



P.S.V.O.A.



NEWSLETTER

JUNE 2002

ALASKA SALMON INDUSTRY -- A NEW FUTURE

Last week the Seattle P-I business section headline read, " Salmon industry in crisis -- Alaska struggles to save the foundation of its culture and economic prosperity." Although there is no single cause for the problems facing our industry -- farmed salmon is the overriding concern. Today farm salmon is over 60% of the world market and growing. Alaska supplies less than 20% of the world market. Last year's Alaska harvest brought an ex-vessel price of \$220 million, less than half the average value ten years ago. For so long, perhaps too long, salmon harvesters focused on allocation issues, overshadowing other factors bearing on the success of our business. We failed to identify and react to the rapid expansion of farm salmon. Instead, we maintained the status quo and hoped that next year would be better.

There is now general consensus that the salmon industry must undertake major restructuring to compete in world markets and remain a vital contributor to Alaska's economy. There is no universal solution because not all segments of the industry face the same circumstances or share similar philosophies. Some groups will merely seek ways to improve upon the status quo. Others envision extensive change evidenced by the Board of Fish adopting a far-reaching harvest cooperative for the Chignik seine fishery.

These differing points of view must be integrated in a manner providing economic stability to permit holders while seeking to maintain the cultural and social fabric of fishing dependent communities. However, we do not have time to filibuster. We must act in a prompt and decisive fashion.

PSVOA maintains and supports a three-pronged solution in priority order:

1. Fleet/Permit Consolidation

The salmon fisheries are overcapitalized. The Alaska Commercial Fisheries Entry Commission ("CFEC") has granted more than 13,000 limited entry permits for the 27 commercial fisheries. For 2002, we predict less than 8,000 will operate leaving roughly 5,000 in the category of unused or latent fishing capacity. Any meaningful consolidation effort will, as a first step, require the removal of these permits. In addition, without substantial increases in ex-vessel salmon prices -- a prediction no one is now making -- almost every fishery will require further reductions. We have no choice but to reduce harvest costs by increasing the number of fish harvested by a single vessel and permit. For the immediate future, no other plan offers permit holders the chance to earn a fair return for their labor and investment.

Unfortunately, existing state and federal buyback law does not provide a workable framework to deal with overcapitalization. Federal law under the Magnuson-Stevens Act is predicated on overfishing -- not loss of markets and lower prices. Moreover, federal buyback law would require elimination of permits, which over time could expose remaining permit holders to legal challenges under state law that their fishery is too exclusive. State buyback law is equally flawed requiring CFEC to complete an arduous and time consuming optimal number study that would not necessarily reflect industry sentiments.

For these reasons, PSVOA, in conjunction with United Fishermen of Alaska and Southeast Alaska Seiners Association, spearheaded passage of

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Alaska House Bill 286. This legislation has three major provisions:

1. allows an individual to hold two permits in the same salmon fishery;
2. allows permit holders in a specific salmon fishery to form a non-profit association to pursue consolidation; and
3. allows the association, upon a two-thirds affirmative vote by all permit holders in the fishery, to assess a landing tax on their salmon to facilitate a buyback and other consolidation strategies.

Some have criticized the bill because it does not go far enough or does not systematically set forth how consolidation will occur. This is understandable. However, there was opposition to the bill because it modifies the limited entry laws. This bill satisfies these competing concerns by adhering to certain standards:

- First and foremost, the bill is **regional and voluntary**. Each gear group in each region controls their consolidation program. Seiners in Southeast have no say in what Bristol Bay gillnetters decide. A program cannot be established nor can any assessment be imposed unless two-thirds of all permit holders in the fishery agree.
- Permit holders are **responsible** for the program. If fishermen wish to consolidate then fishermen must develop, partially finance, and administer the program.
- Each program will be guided by procedures to ensure **accountability** to permit holders and the state. The non-profit association must prepare a consolidation plan and make annual reports.

Of course the industry cannot finance a program to achieve meaningful consolidation. Reasonable compensation and transitional assistance to the thousands of permit holders who may exit the fishery will demand federal assistance. The non-profit associations created to pursue consolidation can accept federal appropriations or loans to fund a buyback plan. Despite growing budget woes, federal dollars should be available given the number of fishermen impacted and previous support for buyback funding in the Bering Sea and Washington State fisheries. Our chances will improve if permit holders are willing to finance some portion of the program through an assessment. This will reaffirm fishermen control of the program and will be a good investment for those permit holders remaining in the fishery.

2. Price Stabilization

We face the unpleasant task of gaining a viable price for a finite number of wild Alaskan salmon while competing against what at times seems like an infinite supply of farmed salmon. Norwegian, Chilean and now even Canadian farmed salmon is pouring into our traditional Japanese and domestic markets. At the same time, new trade agreements have erased quotas and tariffs that could insulate Alaska salmon from foreign competition in U.S. markets.

Alaska needs a salmon price support system that agricultural states have received for many years. Last month Congress passed Farm Bill 2002 increasing farm subsidies by record levels to provide stability and certainty to U.S. food producers. We need similar stability.

We must also examine current U.S. Department of Agriculture (USDA) programs designed to aid fishermen. For example, is the current canned pink salmon program cost effective as compared to other potential federal programs that could benefit fishermen directly?

We must also pursue existing programs that aid U.S. workers disadvantaged by free trade. Congress is now considering extending the Trade Adjustment Assistance Act to commercial fishermen impacted by foreign competition. Although not yet final, the legislation will allow fishermen to collect up to \$10,000 if current salmon prices are at least 20% below the previous five-year average. *(PSVOA is preparing to assist membership in establishing eligibility and collection of benefits under the program.)*

3. Marketing and Industry Integration

We need to design and adequately fund a long-term marketing strategy to differentiate Alaska salmon in the market place. But, this may not be enough. No one can predict how much more consumers will pay for Alaska salmon even if we standardize quality and achieve differentiation with farm fish in the marketplace. Effective marketing will require an unprecedented partnership between fishermen and processors. A partnership based on mutual goals and objectives.

Unfortunately, processors and harvesters appear to live in separate worlds. The ongoing Bristol Bay

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antitrust lawsuit is a clear example of harvesters' inherent distrust of processors while this year many Southeast seiners had no idea that their markets would be gone. This trend will continue unless fishermen (preferably in partnership with existing processors) own or preserve the opportunity to process and sell their catch. Without harvester/processor integration, we will continue to make inefficient management and investment decisions.

PUGET SOUND BUYBACK

Earlier this year Congress appropriated \$5.42 million to complete its \$30 million commitment under the Pacific Salmon Treaty agreement. The Washington Legislature is moving at a slower pace. This session we struggled to hold a \$400,000 appropriation taking the state contribution to \$3.25 million -- \$1.75 million short of its \$5 million commitment. A total of 179 purse seine licenses have been purchased under the program -- leaving 81 in the Puget Sound salmon fishery.

2002 PUGET SOUND SALMON SEASON

The **Fraser sockeye** run is projected at 12 million with an estimated total allowable catch of 6 million. Conservation of late run sockeye will continue to constrain harvest of the more abundant summer runs. This year marks full implementation of the Treaty agreement providing U.S. fishermen 16.5% of the total catch or approximately 1 million sockeye. Non-treaty fishermen will harvest only 32% of the U.S. catch or an estimated 320,000 sockeye to be taken over a scheduled 3-4 day fishery in late July and early August. PSVOA continues to seek a more favorable inter-gear allocation.

It could be another banner year for **Puget Sound chum**. The preseason forecast is 1.7 million, which is significantly higher than the 2001 forecast. South Sound and the San Juan Islands will open to purse seines on October 15th — one week earlier than gill-nets. Hood Canal will open October 21st.

Because of PSVOA efforts, state law was changed this legislative session to allow purse seining during the Bellingham Bay chinook fishery. We are confident that purse seines will have a limited chinook opportunity this season.

WDF&W also announced elimination of the four-inch mesh requirement. This change should reduce unnecessary enforcement action and the cost of fishing for those who do not have a seine constructed of four-inch web. PSVOA also argued effectively to modify department policy regarding foregone opportunity to facilitate additional fishing time when treaty fishers elect to forego their share of the catch (e.g. 2001 South Sound chum).

CALIFORNIA SQUID AND WEST COAST SARDINES

In August, a proposed management plan and limited entry program for the California squid fishery will be submitted to the Fish and Game Commission. In September and October, the Commission will hold public meetings. Affected members should make every effort to attend these meetings and voice their concerns or comments. The Commission will take final at its December 5th and 6th meeting in Monterey, California.

On June 20th the Pacific Fishery Management Council will meet in San Francisco, California to approve a final sardine management plan for waters south of San Simeon Point, California. The Council will likely maintain the current 65 limited entry permits and allow transfers of permits to vessels of comparable capacity (transferor's vessel gross tonnage + 10% allowance). Permits could also be combined to transfer to vessels of greater tonnage and harvesting capacity.

In October the Washington squid advisory committee will reconvene to develop recommendations on the number and qualifications for experimental fishery permits -- a precursor to limited entry.

NEWS BRIEFS

⇒ Last week the Alaska Supreme Court reinstated a class action antitrust lawsuit by Bristol Bay fishermen against salmon processors and importers who allegedly conspired to keep process low in the early 1990's. The Court overturned a 1999 summary judgment ruling by Superior Court Judge Peter Michalski who ruled in favor of the defendant processing companies. A jury will now likely decide the case. The plaintiff fishermen sought \$500 million in actual damages and \$1.1 billion in punitive damages.

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- ⇒ The North Pacific Management Council has voted to allow 42 Alaska coastal communities to become IFQ owners of sablefish and halibut. Communities are limited to annual purchases of 3% in each of the first seven years up to a total of 21% of both halibut and sablefish. IFQ prices will likely rise as communities utilize federal and state grants to purchase quota share.
- ⇒ The 66th annual PSVOA membership meeting will be held on **October 26, 2002** at the Embassy Suites Hotel in Lynnwood, Washington.
- ⇒ United Fishermen of Alaska has endorsed U.S. Senator Frank Murkowski for Governor of Alaska. The republican candidate won the endorsement by an overwhelming vote over his democratic challenger, Lt. Gov. Fran Ulmer.
- ⇒ PSVOA will greatly miss the loss of Holy Hanson, a longtime member and Board Member who passed away this March.

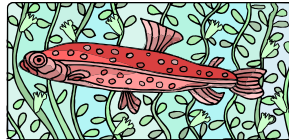


ASSOCIATE MEMBERS

**Also members of the Pacific Salmon Treaty*

Alaska General Seafoods*	Seattle Marine & Fishing Supply
Ballard Oil Co.	Trident Seafoods*
Bank of America	Wards Cove Packing*
Cochrane & Hellman, P.C.	Westmar Marine
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Redden Marine Supply, Inc.	
San Juan Seafoods*	

Have a great fishing season



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