021, max vessels in 2018 (+141))
    - GT harvesting vessels decreased overall since 2010, except for Tilefish harvesting vessels (+16 in 2021)





# Joint Review Conclusions (2012-2018)

- Caps and Allocation
  - Distribution of shares and landings remain stable since programs began
  - Landings were unequal prior to the program
  - IFQ programs are not the driver for unequal distributions
  - Market power does not exist in landings, shares, or allocation
  - Fishermen do not control prices
  - Additional research needed on affiliated accounts
  - Existing share and allocation caps do not constrain landings



# Joint Review Conclusions (2012-2018)

- Catch and Sustainability
  - IFQ program provide year-round fishing
  - Multi-use primarily used to land gag - Program may be improved by removing multi-use allocation
  - Flexibility measures for SWG/DWG defined species reduces discards
  - 10% overage measures help reduce discards
  - Both programs met their goal of reducing discards across gears
  - Minimum size limits were the main driver of discards, although lack of allocation also contributed



# Joint Review Conclusions (2012-2018)

- Price Information

- Accurate reporting of prices has improved but remains challenging
- Ex-vessel prices increased for red snapper, but had no significant increase for grouper-tilefish species
- All ex-vessel prices stabilized after the programs began
- IFQ programs have enhanced profitability of fishing through the added flexibilities offered by the programs

- Safety at sea

- The programs met the goal of improving safety at sea, reducing the number of fatalities. Expansion of IFQ to other species may further increase safety at sea.
- Safety largely driven by fishermen having the flexibility to select more favorable weather conditions for fishing.



# Joint Review Conclusions

- New Entrants
  - Promoting new entrants is inconsistent with LAPP goal of reducing overcapacity.
  - Many potential new entrants are already in the program as crew or hired captains
  - Promoting replacement fishermen is consistent with goals of the program