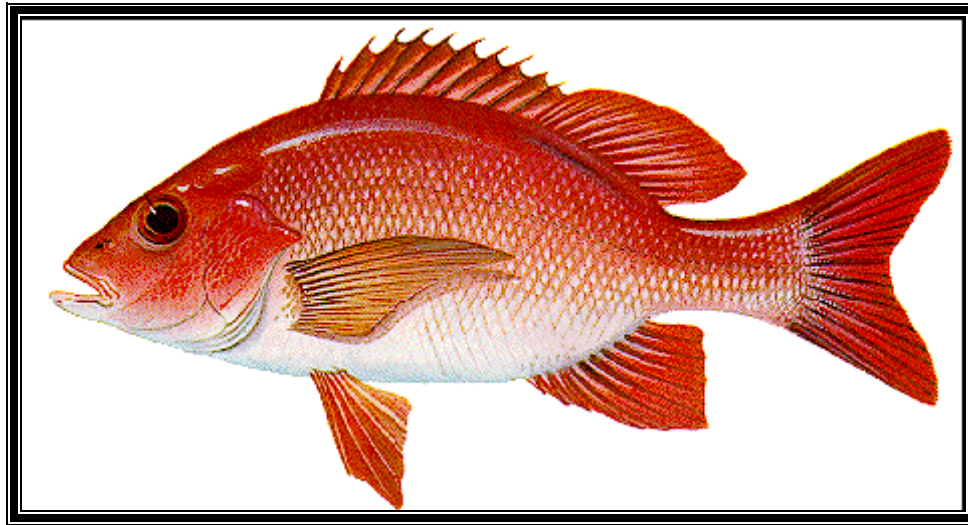


2007 Annual Red Snapper IFQ Program Report



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2007 Annual Red Snapper IFQ Program Report

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To IFQ Constituents:

The 2007 Individual Fishing Quota (IFQ) season for red snapper in the Gulf of Mexico opened January 1 and ended on December 31. This report includes information on: 1) IFQ program components, including the number of IFQ participants, shares and allocation transfers, share caps, cost recovery, and rule changes and 2) the 2007 red snapper IFQ fishing season.

Sincerely,

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Section 1 - 2007 Red Snapper IFQ Program Components

Definitions

IFQ Shareholder - An **IFQ shareholder** is an individual who holds a percentage of the commercial red snapper quota. This percentage, or share, determines the actual pounds of Gulf red snapper (IFQ allocation) a shareholder will be allowed to harvest each year.

IFQ Share - An **IFQ share** is the percentage of the commercial quota assigned to each eligible IFQ shareholder at the start of the IFQ program. With limited exceptions, the amount of the IFQ share allocated to each IFQ shareholder will not change unless the IFQ shareholder sells all or a portion of his or her IFQ share, or purchases additional IFQ shares from another IFQ shareholder. IFQ shares can be sold, but cannot be used to possess, land, or sell red snapper unless the IFQ shareholder also possesses IFQ allocation.

IFQ allocation holder - An **IFQ allocation holder** is a person who is authorized to land a specific poundage of red snapper during a given fishing year. The person must possess a valid commercial permit for Gulf reef fish and a Gulf red snapper IFQ vessel endorsement.

IFQ Allocation - **IFQ allocation** is the actual poundage of red snapper by which each IFQ shareholder or IFQ allocation holder is ensured the opportunity to possess, land, or sell, during a given calendar year. IFQ allocation will be distributed to each IFQ shareholder at the beginning of each calendar year, and will expire at the end of each calendar year. Annual IFQ allocation is determined by the amount of the shareholder's IFQ share and the amount of the annual commercial red snapper quota.

Gulf Reef Fish Permit Holder - An individual who possesses a Gulf reef fish permit and therefore, is eligible to be exempt from bag limits, to fish under a quota, or to sell Gulf reef fish in or from the Gulf exclusive economic zone.

IFQ Vessel Endorsement - An **IFQ vessel endorsement** is a document that must be issued and onboard any Gulf reef fish permitted vessel to fish for, possess, or land Gulf red snapper, regardless of where the red snapper was harvested or possessed. The vessel endorsement can be downloaded from the IFQ participant's online account.

IFQ Dealer Endorsement - The **IFQ dealer endorsement** is a document that a dealer must possess in order to receive Gulf red snapper. The dealer endorsement can be downloaded from the IFQ dealer's online account.

Active IFQ Account - An account whose IFQ participant has logged in and established his/her password.

Inactive IFQ Account - An account whose IFQ participant has not logged into his/her account.

General IFQ Program Information
(Shareholders, Allocation Holders, Dealers, 2007 Commercial Quota)

The Gulf of Mexico Red Snapper IFQ program was implemented on January 1, 2007. Initial shares were issued to program participants based on the amount of red snapper landings reported under each participant's qualifying license during a specific time period. For Class 1 license holders, IFQ shares were based on the best ten consecutive years from 1990 - 2004. For Class 1 historical captain license holders, IFQ shares were based on seven years of landings from 1998 - 2004. For Class 2 license holders, IFQ shares were based on the best five years from 1998 - 2004.

A total of 546 individuals qualified for initial shares. Initial share values ranged from 6.0203% (the highest share value issued) to 0.0001% (the lowest share value issued). Although 546 individuals received initial shares, 621 IFQ accounts were established because individuals holding more than one red snapper license were issued multiple IFQ accounts. From the total 621 IFQ accounts, 505 of these were activated while 116 remain inactive, meaning these accounts have not been used. Seventy-nine individuals who did not hold a Gulf commercial reef fish permit were issued initial shares. During 2007, 76 individuals who were issued initial shares sold their Gulf reef fish permits by the end of the year.

Gulf reef fish permit holders have the option of purchasing IFQ shares and allocation. In 2007, 65 commercial reef fish permit holders have requested IFQ accounts so they may purchase IFQ shares and allocation. After initial implementation, 42 individuals held allocation throughout the year but did not hold IFQ shares. Currently, there are 102 IFQ dealers participating in the program.

2007 Commercial Quota

At the beginning of the year, the commercial quota was 2,550,000 pounds whole weight (2,297,297 pounds gutted weight). The commercial quota was increased to 3,315,000 pounds whole weight (2,986,712 pounds gutted weight) in June due to the publication of an interim rule.

Share and Allocation Transfers

Table 1: Initial and End of the Year Shares

Share Percent	Number of Shareholders at Beginning of the Year	Number of Shareholders at End of the Year
6.0203% - 2.0000%	8	11
1.9000% - 0.1000%	104	93
0.0999% - 0.0100%	184	158
0.0099% - 0.0050%	91	76
0.0049% - 0.0001%	159	151
Total	546	489

Table 2: Share Transfer Transactions

Total number of share transfers	140
Percent of individuals entering a price paid for shares	42%
Maximum amount of shares transferred between two individuals	1.7452%
Minimum amount of shares transferred between two individuals	0.0001%
Average amount of shares transferred between two individuals	0.1420%
Median amount of shares transferred between two individuals	0.0126%
Maximum price paid per 0.0001% share*	\$50
Minimum price paid per 0.0001% share	\$0.01
Average price paid per 0.0001% share	\$19.76
Number of individuals who sold all their shares	68
Average amount of shares held by individuals before selling all	0.0626%
Maximum amount of shares held by individual before selling all	0.8951%
Minimum amount of shares held by individual before selling all	0.0005%

Note: Throughout the report, if the average price differed substantially from the median price, the median price was included.

* - The maximum price paid per 0.0001% share was reported as \$247. This value was unexpectedly high and therefore, not included in the calculation of the average price. If this value is included, the average price per 0.0001% share is \$23.74.

Share and Allocation Transfers

Table 3: Initial and End of the Year Shares by Shareholder's State of Residence

	Alabama/ Mississippi	Florida	Louisiana	Texas	Other States
Beginning of the Year	9.5%	45.2%	10.6%	25.2%	9.5%
End of the Year	9.5%	45.5%	9.7%	28.7%	6.7%

Note: Alabama and Mississippi data combined throughout report to protect confidentiality.

Table 4: Allocation Transfer Transactions

Total pounds of allocation traded*,**	2,258,497
Average allocation amount traded in pounds	2,398
Median allocation amount traded in pounds	780
Maximum allocation amount traded in pounds	53,541
Minimum allocation amount traded in pounds	2
Number of Allocation Transfers	942
Number of individuals who sold all their allocation	133
Percentage of Individuals Entering a Price	25%
Average price per allocation pound	\$1.10
Median price per allocation pound	\$0.02
Maximum price per allocation pound***	\$10.00
Minimum price per allocation pound	\$0.01

* - In calculating the total pounds of allocation traded, allocation amounts were not tracked separately. For example, if 10 pounds of allocation were issued to one individual, this allocation may have been traded 4 different times before being landed. So, the total amount of allocation traded would have been recorded as 40 pounds when only 10 pounds of allocation were landed.

** - Pounds are expressed in gutted weight throughout report unless otherwise noted.

*** - The maximum price per allocation pound reported was \$36.65. This value was unexpectedly high and therefore, not included in the calculation of the average and median prices. If this value was included, the average price per allocation pound is \$1.58 and the median price is still \$0.02.

End of the Year Allocation Balances

Table 5: End of the Year Allocation

Total amount of allocation (in pounds) remaining at end of the year*	122,326
Number of accounts with allocation balances	337
Number of active accounts with allocation (64,719 pounds)	223
Number of inactive accounts with allocation (57,607 pounds)*	114
Average number of pounds in accounts	363
Median number of pounds in accounts	66

Table 6: Allocation Balances by Number of Individuals

Allocation Balance	Number of Individuals
1-20 pounds	87
21-50 pounds	62
51 - 100 pounds	49
101 - 200 pounds	56
201 - 500 pounds	50
501 - 1,000 pounds	15
1,001 - 5,000 pounds	15
5,001 - above*	3

* - Sanctioned accounts contributed to 29,187 pounds of unused allocation.

IFQ Share Cap

The Magnuson-Stevens Fishery Conservation and Management Act (MSA) requires fishery managers to ensure IFQ shareholders do not acquire an excessive share of the total allowable catch of an IFQ fishery.

The Gulf Council defined the IFQ Share Cap for the commercial red snapper fishery as the maximum IFQ share initially issued to a person, corporation, or other entity as of June 4, 2007, which is the date appeals were resolved and shares were adjusted accordingly. **The IFQ share cap was determined to be 6.0203%.**

The intent of the IFQ Share Cap is to prevent one or more Gulf of Mexico commercial reef fish permit holders from purchasing an excessive amount of IFQ shares and monopolizing the fishery. The IFQ program does not limit the amount of IFQ allocation that may be purchased or held by a person or corporation during a given calendar year.

NOAA Fisheries Service has asked corporations to identify their corporate shareholders to assist the agency in ensuring no person, including a corporation or entity, individually or collectively, holds IFQ shares in excess of the IFQ Share Cap. Corporations should update this information as changes occur.

At the start of the IFQ Program, corporations were asked to identify their corporate shareholders online in their IFQ online accounts. Regulations are currently being modified so that this information will be collected on renewal applications for the Gulf of Mexico Reef Fish permits.

IFQ Cost Recovery Program

The MSA requires the Secretary of Commerce to adopt regulations implementing a cost recovery program for an IFQ program. A cost recovery fee must be collected to recover the actual costs of managing and enforcing the IFQ program. The cost recovery fee established for the red snapper IFQ program is three percent of the actual ex-vessel value of the Gulf red snapper.

The IFQ allocation holder (IFQ fisherman) who completes the landing transaction with the dealer is responsible for payment of the fee. The dealer who receives the Gulf red snapper is responsible for collecting and submitting the fee on a quarterly basis.

During 2007, cost recovery fees totaling \$303,748 were collected (Table 7). These fees are based on a total ex-vessel landings value of \$10,127,176.

Table 7: 2007 Cost Recovery Fees

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Landings Value	\$2,568,662	\$2,577,170	\$2,208,242	\$2,773,102	\$10,127,176
Cost Recovery Fee	\$76,997	\$77,310	\$66,248	\$83,194	\$303,748

IFQ Appeals

On November 22, 2006, letters were mailed to shareholders in the IFQ program indicating the amount of IFQ shares and allocation they would be receiving. In this letter, shareholders were also informed of the appeals process.

According to Section 622.16(b)(4) of the final rule implementing the IFQ program, the only items subject to appeal under the IFQ system are initial eligibility for IFQ shares based on ownership of a Class 1 or Class 2 license, the accuracy of the amount of landings, and correct assignment of landings to the license owner. Appeals based on hardship factors were not be considered. On January 1, 2007, the Gulf of Mexico Red Snapper IFQ program was implemented. Appeals had to be postmarked by April 1, 2007.

NOAA Fisheries Service received 23 separate appeals from 18 individuals. Appeals were submitted regarding the accuracy of the amount of landings or the correct assignment of landings to the license owner. No appeals were received challenging the ownership of a Class 1 or Class 2 license. Sixteen of the appeals were approved and seven were denied. The amount of shares and allocation from the three percent set aside used to resolve the appeals were 2.1491% and 64,183 pounds, respectively. Therefore, the remaining shares and allocation from the set-aside, 0.8509% and 25,412 pounds, were distributed proportionately to the initial IFQ shareholders.

IFQ Rule Changes

Note that the following discussion of IFQ regulations is for informational purposes only. It should not be relied on as a statement of the legal requirements of the regulations. Current regulations that govern the IFQ program can be found at 50 CFR Part 622.

Completed regulatory changes:

- The regulations pertaining to landing and offloading were clarified so that landing could occur 24 hours a day and offloading could only occur between 6 a.m. and 6 p.m. Previously, both landings and offloading could only occur between 6 a.m. and 6 p.m.
- Landing notifications can now be submitted through Vessel Monitoring Systems and the IFQ online accounting system. Previously, landing notifications could only be made through the telephone.

Section 2

The 2007 Red Snapper IFQ Fishing Season

Red Snapper Landings and Fishing Activity

Table 8: Landings and Ex-Vessel Value Data

	Alabama/ Mississippi	Florida	Louisiana	Texas	Landings (pounds gutted weight)	Percent of Quota Expended	Ex-vessel Value Average	Highest Ex- vessel Value	Lowest Ex- vessel Value
January	1,511	38,901	12,598	49,829	102,839	3%	\$3.58	\$4.25	\$2.00
February	11,990	112,702	50,211	155,721	330,624	11%	\$3.62	\$4.50	\$2.15
March	9,645	99,557	54,425	114,394	278,021	9%	\$3.66	\$4.55	\$2.50
April	13,856	118,547	33,330	115,777	281,510	9%	\$3.77	\$4.50	\$2.00
May	5,354	115,965	26,404	34,071	181,794	6%	\$3.65	\$4.50	\$1.00
June	12,648	116,147	22,998	81,583	233,376	8%	\$3.63	\$4.75	\$2.00
July	7,361	88,801	30,719	98,644	225,525	8%	\$3.62	\$5.00	\$1.75
August	7,050	83,872	20,718	86,493	198,133	7%	\$3.61	\$4.50	\$2.00
September	12,690	82,663	19,426	104,505	219,284	7%	\$3.60	\$4.50	\$2.00
October	8,639	51,941	28,124	98,667	187,371	6%	\$3.54	\$4.50	\$1.75
November	14,875	94,745	72,726	113,649	295,995	10%	\$3.61	\$4.50	\$1.70
December	20,361	118,008	74,527	117,019	329,915	11%	\$3.49	\$4.43	\$1.75
Annual	125,980	1,121,849	446,206	1,170,352	2,864,387	96%	\$3.62	\$5.00	\$1.00

Note: 2007 commercial quota was 3,315,000 pounds whole weight (2,986,712 pounds gutted weight). Alabama and Mississippi data combined throughout report to protect confidentiality.

Figure 1: 2007 Landings by Month and State

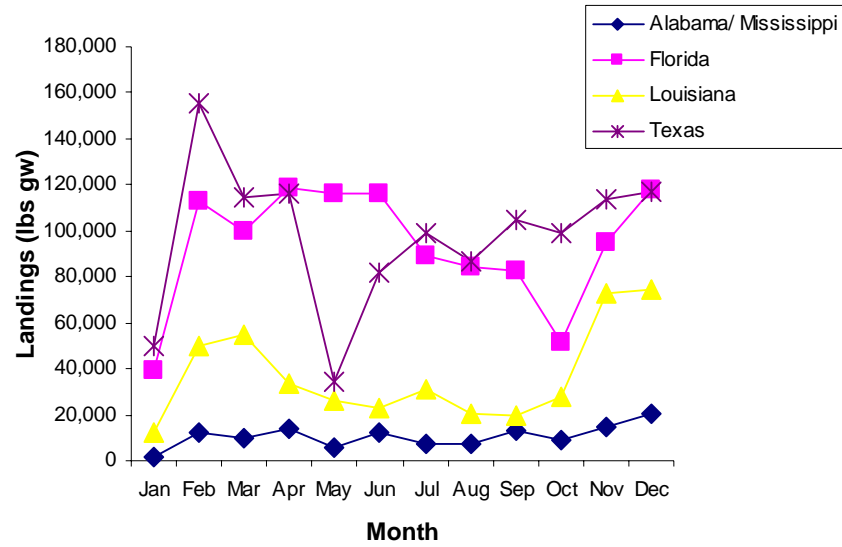
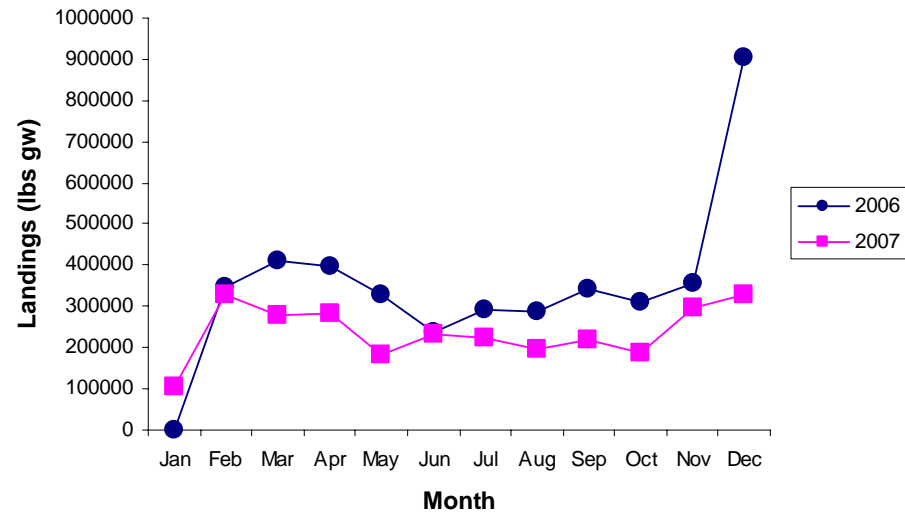


Figure 2: 2006 and 2007 Landings by Month



Red Snapper Prices

Figure 3: Average Price per Pound by Year

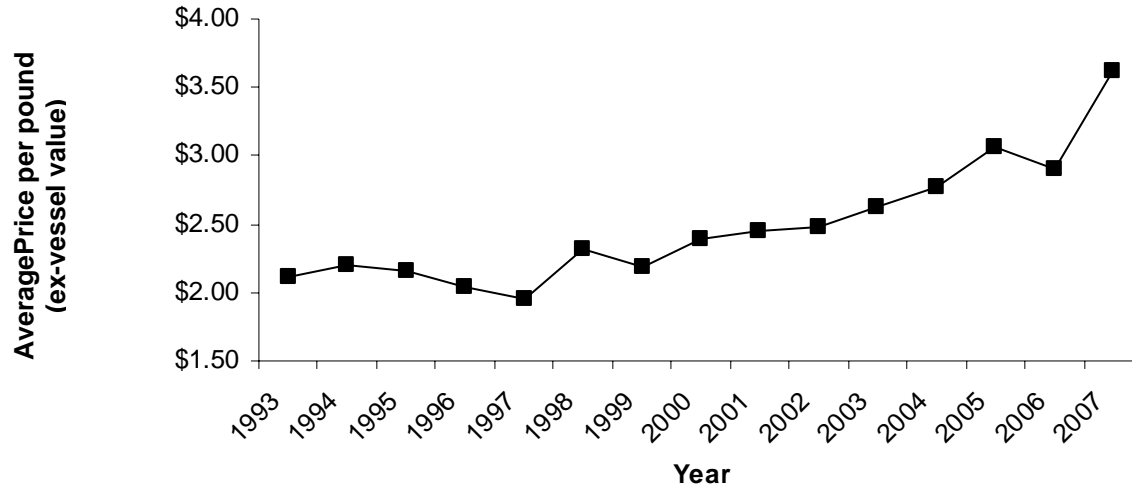


Figure 4: Average Price per Pound by Month for 2006 and 2007

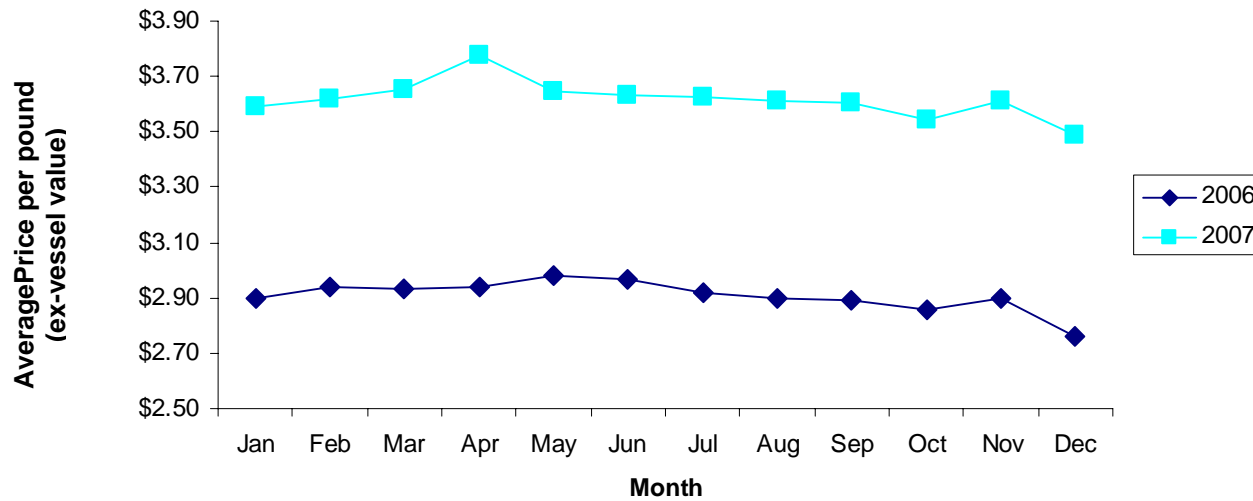
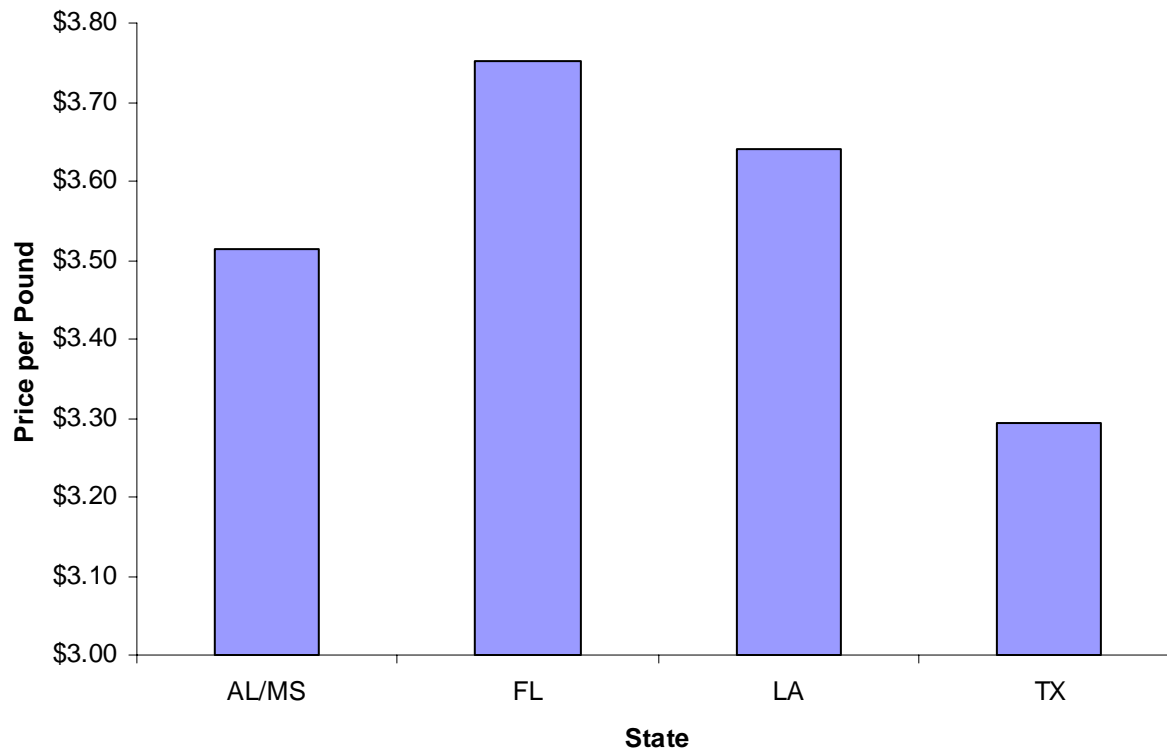


Figure 5: Average Price per Pound for 2007 by State



Bycatch

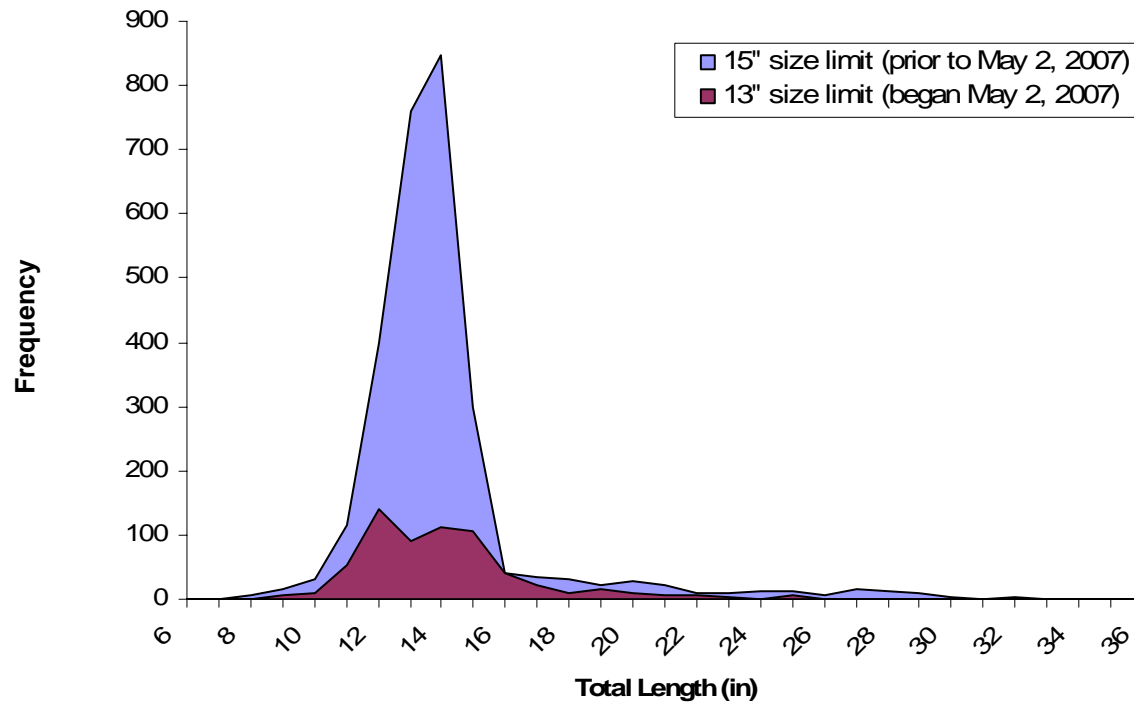
Red Snapper

Red snapper discard data were analyzed from the Southeast Fisheries Science Center's (SEFSC) observer program. Only 66 observer trips reported landing and/or discarding red snapper in the Gulf of Mexico between July 2006 and December 2007. Twenty-six observer trips reported landing and/or discarding red snapper prior to the IFQ program (July 2006 - December 2006). Thirty-six observer trips reported landing and/or discarding red snapper prior to implementation of the 13" minimum size limit on May 2, 2007; and 30 observer trips reported landing and/or discarding red snapper after implementation of the 13" minimum size limit.

Some highlights of the observer discard data include:

- Most trips used bandit rigs or hook-and-line (n= 56); there were 10 trips that used longlines.
- Thirty-three trips occurred along the West Florida Peninsula, 20 from the Florida Panhandle to Mississippi, and 16 from Louisiana through Texas. Three trips reported landings and/or discards from multiple areas.
- 5,632 red snapper were kept, 2,463 red snapper were discarded alive, 915 red snapper were discarded dead, and the disposition of 54 red snapper was unknown.
- Seven percent of fish kept were caught along the Florida Peninsula, 54 percent were caught from the Florida Panhandle to Mississippi, and 39 percent were caught off Texas and Louisiana.
- Twelve percent of fish discarded were caught along the Florida Peninsula, 44 percent of the total discards were caught off the Florida Panhandle to Mississippi, and 44 percent of the total discards were caught off Louisiana and Texas.
- Nearly all fish landed or discarded were caught by handlines and bandit rigs (98.1 percent).
- Prior to implementation of the 13" minimum size limit, the Gulfwide ratio of landings to discards was 1.17 (includes all gears); after implementation of the 13" minimum size limit, the Gulfwide ratio of landings to discards was 4.03.
- Landings to discard ratio by gear type:
 - Handline/Bandit - pre-13" minimum size limit 1.53 fish were landed per fish discarded; post-13" minimum size limit 6.56 fish were landed per fish discarded.
- Landings to discard ratios by region:
 - Florida Peninsula - pre-13" 1.22 fish were landed per fish discarded; post-13" 0.08 were fish landed per fish discarded.
 - Florida Panhandle - pre-13" 1.55 fish were landed per fish discarded; post-13" 8.14 fish were landed per fish discarded.
 - Louisiana-Texas - pre-13" 1.08 fish were landed per fish discarded; post-13" 3.08 fish were landed per fish discarded.
- Between January 1 and May 1, 2007, 215 red snapper were observed to be discarded on trips off the Florida Peninsula; 98.6 percent of these fish were legal size, indicating discards were most likely due to lack of IFQ shares. Seventy-six fish were discarded on trips off the Florida Peninsula between May 2 and December 31, 2007. One hundred percent of these fish were legal-size, indicating discards were due to lack of IFQ shares.

Figure 6: Size Frequency Distribution of Discards Pre- and Post-Implementation of the 13" Minimum Size Limit



Source: SEFSC Observer Data

Note: Results are based on 36 trips occurring prior to implementation of the 13" minimum size limit and 30 trips occurring after implementation of the 13" minimum size limit.

Enforcement Activities

Along with science and management, law enforcement is the third crucial component in the IFQ program. The NMFS Southeast Enforcement Division, the U.S. Coast Guard, and state wildlife officers and game wardens enforce the regulations governing fishing activities under the IFQ throughout the Gulf of Mexico. State wildlife officers and game wardens support the IFQ program, under the auspices of the Cooperative Enforcement Agreement, by patrolling the waterfront, arranging to meet vessels at the landing locations, and monitoring offloads. NMFS Special Agents conduct random monitoring of vessels, assist state wildlife officers and game wardens with violations requiring further investigation, and conduct independent investigations, especially in cases involving the suspected trafficking of illegally harvested red snapper in interstate commerce. The U.S. Coast Guard patrols offshore ensuring the vessels harvesting red snapper are eligible participants.

With the implementation of the IFQ program, there are some indications enforcement of the commercial red snapper fishery has improved. The notice of landings and vessel monitoring systems give enforcement the ability to be present at a greater number of landings and offloads. Major violations since implementation of the IFQ program include false reporting of species and under reporting of landing weights. Typical violations include landing without adequate allocation, landing at a time prior to or at a location other than given in the landing notification, and transporting red snapper without an approval code.

Appendix

IFQ Program on the Internet

The red snapper IFQ program is managed with an on-line accounting system which can be accessed at ifq.sero.nmfs.noaa.gov. On the homepage of this website, IFQ fisherman and dealers can log-in to their online accounts. Additionally, important information regarding the IFQ program is posted here. For example, on the IFQ homepage, Frequently Asked Questions, a User Manual, and fishery bulletins regarding the IFQ program are available to be downloaded. These provide potential and active IFQ participants updated information regarding the program.

The Southeast Regional Office also maintains a website at sero.nmfs.noaa.gov. This website contains a wealth of information on fisheries and protected species in the Southeast Region. Additionally, links to other fishery agencies (the Councils, Science Centers, Marine Fisheries Commissions, and other Partnerships) can be found at the website.