

The Wheel Watch

a newsletter of the

Fishing Vessel Owners= Association
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Thank you for your support!

Dear Longliner:

This summer newsletter addresses actions before the North Pacific Fishery Management Council, PFMC, IPHC, Washington, D.C., and your market reports.

****North Pacific Council****

The Council will have an initial review of the Gulf of Alaska sector split of Pacific cod in October with final action in December 2009, and also begin to look at amendments to the changes to the observer program. I expect the Council to impose observers on halibut vessels where all the fleet is assessed a 2% fee. Implementation will possibly occur in three years at the earliest. The Council will also review and begin the amendment process for the Halibut/Sablefish IFQ program at the December meeting.

One-fish Charter limit. On June 4th, Judge Rosemary Collyer denied the charter plaintiffs request for injunctive relief from the one-halibut daily limit. The charter plaintiffs are now asking, through summary judgment, to overturn the one fish rule. The last brief is due the first week in September and oral arguments sometime in late fall. Ultimately, the Judges decision will affect 2C and 3A, both current and future management. I had dinner with the Coalition's attorney, George Mannina. FVOA and DSFU presented him with a gift of a water color of halibut fishing for his many years of help. The charter plaintiffs have loaded their arguments with many outright inaccuracies and distortions of the North Pacific Council's past deliberations. The judge could deliver a bench decision at the time of oral arguments or wait before making a decision. ALFA has worked hard on behalf of the industry on this with considerable costs. A donation to the Halibut Coalition addressed to P. O. Box 22073, Juneau, AK 99802, would be in your best interests. **A big thank-you to the Seafood Co-op for their donation of \$15,000 to this cause.**

Enforcement. The F/V Trident received \$259,000 in penalties and sanctions by NOAA for fishing blackcod from the Aleutians in other regulatory areas where fishing was easier. Sanctions include forfeiture of fishing their 2010 quota, forgoing their hired skipper privileges, and denying the operator from serving as a captain on a fishing vessel for any fishery on the West Coast for five years. **-NOAA Enforcement**

****PFMC****

The primary issue will be receiving stock assessment information on Petrale, Yellow-eye and Widow rockfish and Marine Protection Areas.

****IPHC****

The Commission will host a bycatch meeting on **Tuesday, September 29, 2009 from 8:30 am to 5:00 pm** at the DECA hotel in the "U" District. Rumors are that both U.S. and Canadian Commissioners may not be supportive of the staff's coast-wide assessment model from last year.

****Markets****

Halibut prices remain variable on the fresh side of the market. Prices, the first week of August, to FVOA vessels in Homer were \$3.40 for 10-20's, \$3.85 for 20-40's, and \$4.25 for

40 ups. Prices in Seattle mid-August were \$3.80 for 10-20's, \$4.20 for 20-40's, and \$4.60 for 40 ups. Prices were slightly higher earlier in Seattle, but good weather resulted in a glut on the market. Prices in Kodiak, King Cove, Sand Point, and Dutch Harbor have been reflecting a frozen price and maybe \$0.80 to \$1.20 less than in Homer and Seward. Processors are being cautious based on last year's high halibut prices they paid for frozen fish and the current recession. By the third week in August, due to good deliveries, prices were off \$0.40 from those reported earlier in August. The need for a later opening in 2010 maybe avoided if frozen product is priced appropriately in 2009.

**Individual Fishing Quota (IFQ) Allocations and Landings
For Fishing Year 2009**

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	% Landed
2C	Halibut	1008	3,383,381	5,020,000	1,636,619	67
3A	Halibut	1469	14,072,026	21,700,000	7,627,974	65
3B	Halibut	427	6,449,419	10,900,000	4,450,581	59
4A	Halibut	116	1,183,214	2,550,000	1,366,786	46
4B	Halibut	27	516,756	1,496,000	979,244	35
4C	Halibut	5	38,523	784,500	745,977	5
4D	Halibut	28	966,981	1,098,300	131,319	88
	Total	3,080	26,610,300	43,548,800	16,938,500	61

Over half of the halibut is now in. I expect the current prices to hold through the end of the year. Processors should be well positioned with their frozen inventories this winter if current price differences remain through the season.

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
AI	Sablefish	53	993,037	2,910,072	1,917,035	34
BS	Sablefish	111	941,311	2,398,605	1,457,294	39
CG	Sablefish	424	7953,801	8,800,763	846,962	90
SE	Sablefish	510	4,855,373	6,053,832	1,198,459	80
WG	Sablefish	98	2,119,024	2,892,535	773,411	73
WY	Sablefish	166	3,083,933	3,432,462	348,629	90
	Total	1,262	19,946,479	26,488,269	6,541,790	75

Blackcod. Prices to FVOA vessels are basically the same throughout Alaska. A delivery to Sand Point for H&G, iced fish received 7↑- \$5.35, 5-7's - \$5.20, 4-5's - \$4.80, 3-4's - \$4.50, 2-3's - \$4.20 and ↓2's - \$4.10. The average price was \$5.00/lb. The prices for sablefish have been driven by favorable exchange rates for sablefish exporters. The Yen was recently at 94¥/\$. This gives Japan 25% more purchasing power over last year. However, Japan, because they were beginning to manage their national affairs correctly and running a national account surplus, their Yen has strengthened increasing the cost of their exports. Japan, Taiwan and South Korea have lost 70% of their exports and face increasing unemployment. Japan's national debt is 180% of GDP and rising. However, Japan Korea and Taiwan had good numbers in their second quarter reports. Your sablefish prices have uniquely escaped the current international recession. Total exports of sablefish in 2007 were 16,929,384 lbs. valued at \$63,576,776 and in 2008, exports were 18,950,878 lbs. valued at \$75,269,361.

****Eat on the Wild Side!****

Halibut Farming Uncertain. The demise of a major halibut farm venture in Scotland leaves just two in the region. All three companies agree one challenge is the 3:1 ratio of male to female juveniles. Apparently, this is the success rate of juvenile halibut from eggs to fry. Females grow to a marketable 4 to 5 kilograms in 4 to 5 years while male fish consume the same amount of feed but only grow to half the size. Male growth slows around three years at 3 Kilograms making them a more expensive proposition to grow said a spokesman from Otter Ferry Seafoods. –**SeafoodSource.com**

Norwegian Aquaculture Farms - Marine Harvest and Villa Organic are giving up on cod farming. Marine Harvest had a \$3.4 million write down and Villa Organic \$9.42 million in losses. They cite mortality of cod in the pens and low cod prices. “The cod industry has imploded. We don’t have the capacity to deal with it any longer”. V.O. Nora Sea – “We were overly optimistic and thought the biological challenges would sort themselves out, we were very wrong.” –**Seafood International**

Technology. Aqua Bounty Farms – U.S. Food & Drug will approve a cross of Atlantic and Pacific King Salmon known as “advanced Hybrid” that includes the Chinook growth hormone.

Scientists. Three scientists want government regulators to ban feeding cow meat or bone meal to fish due to the potential spreading “mad cow disease”. **Source – Journal of Alzheimers Disease – June 2009**

United Kingdom. Supermarket Sainsbury’s says MSC fish account for 10 percent of total seafood sales. Last month haddock became its 54th product to bear the eco-label SFI.

Dying Assets. Chiles farmed fish exports will be down 40% due to pen infections of their fish. Over half the pens are empty. –**Economist**

****Washington, D.C.****

Head of NMFS. Arne Fuglvog from Alaska and Brian Rothchild from New England appear to have both conducted such good campaigns for the appointment that they may well have knocked each other out. The new person being considered maybe the current head of the Monterey Bay Aquarium. Arne has officially withdrawn his name and Rothchild has done the same. Dr. Balsiger remains at the helm and was given a 6-month extension.

National Aquaculture Bill – House. The House bill would be a very good bill for wild fish fishermen and inland fish farmers. The bill addresses waste, disease, exotic fish types, forage species that swim into fish pens and get eaten. I was told it could pass the House but not likely the Senate as it is very restrictive on high seas fish pens. We informed members of Congress that currently Canadian pen operators can get a permit to shoot stellar, harbor and California seals. We suggested that the Secretary of Commerce be allowed to require a truth in marketing marker about killing marine mammals on product from foreign countries that allow for killing nuisance marine mammals. This was well received in the House.

H.R. 26 – Safety. This bill will require new safety standards by 2020. Almost all vessels on

the West Coast over 50 feet will be required to have some dockside safety review by the Coast Guard. The concern is, will the Coast Guard also get involved in structural recommended changes to vessels, and will they have the personnel to do this. This bill is currently with Senator Cantwell as it passed the House and she is in charge of the Senate version. The bill also has replacement language for American Fisheries Act vessels. This bill, if it moves, would likely be added to a larger Senate bill.

Healthcare Bill. HR3200 – This review should not be interpreted as opposition of Health Care reform. The following is an attempt to look at the House and some Senate legislation that would affect health care coverage and your financial responsibilities.

House - The main vehicle of legislation is HR 3200. There are three subcommittees that have finished their proposed amendments and the House is currently in conference collating the respective amendments. The House has not passed any final legislation as yet. HR 3200 provides the following with proposed amendments:

1. Coverage would be determined based on an employers total annual payroll. Payrolls greater than \$500,000 would begin paying a 2% of wages fee up to 8% for total payrolls of \$750,000 or greater.
Comment: most of you pay your crew on a share system and your crew are considered self-employed and receive a 1099 at the end of the year. I have been told for the House bill purposes, you and your crew would be included in the proposed program unless the legislation explicitly exempts you. If you pay wages and use a W-2 form, you are definitely included.
2. If your net is \$280,000 as an individual or \$350,000 for a couple, you will pay an additional 2% surtax or 5.4% if you net \$800,000 or more.
3. After some date in the future, I believe in 2014, your current health care insurance provider will not be allowed to take on new clients.
Comment. This is an incentive to have people enroll with the federal program. As time goes by, the pool of individuals in existing insurance companies will get older and the companies will probably phase out of business.
4. As an employer, your employees will be given the options of three federal health care plans, and as an employer, you will be required to pay 72.5% of the cost for an individual or 65% for a family program.
Comment: If an employer or the employee currently provides coverage, your employee can keep that coverage but the employer will be assessed a fine on those wages. This is another incentive to move employees to the federal program. If your employer now provides a good policy that exceeds the federal options, the employer could now have a legal incentive to reduce the employees benefits, by providing the federal program, and have the employee contribute 27.5% of the cost. Additionally, if the employer pays for your coverage to an existing insurance carrier, that premium will be added to the employees wage base for Social Security and withholding taxes. If the employer pays through the federal program, the fee is not added to an employees wage base. This is an incentive to move everyone towards the federal program.
5. It is unclear how an employee gets treated, who is employed by a company that is exempt, i.e. one with less than \$500,000 in wages. One reading is that every

employee would be expected to acquire benefits by paying up to 12% of their income on wages up to \$88,200. There would be a graduated rate from 1.5% to 11%. This would be through the federal insurance program.

6. If there is an exemption for employers of small business, your crew will still have to acquire coverage on their own.

Senate: The Senate has a couple of committees working this bill. They are not as far along as the House. There are proposals to exempt small companies of less than 25 people, and there is an amendment that the number be 10 people. This would exempt most of you as employers but, like the House, your employees would still be required to secure coverage.

Neither bill at this time provides exemptions for seasonal workers, which is a big issue for the agricultural and other food producing industries as well as the tourist industry. Seasonal employment in Bristol Bay for salmon would be a good example. The Senate version is more likely to accommodate this type of exemption.

One Senate option requires coverage for all employees with 60% being paid by the employer and 40% by the employee or a tax penalty of \$750 per year per person.

Comment: The Senate is where a compromise will likely take place. It is difficult to know how this would all be resolved.

I want to thank Congresswoman McMorris' office staff with getting back to me on questions to the above legislation.

Presidential Directive. The President has requested a committee in NOAA to develop new national policy to protect oceans. The directive lays out groundwork for a system that could apportion ocean resources. The task force would develop recommendations within 180 days for a system of coastal and marine special planning, a comprehensive, integrated ecosystem-based effort that addresses conservation and economic activities. This may lead to zoning in the sea. We are unsure what all this means or how this may be different than the current Magnuson-Stevens Act process as commercial types are not part of the design committee.

Climate Changes – Carbon Tax. The House passed a carbon tax bill and the Senate is also developing a companion bill. Different industries will be assigned a maximum carbon usage amount with ramp downs over time. The carbon units could be treated like your IFQs. It is uncertain if food producers will be included in the Senate version. The House bill did not have an exemption for food producers. It is unknown if the fishing industry will be assigned a carbon quota or how it will be divided out. One idea is that the Department of Energy will auction carbon credits to the highest bidder in order to raise money. Stay turned. The Senate may not support this legislation. Many congressmen in the House said they would support this cap and trade bill provided India and Asia support something like it. The *Economist* reports that Secretary of State Hillary Clinton was told absolutely no by the Prime Minister of India. India argues that their pollution per individual is relatively low. Of course they have 1.2 billion people. China and Russia being big CO² polluters are the number one source of mercury fallout in the Pacific and they are wanting exemptions to CAP and Trade claiming to be emerging third-world industries.

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****Calendar of Events****

Week of Sept. 12, 2009	PFMC	Crowne Plaza-Mid Peninsula Foster City, CA
Sept. 26, 2009	Fishermen's Fall Festival 11 a.m. to 7 p.m.	Fishermen's Terminal Seattle, WA
Week of Oct. 1, 2009 AP and SSC begin Thurs., Council on Sat.	NPFMC	Anchorage Hilton Anchorage, AK
Week of Nov. 1, 2009	PFMC	Costa Mesa Hilton Costa Mesa, CA
Week of Dec. 6, 2009	NPFMC	Anchorage Hilton Anchorage, AK

****Second Watch****

Please welcome two new associate members—Mr. Leonard Herzog, F/V Ballyhoo of Anchorage, AK., and Oystein Lone, of Mill Creek, WA. Thank you for your support!