

Commercial Snapper Grouper Permit Discussion

Snapper Grouper Advisory Panel
October 2021



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Introduction

- Part of response to E.O. 13921 in 2020.
 - Instructed councils to submit a list of actions to reduce burdens on domestic fishing and to increase production within sustainable fisheries.
 - The Council indicated the intent to “evaluate performance of the snapper grouper commercial permit two for one provision and consider if changes will provide social or economic benefits to the fishery.”
 - Stated that “fishermen are reporting that the burden to entry has become excessive, especially to younger fishermen.”
 - Initially reviewed by Council at September 2021 meeting, with additional feedback requested from the AP.



Background: Commercial Permits

- Commercial permits were first required in the snapper grouper fishery via SG Amendment 4 that became effective in 1992.
- Each permit issued to a vessel.
- Amendment 8 established the 2 for 1 method of limiting the number commercial snapper grouper permit holders.
 - Became effective in 1998.



Background: Prior to Amendment 8

- Concern over excess capacity and intense competition over the SG resource.
 - Recreational and commercial participants.
 - Commercial participants employing different gears.
 - The size of the commercial fleet had increased, with some SG stocks experiencing overfishing and approaching overfished status.
 - Concern that gains from regulatory measures with an open access fishery would attract new entrants and the fishery would not be able to sustain increased effort.



Background: Amendment 8

- Resulted in two different snapper grouper commercial permits:
- The **SG 1 permit** (i.e., “unlimited permit”).
 - No overall poundage restrictions (aside from species-specific trip limits) and is transferable.
 - Provision to obtain a new SG 1 permit, a vessel owner has to purchase two permits and retire one of them (i.e. the **2 for 1 requirement**) to commercially fish within the snapper grouper fishery.
- The **SG 2 permit** (limited harvest to 225 lbs of SG species).
 - Intended to only be transferred to immediate family or onto a new vessel under the same owner.



Background: Initial Eligibility

- Initial eligibility was limited to:
 - Vessels that possessed a valid SG permit from February 11th, 1996 to February 11th, 1997.
 - Could show at least “one landing of snapper-grouper” from January 1st, 1993, to August 20th, 1996.
- SG 1 permit: Vessels that landed at least 1,000 lbs whole weight (ww) of SG species from 1993 through August 20th, 1996.
 - 1,075 qualifying vessels.
- SG 2 permit: Vessels that landed less than 1,000 lbs ww but showed at least one landing of SG species over the same time series.
 - 448 qualifying vessels.



Background: Objectives of Amendment 8

- The objectives of Amendment 8 aimed to:
 - Prevent overfishing
 - Provide a mechanism to vest participants
 - Promote stability
 - Create market-driven harvest pace
 - Minimize gear and area conflicts
 - Decrease incentive for overcapitalization
 - Prevent continual dissipation of returns
 - Evaluate and minimize local depletion



Analysis: Recent Reports

- Kari MacLauchlin Buck (2018)
 - Developed a detailed socio-economic profile of the commercial SG fishery.
 - Examined SG permits, fishing communities, participation, and landings from data covering the years of 1998 to 2016.
- Elizabeth Overstreet, Larry Perruso, and Christopher Liese (2018)
 - Produced a tech memo on the economics of the commercial SG fishery examining data collected in 2014, 2015, and 2016.
 - Information provided for the SG fishery as a whole and sub-sets of the fishery.



Analysis: Permits

Table 2. Change in SG permitted vessels between 1998 and 2019.

Vessels that qualified for SG 1 in Amendment 8 (1998)	1,075
Vessels that qualified for SG 2 in Amendment 8 (1998)	448
Vessels with SG 1 Permits in 2019¹	543
Vessels with SG 2 Permits in 2019¹	148
Change in SG 2 Permitted Vessels between 1998 and 2019	-532
Change in SG 1 Permitted Vessels between 1998 and 2019	-300
Percent Change in SG 1 Permitted Vessels between 1998 and 2019	-49%
Percent Change in SG 2 Permitted Vessels between 1998 and 2019	-67%



Analysis: Permits (Continued)

- On average 83% of SG permitted vessels record commercial landings of SG species.
- Approximately 45% of SG 1 permits are corporate owned.
 - Increased from 17% in 1998.
 - As of September 2021, only 2 of the 242 corporate owned SG 1 permits would not be exempt from the 2 for 1 provision.
- Estimated cost to obtain a SG 1 permit is about \$60,000 to \$80,000 (2017 \$).
- Advertised prices for SG 1 annual “leases” at \$6,000 to \$8,000 (2017 \$).

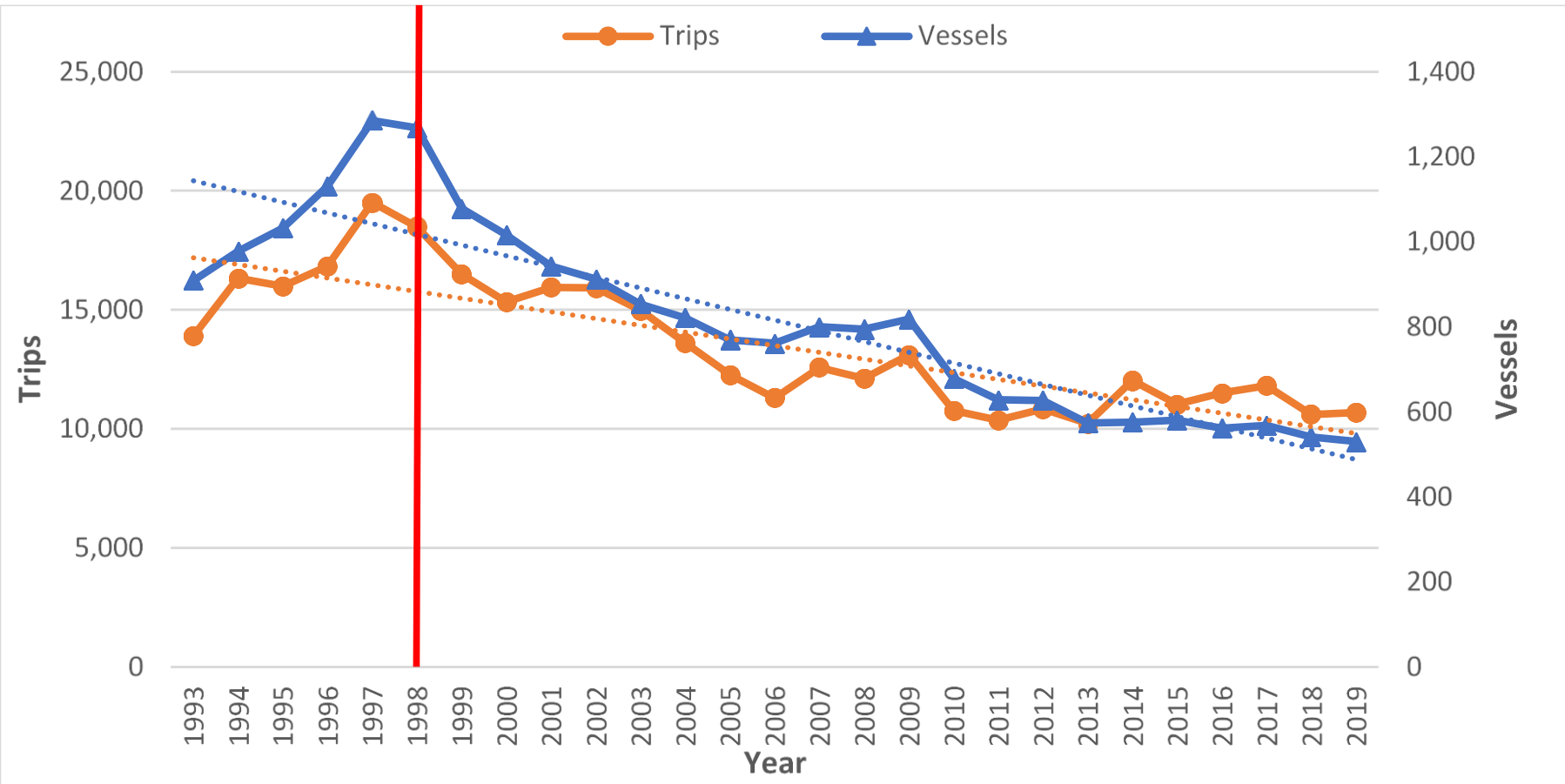


Profile of Recent Commercial Fishery

- On average annually from 2015-2019:
 - 556 vessels
 - 11,100 trips
 - 4.96 million lbs of South Atlantic snapper grouper (SA SG) species; 8.59 million lbs total landings.
 - \$18.1 million in gross revenue from SA SG landings and \$25.9 million in total gross revenue.
 - Average annual gross revenue per vessel of \$46,700 (2019 \$), with 70% occurring from the sale of SA SG species.



Historic Trends: Vessel and Trips



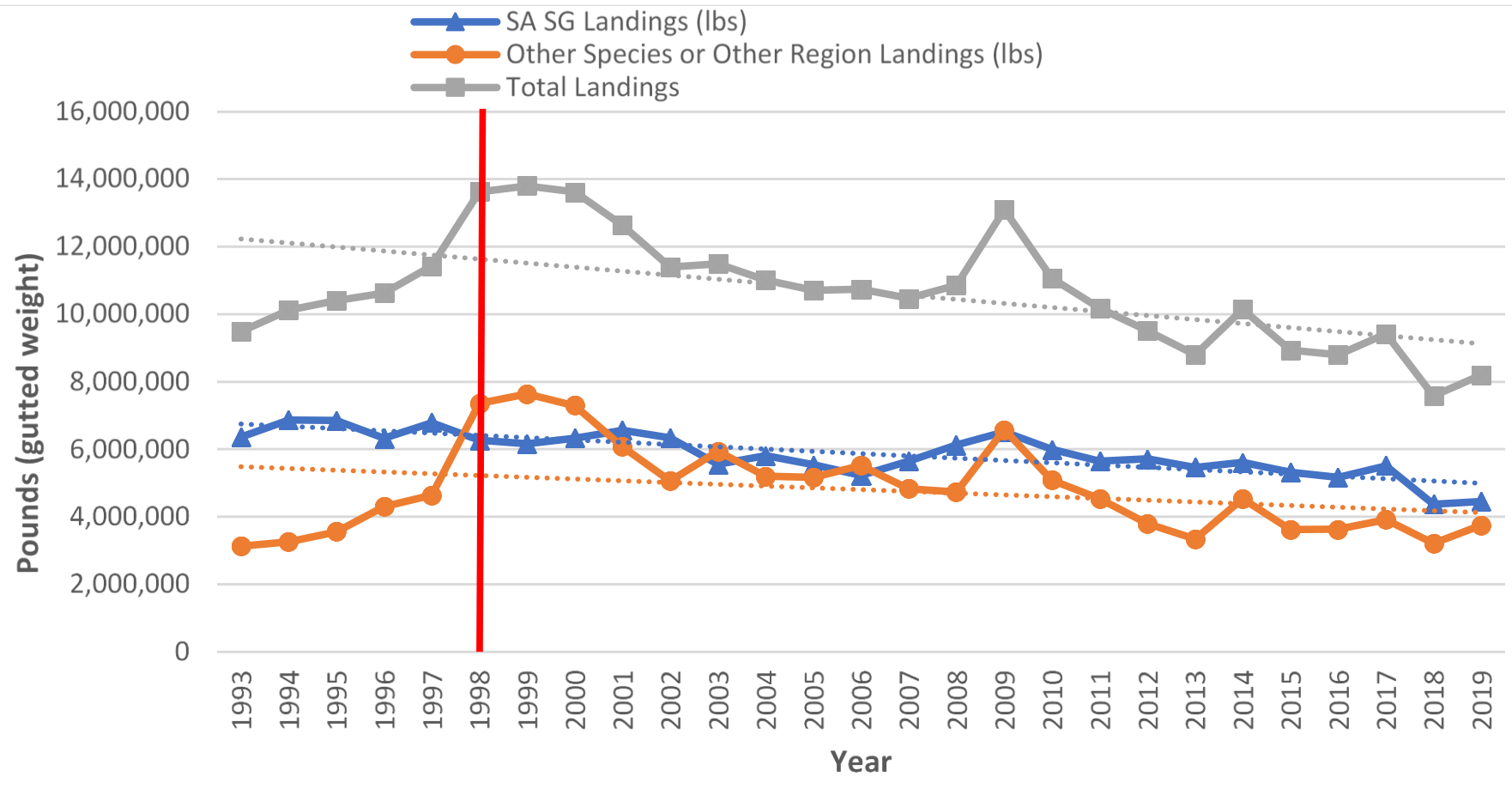
- Increase in effort (trips and vessels) leading up to Amendment 8.
- Both vessels and trips have decreased since then.

Source: SEFSC Socioeconomic Panel (Jan 2021) accessed by the SEFSC Economic Query System (August 2021).

Figure 1. Vessels and trips landing snapper grouper species in the South Atlantic region, 1993-2019



Historic Trends: Landings



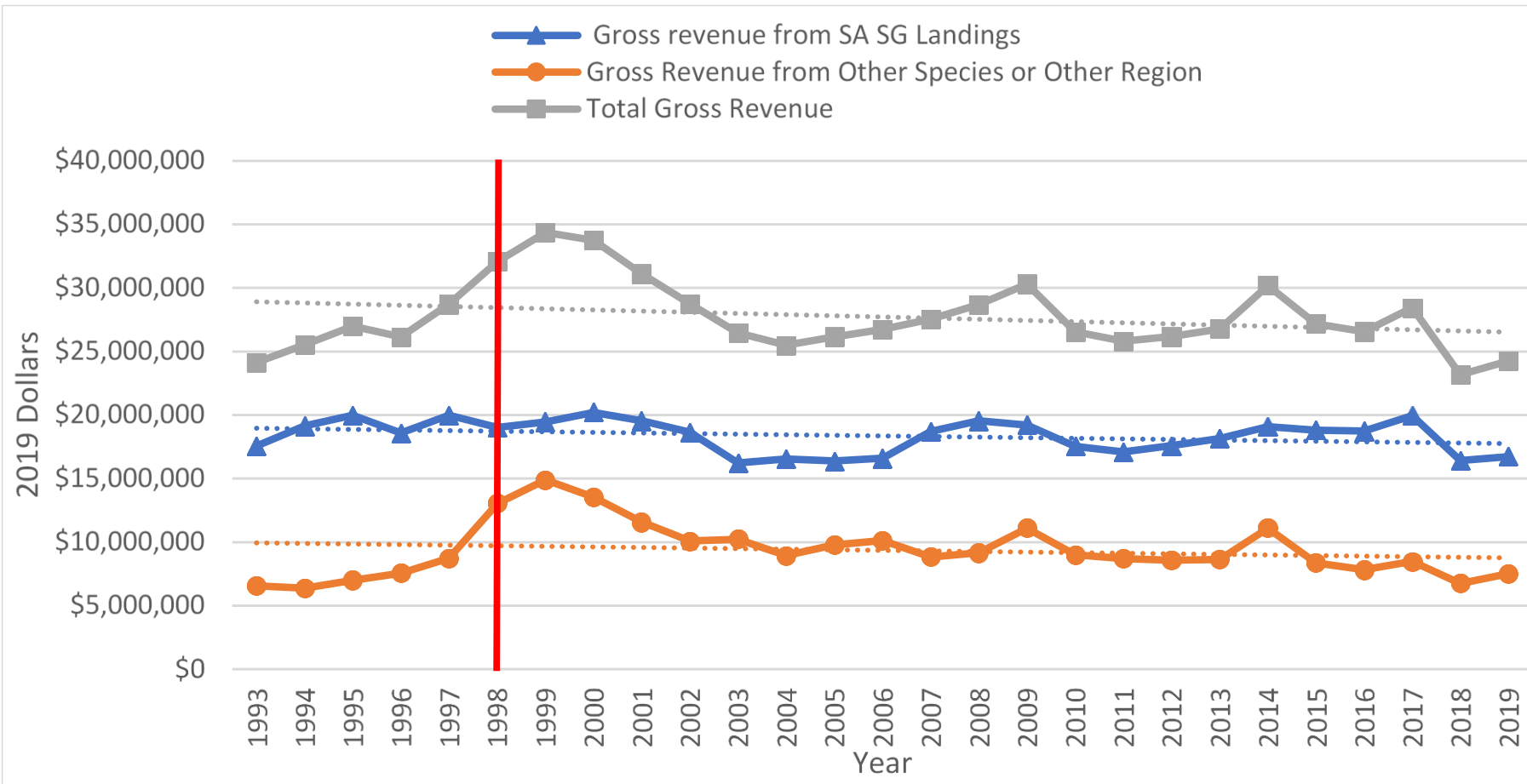
- Trend in landings is similar to that in vessels and trips.
 - Increasing into Amendment 8 and then general decrease.

Source: SEFSC Socioeconomic Panel (Jan 2021) accessed by the SEFSC Economic Query System (August 2021).

Figure 2. Landings from vessels that recorded sales of snapper grouper species, 1993-2019.



Historic Trends: Total Gross Revenue



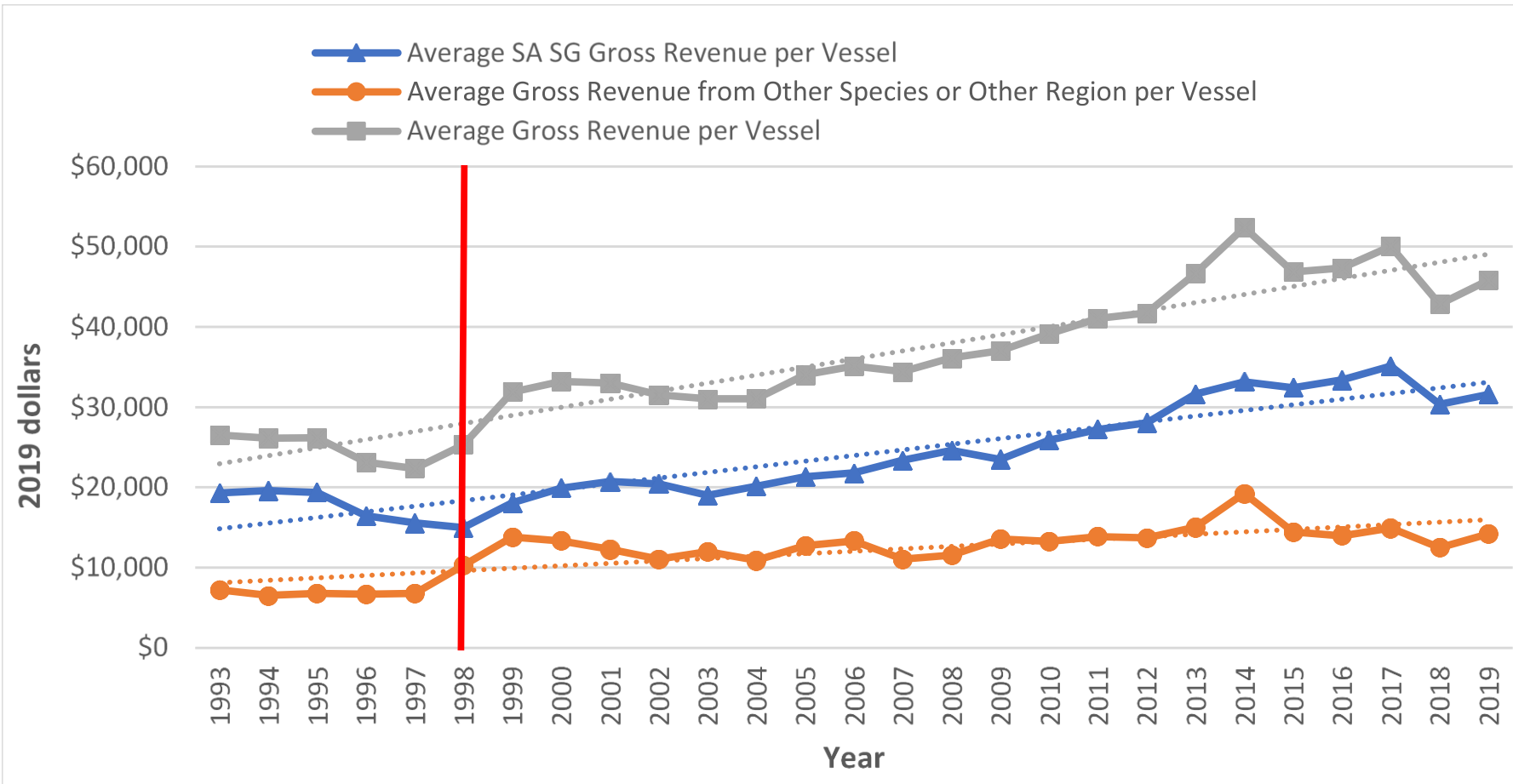
- Revenue has exhibited more stability.
 - Partially offset by increasing price for most SG species.

Source: SEFSC Socioeconomic Panel (Jan 2021) accessed by the SEFSC Economic Query System (August 2021).

Figure 3. Total gross revenue from vessels that recorded sales of snapper grouper species, 1993-2019 (2019 \$).



Historic Trends: Gross Revenue Per Vessel



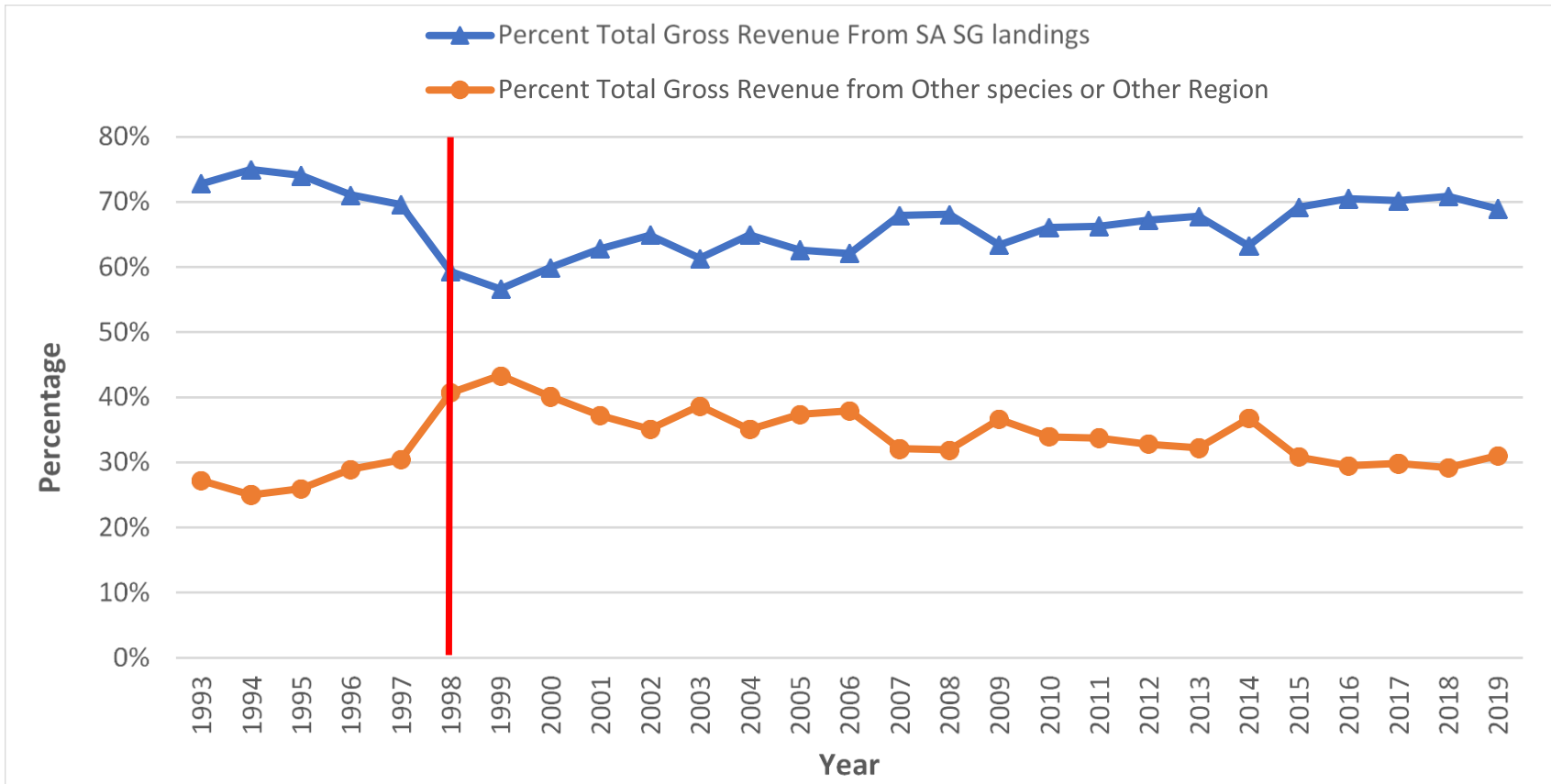
- Decreasing participation combined with relatively stable revenue has led to increasing average revenue per vessel.

Source: SEFSC Socioeconomic Panel (Jan 2021) accessed by the SEFSC Economic Query System (August 2021).

Figure 4. Average revenue per vessel for vessels that recorded sales of snapper grouper species, 1993-2019 (2019 \$).



Historic Trends: Percent of Total Revenue



- Vessels active within the commercial SG fishery have shown an increasing reliance on this group of species from a revenue perspective in recent years.

Source: SEFSC Socioeconomic Panel (Jan 2021) accessed by the SEFSC Economic Query System (August 2021).

Figure 5. Percentage of total gross revenue from South Atlantic snapper grouper landings versus revenue from other species or other regions for vessels that recorded sales of snapper grouper species, 1993-2019.



Recent Snapper Grouper AP Input

- The AP had some discussion of the 2 for 1 policy as part of Other Business.
- Number of commercial Snapper Grouper permits has been greatly reduced; consider whether the number of permits has “reached the goal” for the 2 for 1 policy.
 - Consider technology impacts on efficiency.
- White paper exploring the following topics would be useful:
 - Analysis or survey to determine value of permits to retired permittees.
 - Consider how monetary value of a permit can be affected by a potential policy change.
 - Where (geographically) current permits are active.
 - Permit use (owner-operator or leased permit).
 - Average age of fleet and development of new participants.



Recent Snapper Grouper AP Input: Continued

- Fishery may not be able to sustain additional permits; several populations have shown declines.
- Small portion of permits catching a large portion of the landings.
- Majority of management has been toward decreasing pressure on fish stocks; may be counterproductive to increase the number of permits, as that may increase fishing pressure.
- Consider the cause of reductions to populations (sector, too many participants overall, etc.).



Discussion and Committee Action

1) Has the 2 for 1 commercial SG 1 permit provision effectively met or worked towards the objectives of Amendment 8?

- The objectives of Amendment 8:
 - Prevent overfishing,
 - Provide a mechanism to vest participants
 - Promote stability
 - Create market-driven harvest pace
 - Minimize gear and area conflicts
 - Decrease incentive for overcapitalization
 - Prevent continual dissipation of returns
 - Evaluate and minimize local depletion.

2) What undesirable outcomes has the 2 for 1 commercial SG 1 permit provision caused? What would be the reasons for removing the limitation?

3) What undesirable outcomes could removing the 2 for 1 commercial SG 1 permit provision cause? Would removing the provision provide social or economic benefits to the fishery?



Discussion and Committee Action: Continued

4) Other than removing the 2 for 1 commercial SG 1 permit provision, are there other solutions for supporting new entrants?

5) Should the Council establish a timeline for reviewing the 2 for 1 commercial SG 1 permit provision? (i.e. every 3 years, 5 years, etc.)

6) Given the information currently available (Snapper Grouper AP input, this document, and the two relatively recent reports and presentations), should further evaluation of the 2 for 1 commercial SG 1 permit provision be conducted? If so, what is the desirable timeline for that evaluation?

7) Is there anything regarding the “leasing” of SG 1 permits that the Council should know about or consider changing?

8) Is there anything regarding the SG 2 permit that the Council should know about or consider changing?

