



P.S.V.O.A.



NEWSLETTER

APRIL 2011

MINUTES OF THE 2010 PSVOA ANNUAL MEETING

The 75th annual membership meeting of the Purse Seine Vessel Owners (PSVOA) was held in Lynnwood, Washington on November 20, 2010 at the Embassy Suites Hotel. The meeting was attended by a combined 98 members and proxies. This constituted 22% of the voting membership and a quorum to conduct business. President Bob Plenkovich called the meeting to order at 10:15 a.m. The agenda was approved without amendment.

FINANCIAL REPORT & MEMBERSHIP

A preliminary 2010 financial report projected both PSVOA net income and expenses at \$553,500, which was a 15% increase from 2009 levels. PSVOA is now generating over 80% of its income from the management of its related insurance programs (SVR, BBR, and SEAFAR) and from legal and brokerage services.

A motion to maintain membership dues at \$300 and affiliated dues at \$100 for 2011 was approved without objection. An estimated 40% (or \$120) of 2010 membership dues is allocable to certain lobbying expenses and is not deductible for federal income tax purposes. Current membership totals 444, including 139 affiliated members.

After a short discussion on membership composition the staff presented reports on a variety of agenda items, including Board actions taken on these matters. **[Post-meeting developments on each agenda item are bracketed in bold.]**

ALASKA SALMON CATCHES

The statewide salmon harvest was 163.2 million as compared to a 2009 harvest of 161.7 million. Ex-vessel salmon values should reach \$600 million with anticipated post-season price adjustments. This compares with a 2009 ex-vessel value of \$420 million.

The season was highlighted by a record 67 million pink harvest in Prince William Sound following a dismal 2009 season. Bristol Bay enjoyed another strong season with sockeye catches approaching 29 million. Southeast and Kodiak were slightly below forecast while the Peninsula suffered a disastrous pink harvest. The following catch summary by region with a comparison of 2009 catches was reviewed.

2009-2010 AK SALMON CATCH COMPARISON
(in millions)

AREA	SOCKEYE		PINK		CHUM		COHO	
	2009	2010	2009	2010	2009	2010	2009	2010
SOUTHEAST	.93	.67	37.69	22.8	9.59	5.89	1.91	
Cost Recovery				.7		2.97		
BRISTOL BAY	30.90	28.63		1.22	1.37	.75	.07	
PWS	1.92	1.90	18.32	62.74	3.22	3.44	.25	
Cost Recovery				4.62		.59		
KODIAK	1.73	1.41	27.6	8.79	.96	.71	.24	
PENINSULA	4.1	3.54	9.76	.84	1.79	1.04	.23	
CHIGNIK	1.2	1.37	1.41	.48	.26	.58	.16	
COOK INLET	1.73	2.88	1.2	.57	.16	.21	.33	
TOTALS	42.51	40.40	95.98	102.76	17.35	16.18	3.19	
RUSSIA				100.58				
JAPAN						32.4		

[ADF&G announced that the 2011 statewide commercial salmon harvest is forecast at 203 million. This would be the fifth largest harvest since statehood in 1960. All major pink salmon regions expect an abundant harvest while the Bristol Bay sockeye harvest remains strong. The forecast highlights by region are:

- Southeast: 55 million pinks & 10.1 million chum**
- PWS: 38.6 million pinks**
- Kodiak: 30.6 million pinks & 2.1 million sockeye**
- Peninsula: 10.1 million pinks & 4.1 million sockeye**
- Bristol Bay: 28.5 million sockeye]**

ALASKA SALMON MARKETS AND PRICES

The 2010 salmon harvest was met by strong market demand as aggregate ex-vessel pricing increased by 35%. Flesh prices were very strong while roe prices were down as Japan stayed on the sidelines, and Russia and Eastern Europe carried over 2009 inventory.

Looking forward to 2011, sockeye and chum should remain strong as Chilean farmed salmon production continues to recover and U.S. processors shift more production to fillets to meet a growing U.S. demand. Pink salmon is the big unknown based on strong forecasts in Alaska and Canada, and whether we will see a repeat in Russia of the record 2009 catches. Alaska salmon, especially pink and chum salmon, is still largely an export commodity and highly dependent on foreign exchange rates. The U.S. dollar has lost value to foreign currencies (euro and yen). A depreciating dollar decreases the price of Alaska salmon in relation to prices of the foreign countries' other goods, which should increase demand to meet the expected increase in pink salmon.

Today, Alaska's salmon comprises only 15% of world consumption, and this number will continue to decline as the global demand for seafood is fueling unprecedented growth in aquaculture. Inevitably, Alaska salmon will transition into a niche market for consumers who want natural "wild" seafood harvested in sustainable fisheries. To maximize this transition, the industry must further improve quality and continue efforts to define the uniqueness of Alaska seafood.

SOUTHEAST SALMON FLEET CONSOLIDATION

After implementing phase one of the program in April 2009, which purchased 35 permits at a cost of \$2.87 million, we fully expected to move forward with phase two of the program prior to the 2010 season. Instead, the National Marine Fisheries Services ("NMFS") informed the Southeast Revitalization Association ("SRA") in the fall of 2009 that it would not proceed with rulemaking without the Alaska Legislature first amending existing state law on the confidentiality of fish records. NMFS is requiring access to all records to ensure the buyers of salmon (processors) are withholding the 3.0% assessment to repay the loan.

The SRA, in cooperation with the Commercial Fisheries Entry Commission ("CFEC"), introduced House Bill 365 requiring CFEC to provide NMFS with fish ticket information and other confidential reports. The bill also required the buyer, as a condition of obtaining a fisheries business license, to certify collection and payment of the assessment.

Enactment of HB 365 should have been a simple house-keeping matter. Instead, many of the Southeast processors launched an all-out effort to defeat the bill arguing that fleet consolidation would both reduce the volume of salmon each could purchase in Southeast, and would drive up ex-vessel pricing thereby jeopardizing their ability to compete in the marketplace. Recognizing these arguments were unpersuasive, the same group of processors next lobbied for an amendment to the bill which would limit the number of permits that could be purchased under the program. This request was equally unpersuasive; but the SRA did ultimately agree to the entry of a non-binding letter of legislative intent stating that the program would not reduce the number of permits in the fishery to less than 260.

The bill was signed into law in April 2010, and the SRA submitted an amended plan including a provision that at the conclusion of the program a minimum of 260 permits would remain in the fishery. However, at this time NMFS has yet to publish the implementing rule in the Federal Register. Without such a rule, the SRA cannot begin the process of moving forward with phase two of the program.

[In February 2011 the SRA reported to all permit holders that it expected NMFS to initiate final rule-making in March. Regrettably, NMFS has yet to publish the final implementing rule. We now face the distinct chance the program will be delayed beyond the 2011 season. The SRA will update permit holders in the near future.]

2010 ALASKA LEGISLATURE

Membership was informed that Governor Parnell had selected Cora Campbell to be acting Commissioner of Fish & Game. Ms. Campbell, who formerly served as the director of the Petersburg Vessel Owners Association and Fisheries Advisor to Governor Palin, is the daughter of PSVOA member Gary Slaven. PSVOA, in conjunction with SEAS, will work to support Ms. Campbell's confirmation by the legislature.

PSVOA in close cooperation with SEAS targeted two separate bills for passage during the 2010 legislative session:

First and foremost, effort was centered on passage of House Bill 365 necessary to implement the Southeast fleet consolidation buyback program. This was accomplished as mentioned above.

Senate Bill 163 was intended to equalize benefits paid under the Fishermen’s Fund (“Fund”) to injured fishermen working on vessels with P&I coverage. The Fund Act (A.S. 23.35.010) previously limited benefits to medical expenses not otherwise covered by insurance—the deductible. Conversely, the Fund placed no limitation on injured fishermen working on vessels without P&I insurance. Moreover, if benefits paid by the Fund exceeded the deductible, the Fund would seek to recover 100% of its payments, including the deductible, from the vessel owner. A vast majority of the legislature thought this was inequitable and supported the change. However, some legislators, based on PSVOA’s insurance affiliations, viewed the bill as a boon to the insurance industry. Consequently, we were forced to reach a compromise whereby the bill was modified to provide that the Fund would pay 50% of the vessel owner’s deductible up to a maximum of \$5,000. The practical effect is that SVR members submitting a P&I claim occurring in Alaska can expect the Fund to pay 50% of the deductible (or \$2,500).

[On April 8, 2011, the Legislature unanimously confirmed, without debate, Cora Campbell as Fish & Game Commissioner.]

2010 WEST COAST SARDINE AND SQUID FISHERIES

For the third consecutive year the Pacific sardine fishery harvest guideline set by the Pacific Fisheries Management Council (“PFMC”) was taken before the end of the season. The 2010 harvest guideline of 62,200 metric tons allowed for a three week fishery in July, and a one week fishery in September. Industry continues to set aside a portion of its annual harvest to fund aerial surveys, which are incorporated into the scientific models to measure the sardine biomass and resulting available harvest. Without these survey results, the 2010 harvest guideline would have likely been a mere 9,000 metric tons. The following charts were presented to summarize the 2010 harvest and the 2011 harvest guideline:

2010 PACIFIC SARDINE HARVEST
(IN METRIC TONS) (Slide 1 of 2)

	CA	OR	WA	Total
Allocation Period 1	22.37	.43	.52	23.32
Allocation Period 2	6.34	13.85	9.30	29.49
Allocation Period 3	2.75	4.48	2.58	9.81
Year Totals	31.46	18.76	12.40	62.62

2011 PACIFIC SARDINE HARVEST GUIDELINES & ALLOCATIONS
(IN METRIC TONS) (Slide 2 of 2)

- Harvest Guideline of 50,526 Metric Tons based on a biomass estimate of approximately 537,173 MT.
- Set aside of 4,200 MT to continue industry research activities. Incidental catch set aside of 3,000 MT for squid and mackerel fisheries.
- Management uncertainty set aside of 2,000 MT.

Adjusted Net Harvest Guideline:	41,326 MT
Jan 1 – June 30	15,214
July 1 – Sept 14	17,530
Sept 15 – Dec 31	8,582

[The 2011 harvest guideline for the first seasonal period (January 1st - June 30th) was taken by March 5. On April 9, the PFMC approved the 2011 experimental fishing permit necessary to continue the aerial surveys. At industry’s request, the harvest set aside was reduced to 2,700 tons and the remaining 1,500 tons will be allocated to the third period.]

2010 CALIFORNIA SQUID FISHERY

The following chart was presented showing that 2008 marked the fifth consecutive year of declining catches. Fortunately, catches improved substantially in 2009 with the catch reaching 85,130 tons. Equally encouraging, average ex-vessel prices held at \$500 per ton buoyed by a stable and growing market, especially in China. Catches in 2010 have remained strong.

CALIFORNIA SQUID HARVEST

CALIFORNIA SQUID HARVEST (IN METRIC TONS)

April – Oct 2010 <i>projection</i>	41.20
2009	85.13
2008	29.46
2007	35.21
2006	49.18
2005	55.76
2004	40.07
Annual Harvest Guideline	107,050

[The California Department of Fish and Game closed the season on December 17, 2010, when catches were expected to reach the season's harvest limit. This was the first season the harvest limit has been attained since it was implemented in 2004 as part of the California Market Squid Management Plan.]

PUGET SOUND SALMON

After several consecutive years of poor Fraser sockeye runs, an estimated 35 million sockeye returned to the Fraser in 2010. This is the largest Fraser sockeye run since 1913. The total U.S. sockeye harvest was 2.04 million pieces; the non-treaty catch 841,000. Approximately 74.8% (561,000) of the non-treaty catch was harvested by the seine fleet.

[The 2011 Fraser sockeye forecast is 2.8 million. Such a run size would provide limited sockeye directed fishing opportunities for the non-treaty fleet. The Fraser pink forecast is 17.5 million. Like other recent pink years, pink directed fisheries in the U.S. will likely be delayed until most of the sockeye clear U.S. waters.]

The Fraser Annex of the Pacific Salmon Treaty expired in 2010. Canada requested the U.S. to agree to extend the existing agreement until 2012 because of Canada's ongoing judicial inquiry into the downward trend in Fraser sockeye returns. In recent negotiations with Canada regarding the Fraser Annex, the U.S. has sought greater flexibility in the Fraser Panel's management of the U.S. fishery in order to harvest the U.S.'s full 16.5% share.

The membership received an update on 2010 chum catches in Puget Sound. In Areas 10 and 11, catches were in line with the preseason forecast. In Hood Canal (Area 12 and 12B), however, the run size was less than predicted which resulted in lower than expected catches for the non-treaty fleet. Non-treaty chum catches by gear group and by management area are listed in the following table:

2010 Puget Sound NT Chum Catches				
	Purse Seine		Gillnet	TOTAL
7/7A ¹	3,935	(65%)	964 (15.9%)	6,049
10/11	154,516	(73.7%)	55,132 (26.3%)	209,648
12/12B	150,862	(77.4%)	43,990 (22.6%)	194,852
TOTAL	309,313	(75.3%)	100,086 (24.4%)	410,549

¹Includes 1,150 Reefnet catch

[Predictions for the 2011 Puget Sound chum season are similar to the 2010 actual returns in South Sound (Area 10 and 11) and Hood Canal (Area 12 and 12B). The 2011 Puget Sound forecast for pinks is strong (similar to 2009 actual returns). The 2011 commercial schedule includes a four-boat limited participation purse seine pink fishery in Area 10. This is an expansion of the two-boat limited participation fishery implemented in 2009].

MCKERNAN HATCHERY- HOOD CANAL

During the 2009 Washington legislative session, the legislature passed House Bill 1951, which was supported by PSVOA. The legislation required WDFW to enter into public/private partnerships to keep hatcheries operating that would otherwise be slated for closure due to budget constraints.

During the spring of 2010, in response to the legislature's decision to discontinue funding for chum production at the McKernan Hatchery in Hood Canal, PSVOA and two other groups submitted proposals to WDFW to enter into such a partnership to continue chum production at McKernan. McKernan accounts for 40% of the hatchery produced chum in Hood Canal.

PSVOA's proposal was accepted by WDFW. PSVOA solicited contributions from processors, Tribes, and non-PSVOA member permit owners to help cover the cost of the partnership agreement.

2010 WASHINGTON LEGISLATURE

The 2010 legislative session again focused on the continuing state budget crisis and projected multi-billion dollar deficits. PSVOA targeted one bill for passage during the 2010 legislative session:

Unfortunately, PSVOA was not able to marshal support for House Bill 3052 to standardize fishing time for purse seines and gillnets in Puget Sound. Consequently we again anticipate the continued annual march to the courthouse by the gillnet fleet challenging the Puget Sound fall chum schedule. PSVOA will redouble efforts in 2011.

[The 2011 session was coming to a close at press time. PSVOA's renewed legislative attempt to standardize fishing time in Puget Sound, House Bill 1210, passed out of committee, but whether the measure will be enacted into law this session is still unknown.]

PSVOA BOARD ELECTIONS

Membership engaged in a free flowing exchange of commentaries and suggestions relating to the composition the composition of the Board in terms of residency and fisheries. The Board again was instructed to examine the issue and make possible recommendations for change,

Current at-large Board members **Ed Manning** and **Sven Stroosma** were re-elected for another two year term. Current port members who re-elected were **Ryan Kapp** (Blaine), **Jim Leese** (Everett) and **Brian Wartman** (Seattle). **Jim Zuanich** was elected to the Bellingham port position.

The meeting adjourned at 12:30 p.m. for a hosted lunch.

MINUTES OF THE 2010 SVR ANNUAL MEETING

The 24th annual meeting of the Seine Vessels' Reserve ("SVR") was called to order at 1:30 p.m. by Board president, Richard Tarabochia. The meeting was attended by a combined 90 members and proxies. This constituted 31% of the voting membership and a quorum to conduct business.

A preliminary financial report as of November 20, 2010 placed projected surplus at approximately \$665,000, or a 23% return of total contributions. This projected return is based on estimated claims of \$970,000.

Membership voted to maintain existing contribution rates for 2010 with the exception of increasing annual skiff rates to 1.5% with a 5% deductible (up to \$5,000). Membership also approved the continuation of the "claim-free incentive" implementation program designed to reward members without claims, and to provide additional incentive to members to avoid claims. In 2010 the program credited member accounts a total of \$214,000.

Total membership surplus was projected at \$4.65 million. Consistent with SVR Articles XI (1), membership voted to approve a 2010 distribution equal to the 2003 surplus and 60% of the 2004 surplus, or a total of \$665,000.

Membership also received a summary report on newly enacted vessel safety legislation under the Coast Guard Authorization Act of 2010. This new federal legislation addresses safety equipment, training. and vessel certification for vessels over 50 feet. Newly constructed or substantially reconfigured vessel will face more stringent requirements after July 1, 2012.

Current Board members **Lauchlin Leach**, **Tim Lovrovich** and **Richard Tarabochia** were re-elected to the SVR Board. The meeting adjourned at 2:45 p.m.

NEWS BRIEFS

- In March, NOAA Fisheries adopted The International Pacific Halibut Commission's (IPHC) recommendations for 2011 halibut catch limits totaling 41,070,000 pounds, an 18.9% decrease from the 2010 catch limit of 50,670,000 pounds. The commercial quota in Area 2C is down 47% compared to 2010, from 4.4 million pounds to 2.33 million pounds. NOAA's press release announcing the 2011 halibut quotas stated: "Each year that the charter fleet exceeds its harvest limit, it leads to a lower fixed quota for the commercial fishery the following year. The commercial catch limit in area 2C is 73 percent lower in 2011 than it was in 2003
- The 2011 Sitka sac roe herring fishery closed on April 9 with a total harvest of 19,636 tons taken over 5 openings. Ex-vessel prices will come in far below 2010 levels due to a high inventory and a static Japanese market.
- On April 18, NOAA Fisheries released the final rule regarding vessel interaction with orcas in Puget Sound. The rule provides that vessels must not approach any killer whale within 200 yards, and vessels must stay out of the path of oncoming whales out to 400 yards. Commercial fishing vessels engaged in fishing operations are exempt from these rules. The final rule **DOES NOT** include a "no go zone" along the west side of San Juan Island as initially proposed by the agency.



ASSOCIATE MEMBERS

Alaska General Seafoods
Alaska Glacier Seafoods, Inc
Alaska Marine Lines
American Canadian Fisheries
Ballard Oil Co.
Banner Bank
Bellingham Cold Storage
Covich-Williams Co., Inc.
Danielson Harrigan Leyh & Tollefson
Delta Marine Industries, Inc.
Delta Western, Inc.
E.C. Phillips & Son, Inc.
First Bank
Hammer & Wikan, Inc.
Hoonah Cold Storage
Icicle Seafoods
LFS, Inc.
Northwest Farm Credit Services

Ocean Beauty Seafoods, LLC
Peter Pan Seafoods, Inc.
Phillip D. Hingston, Inc. PC
Piston & Rudder Service, Inc.
Puget Sound Hydraulics, Inc.
Radtke Marine, Inc.
Redden Marine Supply, Inc.
Seaview Boatyard, Inc. East
Silver Bay Seafoods
Snopac Products Inc.
Sourdough Bar & Liquor Store
Taku Oil Sales, Inc
The Boat Company
Trident Seafoods Corp.
Western Marine Electronics

*Wishing you a safe and prosperous season.
- Bob, Rob, Rachel & Anna*

*Purse Seine Vessel Owners' Association
Fishermen's Center Building
1900 W Nickerson Street Suite 320
Seattle, Washington 98119
206-283-7733 / 888-284-7733
206-283-7795 F
www.psvoa.com*