

PROCESSOR QUOTAS: A PASSING CRAZE OR A CHRONIC PAIN IN THE NECK?

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A new craze is haunting the American fisheries. Its logo is "Individual Processors Quotas", or IPQ. The idea behind IPQ is to deal out the Total Allowable Quota (TAC) not only among the fishermen through ITQs, but in parallel among processors. Thus, fishing vessel owners would be able to sell their ITQ-catch only to IPQ owners among the processors. If fisherman's favourite processor had had his IPQ exhausted, the former would be allowed only deliver to a processor with some quota still free.

"But, fishermen want to sell catch to whomever they choose" – says Bob Wemyss, a New England fisherman - they prefer the processor who pays a competitive price and provides services to those he buys from".

It seems that the new notion started developing in the Alaska crab fishery, where processors are interested to be assured of constant amount of catch delivered to them. With such a rule, says Skipper Dave Fraser of Alaska, the last crab boat in would've no alternative but to deliver to the last processor with the matching IPQ at a take-it-or-leave-it price. For the processor, offering a higher price will not bring additional product, nor will lowering the price cause that catch to be landed elsewhere. Thus, the dynamics of the IPQ system will force fishermen to accept a sub-optimal price in order to avoid being at the mercy of the last quota-holding processor.

Under this system, prices paid for prior deliveries would be irrelevant to later transactions. If the processors have already taken enough deliveries, they may lower the price without caring if the last crabbers decide that it doesn't justify leaving the dock.

Robin D. Connor, a fishery economist working in Australia, wrote on the Internet FISHFOLK network: ***"the addition of IPQs is merely an attenuation of existing rights of fishers (regardless of ITQs) to sell their fish to whoever they want... .. IPOs... ..only benefit processors, reduce productive efficiency because they don't have to compete for product, and raise prices for consumers".*** And: ***"...it is up to the pro-IPQ side to justify the implementation of this rather odious prop for corporate interest in terms of net social benefits first, and***

secondly, in terms of the distributional effects of the particular scheme in a particular social context”.

But according Brian B.Clippings, another FISHFOLK member, processors have as logical a claim on some guaranteed portion of the catch as do fishermen, and the right to having the same desire for stability in their industry as the catching sector. Regulating a fishery by allocating IFQ/ITQ is simply another form of limited entry, so why wouldn't the processing benefits be passed out similarly? Although market approaches should be preferred over regulation, including fishing quotas, but “if you live by the sword of regulation you die by it”.

According to Peter Baker of the Cape Cod Commercial Hook Fishermen's Association, some of the IPQ advocates are effectively saying that giving out ITQs is a bad idea, but to be fair, processors should be given IPQs, even though it too is a bad idea... Baker thinks that IPQs should be resisted because they'd close free markets deep-rooted in New England's fisheries for hundreds of years. They'd shut down competition and stop entrepreneurs from joining the marketplace.

Most processors, at least the vocal ones, seem however to like the IPQ idea. In a June article in the Boston Herald, Justin LeBlanc, lobbyist for the National Fisheries Institute that represents many fish processors, stated that “there's nothing in this concept that would allow processors to collude, to talk among themselves and set prices”. This is not what experienced skippers think. As soon as processors would feel that there's no lack of fish, and that the TAC is going to be fulfilled, all they'd have to agree on is a maximum price they'd pay to fishermen. Also, more efficient processors would be able to lure owners of smaller plants to sell them their IPQ, which may lead to closure of plants in the smaller communities that otherwise would keep operating, and to consequent social displacements.

George Kailis of Fremantle Australia offered a rather ambivalent opinion. On one hand: ***“There is no reason why processors cannot have developed 'equity' in a fishery, similar to fishermen, in spite of the management systems that try to keep processors and fishers separate”.*** But, on the other hand: ***“freely transferable rights will end up in the hands of those most able to generate the highest return, and thus prepared to pay the most for those rights”.*** ...”***In the context of a dynamic commercial and regulatory environment, once you go down the transferable path you can't credibly make a prediction as the long-term outcome”.***

The opponents of IPQ, however, think that they know quite well what such outcome is going to be: price fixing, consolidation of IPQ in a few

hands and, geographically, in less fishing ports and communities, and increased dependence of the fishing people on the processors and are at best superfluous, and more likely pernicious. Most U.S. fishermen associations oppose any individual transferable quotas, whether IFQ/ITQ or IPQ, and would like to have a system, which enables existing quota rights to expire after a prescribed number of years, and which keeps their markets free and open. While IFQ/ITQ are primarily promoted by managers, some NGOs, and elected officials who see it as an easy way to manage fisheries, the IPQ push is from big processors in Alaska who want to secure profitability on fishermen's expense.

Another facet of the whole thing would be the need for more inspection and enforcement, because it'll create more need and motivation for the development of "black marketing" to processors without quotas, who'd be ready to pay more for the fish. Over-regulation is the mother of corruption. When will they ever learn?