

**Reef Fish Committee Report
June 23, 2021
Ms. Martha Guyas – Chair**

The Committee adopted the agenda with the addition of goliath grouper to other business (**Tab B, No. 1**), and the minutes (**Tab B, No. 2**) from the April 2021 meeting were approved as written.

Review of Reef Fish Landings (Tab B, No. 4a) and Review of Reef Fish ACL Figures (Tab B, No. 4b)

Ms. Kelli O'Donnell (NMFS Southeast Regional Office [SERO]) reviewed Gulf reef fish landings. Gray triggerfish recreational fishing was reopened in September 2020; an increase in the ACL is expected to result in the recreational landings remaining below the to-be-implemented increased recreational ACL. Gag, red grouper, greater amberjack, and red snapper for-hire recreational landings for 2020 remained below their respective 2020 recreational ACLs. For stock ACLs, gray snapper, vermilion snapper, and yellowtail snapper 2020 landings remained below their respective ACLs. Lane snapper landings for 2020 remained below the to-be-implemented increased ACL for that species. At this time, 2020 landings data are still considered preliminary.

Ms. O'Donnell also reviewed commercial individual fishing quota (IFQ) program landings in 2020, which totaled 99% of the commercial quota for red snapper; red grouper landings were approximately 79%, and gag landings were approximately 51% of the commercial quota.

Committee members had questions about out-of-season landings for a few species; NMFS staff will investigate the origin of these landings data. The Committee also asked to receive landings updates on the red snapper private recreational landings by state for 2020 and 2021 at the next meeting.

Final Action: Reef Fish Amendment 53: Red Grouper Allocations and Annual Catch Levels and Targets (Tab B, No. 5)

Dr. Kai Lorenzen presented the Scientific and Statistical Committee's (SSC) recommendations of the red grouper catch analysis. The SSC reviewed the interim analysis (IA) as a 'health check' of the stock. He noted that, generally, when sector allocations are revised, catch limits need to be re-calculated contingent upon the new allocations. The bottom longline index of abundance includes two indices, one based on the full geographic area and one based on a reduced area representative of the limited area surveyed in 2020 due to the COVID-19 pandemic. The bottom longline index indicates a stable abundance or slight increase. A full IA to update catch recommendations would require re-calculation of initial catch limits using the new sector allocations.

Council staff presented a summary of oral and written public comments. SERO staff then reviewed written comments on the Draft Environmental Impact Statement.

Council staff presented the actions and alternatives for Reef Fish Amendment 53. A Committee member noted the language ‘to ensure overfishing does not occur’ in the draft king mackerel document and requested similar language be incorporated into the Need statements of Reef Fish Amendment 53. Staff stated that the language could be incorporated as follows:

The need is to base the Gulf red grouper sector allocations, ACLs, and ACTs on the best scientific information available and to prevent overfishing while achieving optimum yield on a continuing basis, while ensuring that the historical participation by the recreational and commercial sectors is accurately reflected by the sector ACLs, and that the recreational ACL is consistent with the data used to monitor recreational landings and trigger AMs.

Council staff reviewed the motion made by the Council’s Ad Hoc Red Snapper / Grouper-Tilefish IFQ Advisory Panel (AP) at its June 2, 2021, meeting recommending Action 1, Alternative 2 as the preferred alternative. Council staff then reviewed the discussion by the Reef Fish AP at its February 24, 2021, meeting of Action 1 and noted that no motion passed for a recommended Action 1 alternative but that a motion passed supporting Action 2, Preferred Alternative 3. A Committee member noted one of the public comments stated that a review of the allocation for red grouper did not need to occur until 2026. Council staff responded that the Council did select a time trigger for allocation review, but that it was within the Council’s purview to examine allocation of any species sooner than scheduled.

A Committee member requested that staff lead the Committee through the economic analysis in Chapter 4. Council staff explained that both consumer surplus and producer surplus are calculated for both the commercial and recreational sectors, and provided information on values used in the analysis. A Committee member noted that dockside prices were used in the analysis, which is different than what seafood consumers would pay at restaurants and at grocery stores. A Committee member inquired if additional economic valuation studies for the Gulf are being conducted. Council staff stated, while uncertain what research the Southeast Fisheries Science Center is conducting, that it was likely that economists there were conducting such studies. A Committee member stated that the commercial sector can use dockside prices, while the recreational sector relies on values derived from subjective surveys. Even so, dockside prices are very different from prices seen further along the supply chain. SERO added that all of the alternatives, in comparison to Alternative 1 in Action 1, lead to a reduction in the total annual catch limit (ACL). A Committee member asked if anyone knew why the commercial sector was not catching its annual catch target (ACT).

A Committee member stated that Action 1, Preferred Alternative 3 did not seem to support the conservation of the stock. He stated that reallocation should not be conducted when the stock is coming off the lowest stock biomass on record and when the issue is further complicated by the uncertainty about stock size, discards, and episodic events like red tide. He added that at public hearings, there was tremendous support from the commercial sector for Action 1, Alternative 2. He stated that it seemed contradictory that an IA could not be considered until a decision is made

on allocation. Another Committee member stated that the commercial sector has census-level reporting, whereas the recreational sector reporting is estimated through a sampling process and, as a result, the Committee member thought the commercial sector to be more accountable than the recreational sector.

NOAA General Counsel commented that Action 1, Alternative 2 is still a reallocation in light of the Marine Recreational Information Program's (MRIP) Fishing Effort Survey (FES) data, whereas Alternative 6 would maintain a status quo ACL for the commercial sector. She also noted that, in 2004 and 2005, the commercial sector exceeded its sector ACT. SERO stated that the recreational sector is operating within the established management process, which is not an accountability issue but a demonstrated need for better data collection.

A Committee member stated that there had been a lot of criticism of the SSC and of its determination regarding the best scientific information available (BSIA). Another Committee member thought the Council needs to be consistent in either following public comment or scientific guidance for management decisions. Another Committee member clarified that the role of the SSC is to provide guidance on the overfishing limit (OFL) and acceptable biological catch (ABC), but not to recommend specific allocation decisions, which is the role of the Council. Another Committee member stated that reallocating to the recreational sector increases the potential amount of bycatch. A Committee member inquired if the SSC had determined that the MRIP-FES data is BSIA. Dr. Lorenzen confirmed that the SSC had made that determination. Another Committee member stated that the total ACL is shrinking for the entire stock, as reflected by the total ACL in the alternatives. A Committee member added that both sectors will likely be reaching their catch limits, since the total stock ACL is decreasing. A motion to make Action 1, Alternative 2 the preferred alternative failed.

SERO staff presented the codified text and noted the text that would be modified if the Council changed its current preferred alternatives.

Presentation on Greater Amberjack Historical Landings and Potential Management Actions (Tab B, No. 6a) and Table of Greater Amberjack Landings (Tab B, No. 6b)

The recent greater amberjack stock assessment, SEDAR 70, determined that the stock remains overfished and is undergoing overfishing, requiring the Council to act to end overfishing and rebuild the stock by 2027. SEDAR 70 incorporated MRIP-FES data, and the OFL and ABC projections are provided in MRIP-FES currency, which has been determined to be the best scientific information available. Staff provided potential management alternatives that would modify the catch levels to end overfishing and adopt the MRIP-FES data currency. This conversion could result in a reallocation between the commercial and recreational sectors. Committee members discussed the implications of MRIP-FES conversions across managed species and expressed interest in examining how past catch levels would have differed if set in MRIP-FES.

The Committee recommends, and I so move, to request SEFSC run an analysis for **Greater Amberjack which shows what the historical ABCs and ACLs would have been with FES back in time.**

Motion carried with no opposition.

The Committee discussed additional alternatives for modifying the sector allocation and catch levels. SERO suggested that the IPT provide suggestions for reasonable years to include an alternative time series given the changes in management over time. A Committee member requested an alternative be added that would hold the commercial ACL at its current level. Council staff will request the SEFSC to provide new OFLs and ABCs for the allocations that result from the proposed alternatives. After receiving the projections, staff will prepare a draft document for review at a future meeting. NOAA General Counsel encouraged the Committee to proceed as quickly as possible with development of the amendment in order to end overfishing. A Committee member requested further clarification regarding how the MRIP-FES data were derived that could explain some of the outlier years in the dataset.

Overview and Discussion of Individual Fishing Quota Programs Review (Tab B, No. 7)

The red snapper IFQ and grouper-tilefish IFQ programs joint review presentation was a two-part presentation delivered by SERO staff and Council staff. Ms. Alisha Gray (SERO) noted that the review follows the April 2017 NMFS Guidance for Conducting Reviews of Catch Share Programs. Ms. Gray reviewed the goals and objectives of the IFQ programs and discussed the legal requirements for IFQ reviews.

Ms. Gray discussed IFQ data collection and reporting and reminded the Committee that the IFQ programs use an online electronic system. She discussed the percentages of valid share and allocation prices for each program, and noted that data gaps still exist in the collection of shares and allocation prices. Ms. Gray discussed the eligibility and participation in IFQ programs and changes in the number of IFQ accounts by program and share category and by permit ownership status. She noted the increasing trends observed in the percentages of public participation accounts (accounts not associated with a commercial reef fish permit) and related accounts.

Ms. Gray presented landings and quota utilization rates by share category. She discussed share and allocation ownership caps and red grouper and gag multi-use shares. Ms. Gray discussed allocation transfers and ex-vessel, share and annual allocation prices. Ms. Gray discussed discard ratios by gear type and noted that minimum size limit requirements were the main reason reported for discarding fish. Other reasons include a lack of annual allocation. She presented the number of enforcement cases resulting in the seizure of fish and discussed the utilization of cost recovery funds.

Committee members inquired about differences between the information on tables presented and on Freedom of Information Act (FOIA) shareholders pages. Ms. Gray answered that FOIA pages list information at the entity level, while tables presented are by program and by share category. She also noted that FOIA pages are a live and dynamic feed, while the tables

presented provide only snapshots. The Committee asked about challenges in obtaining shares and annual allocation in certain regions. Ms. Gray indicated that, as in previous reviews, the joint review did not address regional differences, but evaluated allocation transfers Gulf-wide. Committee members inquired about the time interval used in the evaluation of the reasons for discards. Mr. Jeff Pulver (SERO) indicated that tables presented include 2012-2018 averages.

Council staff discussed the impacts of IFQ programs on ex-vessel prices and noted that two separate studies have both found that the red snapper IFQ program caused a statistically significant increase in the red snapper ex-vessel price. However, additional studies concluded that the grouper-tilefish IFQ program did not cause a statistically significant increase in the ex-vessel price for species managed by that program.

Staff then discussed market concentration and market power for the IFQ share and annual allocation, and landings markets. Staff noted that the evidence suggests that markets are unconcentrated and that evidence of market power has not been uncovered in the markets studied. However, staff stated that these findings do not account for vertical integration where dealers may also own or control shares and harvesting operations. Therefore, market concentration and market power findings should be interpreted cautiously. Staff discussed the inequality of distributions and indicated that the distribution of IFQ shares is highly unequal in every share category. A study evaluating the distribution of vessel revenues for all U.S. catch share programs found that, relative to other U.S. catch share programs, vessel revenue distributions in the Gulf of Mexico were highly unequal before the implementation of the red snapper and grouper-tilefish IFQ programs. Staff discussed research supported increased safety-at-sea resulting from the Gulf IFQ programs. Staff also noted that, following the implementation of IFQs, captains pay more attention to weather conditions when making trip decisions. Staff discussed operational changes based on a study that evaluated fleet capacity dynamics in the Gulf of Mexico. The study found that, for the red snapper fleet, technical efficiency increased by 6% post-IFQ. For Gulf reef fish, technical efficiency improved by 5%.

Staff indicated that based on the joint IFQ review, the IFQ programs have been successful in making progress towards meeting their stated objectives. Staff then proceeded to summarize the main conclusions of the joint review, covering a range of issues including trends in the number of dealers, concerns about unfairness and distributional inequities, year-round fishing opportunities, and new entrants. Staff noted that, although the promotion of new entrants may appear to be inconsistent with IFQ objectives, replacement fishermen are needed for the long-term viability and sustainability of the programs.

Committee members inquired about changes that resulted in the collection of cost recovery fees sufficient to fully fund the administration of the IFQ programs. Staff indicated that the red snapper IFQ initial program review concluded that cost recovery fees were insufficient to cover program costs. However, once the grouper-tilefish program was implemented, the significant increase in the base from which cost recovery fees are collected and the fact that both programs are run by the same staff using the same online platform resulted in a marked increase in the funds collected and, therefore, allowed all program administration costs, including the costs of modernizing the online IFQ platform, to be covered.

Tab B

The Committee asked about market power in the IFQ programs in relation to the reported challenges to acquire IFQ shares and allocation. Staff defined market power and noted that studies to date have not found evidence of market power. Staff reiterated the caution needed in interpreting these findings because of the potential impacts of vertical integration in market concentration and market power. Staff also noted that NMFS has begun collecting data on share and allocation ownership by seafood dealers to evaluate vertical integration in the IFQ programs.

Committee members inquired about costs of operation in the IFQ programs. Staff indicated that costs of operation and rates of returns have been evaluated by the Southeast Fisheries Science Center, and that some of those findings are included in the review.

Dr. Lorenzen summarized SSC recommendations (**Tab B, No. 5aii**) about the IFQ programs. Staff also summarized recommendations provided by the Ad Hoc Red Snapper and Grouper Tilefish IFQ AP (**Tab B, No. 8d**), and noted that the AP also recommended the creation of an AP to consider the expansion of IFQs to other reef fish. The Committee granted staff editorial license to include a summary of the June 2021 Committee discussions in the review.

The Committee recommends, and I so move, to make the **Red Snapper and Grouper-Tilefish IFQ Program Review final and available for publishing on the Council's website, www.gulfcouncil.org**

Motion carried with no opposition.

Reef Fish Amendments 36B and 36C: Modifications to Individual Fishing Quota (IFQ) Programs (Tab B, No. 8)

Staff reviewed the actions and alternatives in Amendment 36B, including the recommendations from the Reef Fish AP and Ad Hoc Red Snapper and Grouper Tilefish IFQ AP. The Committee discussed the purpose and need for the action. Staff requested Committee input regarding the accounts that would be exempt from a requirement to be associated with a valid or renewable commercial reef fish permit. Due to time constraints, the Committee was not able to fully discuss the amendment and address the remaining questions, but expressed interest in continuing the discussion during full Council, if time allows.

Other Business

The Committee did not have time to address the only item of other business, which was goliath grouper.

Mr. Chair, this concludes my report.