

The Wheel Watch

a newsletter of the
Fishing Vessel Owners' Association
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Thank you for your support!

Dear Longliner

The dog days of August are past and the September equinox is approaching fast, in fact, winter is beginning to show itself in the westward halibut districts in the Bering Sea. There has been a lot of political smoke this summer –none of which you should inhale. This newsletter will address the upcoming Pacific and North Pacific Council meetings, some D.C. speculations, marketing and farmed fish actions.

****Pacific Council****

The Council will meet September 13-17, 2005 in San Diego. Last year, the Council had to respond to a lawsuit and is now on a bi-annual schedule for setting harvest limits for groundfish, except for whiting. The sablefish harvest will be 7761 mt. for 2005. The tier limits in 2005 will be: Tier 1 - **64,000 rd.lbs.**; Tier 2 - **29,100 rd. lbs.**; Tier 3 - **16,600 rd. lbs.** There will be a new sablefish assessment done in 2005 with two trawl surveys, slope and shelf, plus a fixed gear survey. This will affect the 2007 season. The harvest limit in 2006 will be 7634 mt.

VMS: The VMS went into effect this year. I have not heard of any problems yet; however, please remember there isn't any tolerance for drifting over the line at night off of Washington, Oregon and California. The Council will address expanding the VMS system to a portion of the open access fleet, such as, the daily trip limit fleet.

Some good news! Ling Cod should come off the overfished list sometime in 2005. The northern portion of the resource has been rebuilt. Canary and Yellow-eye are showing slow positive movements towards rebuilding. You should expect the 100 fathom restriction to continue until Yellow-eye and Canary are rebuilt.

Habitat. The Pacific Council will be spending more and more of its time discussing marine reserves and habitat protection issues in the future, as is the NPFMC.

****North Pacific Council****

IFQ Amendments. The North Pacific Council will be meeting in Sitka beginning October 4, 2004. The Council will take a preliminary look at the IFQ amendments, which include the following: (1) Emergency medical transfers; (2) require that if you put your name on boat papers for 20% ownership, it must stay for 24 months for purposes of harvesting IFQs; (3) product recovery rate adjustment for bleeding sablefish; (4) VMS for sablefish quota being harvested in Aleutians and Bering Sea; (5) liberalization of block program in halibut, perhaps you can own three blocks; (6) D class to become C class; (7) B class to C class in S.E. Alaska, and (8) allow 4C to fish in 4D. Final action is scheduled for the December meeting.

Habitat of Particular Concern (HAPC): The October meeting will be a last review of options with final action to be taken in December. This could affect fishing in the Aleutians in order to protect coral and sponges. We have sent in proposed options.

GOA Rationalization: The Council will continue to develop the IFQ options for rock fish IFQs in the Gulf. Gulf rationalization for other species, such as cod and pollock, seem to have collapsed due to the complexity and number of the rationalized options. So what this means is because there are so many rational options to consider, it has become irrational to proceed

further. I must have inhaled some of that summer political smoke!

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

COOL Legislation: Country of Origin legislation has attracted a lot of attention this summer. Some salmon fishermen were offered promises of having their product “Alaska branded” and more marketing money if they were willing to make COOL voluntary. What is happening is that consumers like to know where their food comes from. If the package says Asia shrimp versus Oregon shrimp or Russian halibut versus U.S. halibut, consumers are making choices for U.S. product. Those who import fish products will have increased resistance to their product, hence the request for a voluntary program. COOL is helping the local harvesters and processors who are dependent on U.S. product. Crabbers and longliners made a big push this summer to keep the COOL legislation, sponsored by Senator Stevens, mandatory. This issue is not over and is still active.

Magnuson-Stevens Act: Nothing until next year and possibly no final amendment until Fall of 2006. If the Democrats take the Senate, Inouye from Hawaii will be head of Commerce and fishing. If the Republicans keep the control of the Senate, Senator Stevens will be in charge of Magnuson Amendments. Things are so close in elections that we will not know who is in control until November 3rd, the day after the elections.

Note: Next spring 2005, tanner crab will be an IFQ species, with King Crab in the fall. This includes the processor delivery requirements.

****Markets****

Sablefish. Increasing harvest levels in Alaska, British Columbia, and the lower Pacific Coast, increased production to 30,000 mt. last year. Increasing supplies over three consecutive years resulted in a 60¢ price adjustment downward. **Bill Atkinson’s New Report** reports the following:

Following several years of relative stability, the market for sablefish in Japan fell apart this year. Contrary to previous years, when the fishery started with depleted inventories, the 2004 fishery opened with both importers and users holding on to a considerable amount of carry-over product. And much of this sablefish were less desirable smaller-sized fish. It appears that balance has returned to the market.

During the several months between the end of the spring fishery and now, the product has been slowly moving through the system. This has helped to return some balance between the supply and demand for sablefish, providing somewhat improved conditions for fall operations. There are about three months left for operations in the main Gulf of Alaska fishery, and a proper balance between supply and pricing will be the key to a successful market this fall.

While overall conditions have improved, wholesale prices haven't changed yet. The current wholesale price for 5-7 lb sablefish remains at about ¥1,150 to ¥1,200/kilo (\$4.75-4.96/lb). The price for Canadian sablefish is listed at ¥50 kilo (21¢/lb) less than those for Gulf product.

SIZE	HIGH		LOW	
	¥/KILO	\$/LB	¥/KILO	\$/LB
5-7	¥1,200	\$4.96	¥1,150	\$4.75
4-5	¥1,100	\$4.55	¥1,050	\$4.34
3-4	¥1,000	\$4.13	¥ 950	\$3.93

The lower Pacific Coast harvest levels will be similar to 2004 in 2005 as will be British Columbia harvest levels. The GOA harvest levels may rise again in 2005. This additional tonnage will have a downward effect on the market, but the current adjusted price may be adequate for this new inventory in 2005.

Lower coast sablefish prices delivered into Bellingham in mid-August were \$3.75 for 7-ups, \$3.20 for 5-7, \$2.85 for 4-5's, \$2.50 for 3-4's, \$2.20 for 2-3's, \$1.90 for 1-2's. Alaska prices in Seward, other than 7-ups, were slightly higher.

Farmed Competition. With a harvest of 200,000 lbs in 14 to 20 months, Sablefin Hatchery transferred 45,000 fingerlings to two grow-out pens in August. If they all grow to a 5/lb. dressed equivalent, that will mean 200,000 lbs. of farmed product. Flesh quality issues still are in question as are the overall economics.

Senator Lisa Murkowski sent a letter to the Canadian Ambassador, Michael Kergin, asking the Canadian government to stop their activity on sablefish farms until proper environmental studies are completed. We thank Senator Murkowski for her letter.

Halibut. Halibut prices in Bellingham in mid-August were \$3.60 for 40 ups, \$3.45 for 20-40's, and \$3.30 for 10-20's. The prices dipped in late August. This is due to many of the salmon fishermen switching to clean up their halibut following summer salmon activity. This resulted in a few more fish on the market in late August. I expect overall harvest levels be reduced in 2005. I am forecasting \$3.50/lb in Seward mid June 2005 for 40-ups.

Alaska Journal of Commerce. Alaskans pressure EU to lower tariffs on Pacific Halibut, currently set at twice Atlantic Halibut, 15% vs. 7.5%.

Seafood International. Stolt Sea Farm Holdings of Norway considers that its 17-year experiment to farm halibut - Atlantic or white halibut (*Hippoglossus hippoglossus*) has been a failure. Annual production has reached only 240 tonnes. But times might be changing. Chief executive officer (CEO) James Stove Lorentzen tells Seafood International: 'Nobody has succeeded in farming halibut, although something might be happening now. Not enough juvenile fish are available. There is the capacity to produce millions, but only a few hundred thousand are being reared. With ongrowing almost gone, the price of juveniles crashed from about NOK60(\$8.7) per fish to NOK20-30 (\$2.9-4.3).'

The market for farmed halibut was misjudged, Mr. Lorentzen says. 'Norway, Sweden and the UK are the only sizeable markets at the moment where we can sell farmed halibut. **There is**

severe competition from the 40-50,000 tonnes of wild Pacific halibut which are harvested annually. There were too many halibut farmers, but the industry has not slimmed down and the future looks better for the few that remain.’ There are new experiments with land-based production with stacked pans.

Atlantic Cod. Seafood International. The market in Europe won’t be able to absorb the 100,000 tonnes of farmed cod that industry sources will be produced by 2010. The number is too high.

Seattle, WA. The freezer longliners are looking to have freezer longline Pacific Cod in Alaska MSC certified. Pollock was recently MSC certified, but has now been protested by several Green groups.

Alaska Whitefish Varieties					
Portion size: 3 ounces (approximately 84 grams, cooked, edible portion)					
Species	Calories	Protein	Fat (g)	Carbohydrate	Sodium(mg)
Halibut	124	23	2.5	0	60
Cod	90	20	0.5	0	80
Pollock	90	19	1	0	110
Sablefish	205	14	16	0	60
Sole	100	21	1.5	0	90
Surimi	105	21	2	0	65
Seafood					

****Second Watch****

Rebecca Irene Fisheries - Court documents state the H&G processing trawler installed a removable side panel adjacent to the fish conveyor incline belt in the processing factory area, that enabled the crew to easily remove halibut from the conveyor belt so fish would not be sampled by the on-board observer. The NMFS has proposed civil penalties totaling \$360,000, \$120,000 for each violation, the maximum allowed under the Act. A spokesman for the vessel, Mark Decker, admitted he and the crew of the Rebecca Irene engaged in pre-sorting of Halibut. He claimed he would manipulate the vessel’s activity so that he was able to determine which tows the observer would sample. “When he knew that the observer would be resting and therefore, not sampling certain tows and there were areas close by that had good target species, but also high halibut bycatch, he would attack it for the fullest.” “It all comes down to money, how much money we were putting into the coffer, the money was being made extending the fishing and being able to stay in a protective fishing area.” Mr. Decker and the crew on deck would slide the halibut away so that it wouldn’t go into the tank. Docket No. Ak 01-5112

Sablefish Exports

Product	Country	2002 Kilos	2002 Value	2003 Kilos	2003 Value
SABLEFISH FRESH	JAPAN	266,154	827,296	102,930	473,054
SABLEFISH FRESH	MEXICO	4,489	9,845	0	0
SABLEFISH FRESH	SOUTH KOREA	16,041	129,806	935	9,050
SABLEFISH FRESH	UNITED KINGDOM	0	0	58,923	106,647
Subtotal		286,684	966,947	162,788	588,751
SABLEFISH FROZEN	CANADA	22,432	71,564	16,302	81,250
SABLEFISH FROZEN	CHINA	40,386	215,585	40,279	171,048
SABLEFISH FROZEN	DENMARK	0	0	3,293	15,990
SABLEFISH FROZEN	DOMINICAN REPUBLIC	0	0	16,783	19,800
SABLEFISH FROZEN	GERMANY	24,244	45,300	0	0
SABLEFISH FROZEN	HONG KONG	241,018	1,377,590	286,554	1,823,495
SABLEFISH FROZEN	JAPAN	7,086,834	42,357,218	9,915,453	60,479,671
SABLEFISH FROZEN	MEXICO	101,573	459,321	77,374	336,574
SABLEFISH FROZEN	NORWAY	20,000	50,500	0	0
SABLEFISH FROZEN	PHILIPPINES	0	0	37,589	213,850
SABLEFISH FROZEN	PORTUGAL	193,216	464,613	0	0
SABLEFISH FROZEN	SINGAPORE	54,012	333,490	83,828	488,350
SABLEFISH FROZEN	SOUTH KOREA	70,884	347,236	292,332	1,198,043
SABLEFISH FROZEN	SPAIN	0	0	573,286	1,761,867
SABLEFISH FROZEN	THAILAND	19,987	26,438	0	0
SABLEFISH FROZEN	UNITED KINGDOM	7,902	32,192	62,273	278,595
SABLEFISH FROZEN	YUGOSLAVIA	10,007	17,010	0	0
Subtotal		7,892,495	45,798,057	11,405,346	66,868,533
Grand Total		8,179,179	46,765,004	11,568,134	67,457,284