

March 20, 2024

Ms. Angel Drobnica, Chairman  
North Pacific Fishery Management Council  
605 W. 4th Avenue  
Anchorage, AK 99501-2252

Dear Chairman Drobnica:

The following report is submitted by Inter-Cooperative Exchange (“ICE”), a crab harvesting cooperative formed pursuant to 50 C.F.R. § 680.21. ICE is an Alaska cooperative corporation organized and operated to qualify as a fishermen’s association under the Fishermen’s Collective Marketing Act of 1934, 15 U.S.C. § 521 et seq. (the “FCMA”).

ICE has 159 members that hold quota shares (“QS”) issued under the Bering Sea/Aleutian Islands (“BSAI”) crab rationalization program (the “Program”).

The following report is submitted in response to the Council’s February 2013 motion requesting that crab cooperatives voluntarily provide annual reports detailing measures they have taken to facilitate the transfer of QS to active participants, including crew members and vessel owners, and any available measures taken by each cooperative to address concerns expressed by the Council about high lease rates and crew compensation.

From 2014 to 2022, ICE operated a website (crabqs.com) designed to inform active participants of QS made available through a provision in the ICE Member Agreement requiring members to offer at least 10% of any QS sales offering under a “Right of First Offer” (ROFO) to active participants. Interest in the ICE ROFO program has waned since its early years and in 2021 and again in 2022, no active participants renewed their annual program registration. With the decline of crab stocks and an uncertain crab fishing future, the interest in acquiring crab quota shares has dropped to nary an inquiry.

In addition, sudden and severe budget constraints have limited the ability of ICE to manage the program. ICE made the ROFO program available to all qualified participants, including non-ICE members. ICE voluntarily paid for this industry program with its own funds. At this time, ICE is financially unable to maintain the crabqs.com website. If the need arises and the budget allows, ICE can revive the website, but at this time it will remain dormant.

For these reasons, ICE has nothing to report in regard to its ROFO program. It is currently not functioning and there is no need for it.

ICE has determined that it can collect and report data concerning the lease rates paid by its members’ vessels, but only under the explicit understanding that its collection and reporting of that data is not expected or intended to restrain competition in the lease rate market.

Given the complexity and sensitivity of crew compensation arrangements, ICE has

decided that it is not appropriate to collect or report that data. ICE believes that Council concerns regarding crab fishery crew member compensation should be evaluated in light of crew member “daily rate of pay” information that is collected from vessel owners through Economic Data Reports (EDRs).

ICE is taking two steps to address Council concerns regarding crab quota lease rates. First, ICE notifies its members that the Council is concerned about the potential impact of high lease rates on vessel operations, and asks its members to individually consider voluntarily capping their lease rate asks and offers at 65% of adjusted gross revenues for Bristol Bay red King crab (“BBRKC”) and 50% of adjusted gross revenues for Bering Sea Snow crab (“BSS”).

Second, to document its members’ voluntary responses to the notice about the Council’s concerns regarding lease rates, ICE requires its harvesting members to report the lease rates paid by every vessel that harvests crab under ICE IFQ. However, ICE did not collect lease rate information for this year’s report. There was no opilio season, and the King Crab quota was so low that only 22 ICE Boats participated, with several making only one delivery. This raised concerns about the confidentiality of the information. In addition, the financial burden imposed upon the boats compiling the information was considered an unnecessary hardship in the current financial environment.

In addition to confidentiality concerns and the financial burden of compiling the information, at least one additional factor contributed to the decision not to collect the information this year. In the face of closed seasons, reduced quotas and devastated markets, ICE crab harvesters are faced with crippling increases in the cost of operations. They depend on processors to return their portion of the sales per the division of revenues prescribed by the non-binding price formula in a timely manner in order to pay their crews and vendors. One IPQ holder extended a price offer for red king crab which ICE accepted but the IPQ holder used the funds from crab sales for a purpose other than paying crab harvesters. It became necessary for ICE to file liens against the IPQ holder for each delivery, adding an additional expense that was outside of our already depleted budget. At the time we would be gathering the information for our report, the monies had not been paid and calculations of the final net lease rates could not be done.

We are pleased to report that ICE boats have now been paid for red king crab deliveries, but not in time for collecting lease rate information.

ICE plans continue notifying its members regarding the Council’s sensitivity to high lease rates and to continue requesting that members consider voluntarily restricting their lease rates accordingly, but ICE will need to re-assess its financial ability to continue conducting lease rate surveys and maintaining the ROFO program.