

## **South Atlantic Wreckfish ITQ Update**

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### *Introduction*

There are 25 shareholders in the wreckfish ITQ program. Council staff had informal conversations with 10 individuals representing 12 shareholders (48%) regarding the history of the wreckfish fishery. Four of the 25 shareholders (16%) were deceased and 9 shareholders (36%) were unreachable due to outdated contact information. However, the 5 top shareholders were spoken with as well as all current participants. Currently, four or less shareholders (16%) participate in the wreckfish fishery, however, some do not participate every year. Three shareholders that do not currently fish for wreckfish, anticipate participating this year or next. One shareholder lives in a state not within the South Atlantic jurisdiction. All shareholders spoken to were fishermen.

The purpose of these conversations was to gather additional information about:

- The instigators of the derby fishery that occurred in the late 1980s;
- Why landings dropped off shortly after implementation of the ITQ;
- Why the TAC has never been reached;
- Why coupons have gone largely unused for over a decade and why shares associated with those coupons have not been sold;
- The current state of the wreckfish fishery; and
- Possible changes to the Wreckfish ITQ.

### *Late 1980s and Early 1990s*

In the late 1980s, a few fishermen began to target wreckfish about 50 miles offshore. The species, also called stone bass, inhabited areas about a mile under the surface of the water. According to shareholders contacted, because the species had never been targeted before in South Atlantic waters, the species was relatively easy to catch and harvests were large. Prior to participation in the wreckfish fishery, shareholders shrimped or fished for snapper grouper or sharks, swordfish, and/or tuna. These fishermen typically had larger vessels and so it was possible for these vessels to participate in the wreckfish fishery which requires a larger vessel given its distance from land. During this time, shrimp yields were relatively low and the ex-vessel price for shrimp was low as well. Several boats re-rigged to switch from shrimping to fishing for wreckfish. Other people bought new boats specifically made for fishing for wreckfish. By 1991, more than 100 vessels were fishing for wreckfish in derby-like conditions.

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Shareholders contacted stated that the derby was caused by:

- An influx of shrimp boats (33% of shareholders contacted);
- A desire to qualify for the ITQ and receive an initial allocation they could profitably fish with<sup>3</sup>; and
- A desire to participate in a fishery with high yields from a virgin stock which would likely require less effort to harvest from than a non-virgin stock.

The shareholders contacted all agreed that the ITQ eliminated the derby fishery. However, all felt this would have happened anyway given how difficult the fishery is to prosecute.

During the derby, ex-vessel prices were lower than previously and it was sometimes difficult to move the wreckfish harvest due to the large size of total landings; there were market gluts. Average nominal prices received ranged from \$0.90 to \$1.35 per pound in the late 1980s and early 1990s. Shareholders noted that on a typical trip, 15,000 - 18,000 pounds of wreckfish were harvested.

Prior to implementation of the ITQ, several fishermen noticed that wreckfish were filled with roe in winter and early spring. A spawning season closure from January 15-April 15 was proposed and implemented. In April of the year of the first spawning season closure, fishermen found that the markets that had developed for wreckfish were no longer available due to the interruption caused by the three month spawning season closure. Average ex-vessel prices decreased and harvests were harder to sell. This, the ITQ eligibility requirements, initial allocation, the difficulty of harvesting wreckfish, and a rebound in the shrimp fishery<sup>4</sup> contributed to a decline in the number of vessels participating in the fishery in the early 1990s after implementation of the ITQ.

The general feeling among shareholders is that the wreckfish fishery is a very difficult fishery to prosecute and that many vessels left because there were easier and more profitable fisheries open to them. Some of the factors that make the wreckfish fishery difficult are:

- The location of the fishing grounds near the Gulf Stream;
- The distance of the fishing grounds offshore and the expense associated with the fuel required to travel to the fishing grounds and harvest; and
- The inability to locate fish with a fish finder because wreckfish do not have air bladders.

While some vessels remained in the fishery, in 2002, there was yet another drop in landings which appears to be at least partially due to the untimely deaths of three highliners. One additional shareholder passed away at a later date. Since that time, the

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<sup>3</sup> One shareholder stated that once the initial allocation occurred, his fishing effort was decreased because he saw others easing up on their fishing effort.

<sup>4</sup> At about the same time that the ITQ was implemented, the shrimp fishery improved and several vessels stopped fishing for wreckfish.

number of active participants has varied between two and four vessels each year with landings at about 300,000 pounds each year. The wreckfish fishery now supports a niche market that employs one fisherman almost year round, one fisherman for most of the year, and two shareholders who participate every few years.

#### *The Market for Wreckfish*

Some shareholders that are also dealers stated that wreckfish, like any species, are easier to market when large amounts are being caught. However, these shareholders also stated that the market for wreckfish, in general, is better now than in the past. The price offered is much higher than under the derby and South Atlantic wreckfish are sold in Canada, Boston, New York and Orlando, among other places. It is a substitute for grouper but has a market of its own as well. It is sold as “wreckfish” or “wreckfish grouper”.

Active wreckfish fishermen note that the wreckfish market is a niche market. They stated that recently, the price for wreckfish has decreased by about 25%. Active wreckfish fishermen have had to abort trips recently because it is uncertain whether the wreckfish poundage brought to the dock can be moved. The fishermen have also stated that it is also sometimes uncertain whether they will get paid right away due to a cash shortage on the part of the fish house.

Another shareholder stated that recently, the market has been flooded with red grouper which is a substitute for wreckfish. That has brought prices down. There is hope that the market for wreckfish might improve if red grouper harvest decreased and/or marketing improved.

#### *The Current Wreckfish Fishery*

As stated above, four or less shareholders now fish for wreckfish annually. Current shareholders not fishing for wreckfish fish for king mackerel, tuna mahi-mahi, swordfish, shark and shrimp. One shareholder harvests oysters and seabass with pots. Another shareholder fishes for snapper grouper species and lobsters. At least three shareholders contacted that do not currently fish for wreckfish, stated that they were preparing to participate in the wreckfish fishery in 2009 and/or 2010 in order to make up for revenue they expected to receive from fisheries they would be unable to participate in due to changes in regulations (e.g., snapper grouper Amendment 16).

Some mentioned that they would make more trips for wreckfish if they had a newer and larger vessel, if their physical health was better, and if their balance was better as it was when they were younger. Several shareholders were retired or planned to retire soon.

According to some of the active wreckfish fishermen, a drawback of not having a lot of participants in the fishery is that the wreckfish area they fish is large and when there are a lot of vessels scattered throughout that area, a lot of reports are made on the radio about where the fish are and therefore, fishing is easier because the fish are easier and less expensive to find.

Some shareholders shared their opinions on why the TAC has not been reached. Most stated that the fishery is difficult and there are not enough participants or trips made to make that possible. A few fishermen stated that cold water events are far more common now than they were in the 1990s. When cold water events occur, the fish don't bite. They remark that these cold water events used to happen once or twice a year but that they now occur 6-8 times a year. They contend that the weather has also been more aggressive recently than in the 1990s.

#### *The Market for Wreckfish Shares and Coupons*

Shareholders that bought into the fishery or that increased their initial allocation through purchasing shares from others, bought shares in order to be able to fish for a particular poundage of wreckfish annually in perpetuity. No shareholders contacted had purchased shares with the intent of selling them when prices were higher. Most purchased shares because they felt it was a good investment and that if they did not fish all of their coupons, then they could sell them. Several shareholders are interested in selling their shares or coupons if offered an "appropriate" price. However, no shareholder knew what the appropriate price might be.

All shareholders contacted were aware that they could sell their shares and coupons to a buyer, however, a lack of buyers prevent them from doing so. Several shareholders were waiting for the stock to rebound so that they could sell, lease, or fish their wreckfish shares/coupons. Three shareholders felt that implementation of the IFQ created a great deal of animosity due to the initial allocation. They theorized that other shareholders were holding on to the quota out of bitterness and to help rebuild the stock. Other shareholders stated that they would sell or lease if there were buyers willing to pay a fair price. Most shareholders contacted preferred to hold onto their shares and sell their coupons instead.

#### *Changes to the Wreckfish Program*

Wreckfish shareholders contacted unanimously agree that no major changes should be made to the wreckfish ITQ beyond what is required by the reauthorized MSA. They feel the program is operating as intended and it is the characteristics of the wreckfish fishery (stated as bulleted items above) that have resulted in the low number of participants and lower harvests and not the structure of the ITQ program.

Active participants and those that intend to re-enter the fishery in 2009 and 2010 have stated that equating the TAC to recent catch levels will result in their inability to remain in the fishery. Other shareholders stated that a TAC of 1 million pounds (down from the current 2 million pounds) could hurt active fishermen who have an interest in exploring unfished areas. Several fishermen stated their understanding that wreckfish migrate from the Mid-Atlantic Ridge each year<sup>5</sup>. According to active fishermen, the catch per unit effort (CPUE) has not changed since implementation of the ITQ. The average size of fish caught has also not changed.

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<sup>5</sup> Some active fishermen stated that they know when wreckfish have recently migrated because they have small hooks stuck in them, which are used in areas outside the South Atlantic jurisdiction, and because they have a greenish color on their backs from traveling close to the surface of the water where the sun might change their coloring. They call these fish greenlings or transients.

Some minor changes that shareholders would like to see made include:

- Increased enforcement - One shareholder stressed the need for more significant enforcement. He stated that there is recreational fishing for wreckfish occurring in North Carolina and Virginia. He contends that some headboats and charterboats are catching juvenile wreckfish. He recommended that enforcement personnel be educated about what wreckfish look like so that people catching wreckfish illegally could be charged.
- Changes to the wreckfish logbook - One shareholder suggested that if managers want to know what is going on and start drawing any cause and effect relationships, that they leave a space in the logbooks for fishermen to provide information about why a trip went the way it did (low harvest due to cold water, weather, etc).
- Use or Lose Provision - One shareholder wanted a use or lose provision implemented that would remove shares from shareholders that did not participate in the fishery every few years and redistribute those shares to active participants.

All shareholders felt that no recreational fishing for wreckfish should be allowed and they were surprised that wreckfish would be a target of recreational fishery given the difficulty involved in catching wreckfish with the difficulty with tides in the areas where wreckfish are caught. They felt that interested recreational fishermen could purchase a wreckfish permit, shares, and coupons if they wanted to catch wreckfish.