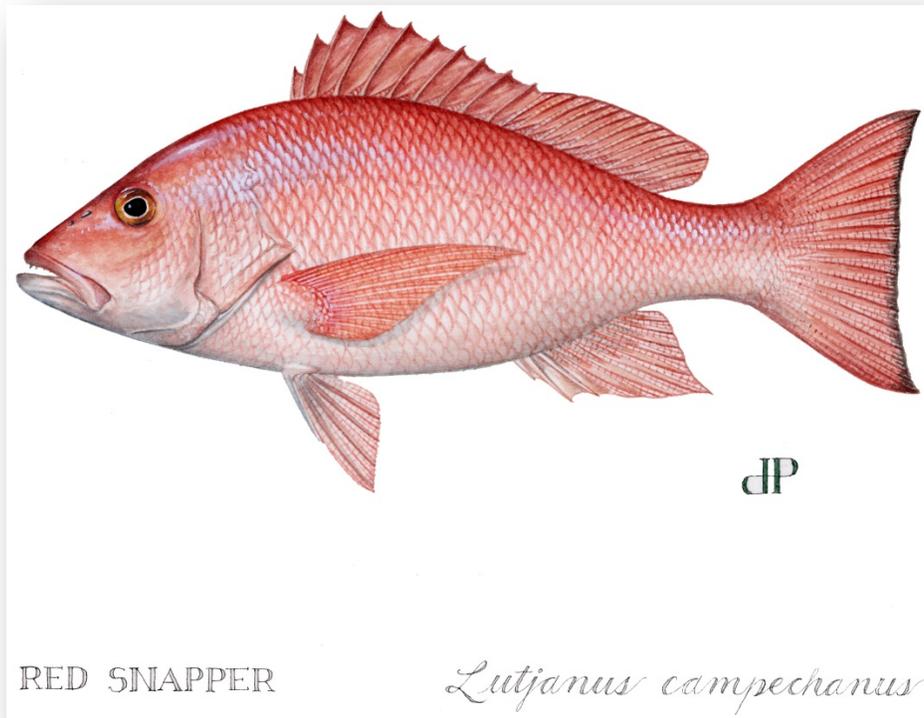


2014 Gulf of Mexico Red Snapper Individual Fishing Quota Annual Report



**National Marine Fisheries Service
Southeast Regional Office
263 13th Avenue South
St. Petersburg, FL 33701**

SERO Catch Share support toll free number: 1-866-425-7627

St. Petersburg local number: 727-824-5305

<https://portal.southeast.fisheries.noaa.gov/cs>

E-mail: NMFS.SER.CatchShare@noaa.gov

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Executive Summary

The 2014 Red Snapper Individual Fishing Quota (RS-IFQ) Program Annual Report builds upon the information summarized in the past annual reports and is intended to provide an overview of data and information collected since the start of the RS-IFQ program. This report is not intended to be a full comprehensive assessment of the program. Previous share prices were revised using data from a recent share price survey.

Consolidation continued in 2014 for accounts holding shares. The attrition mainly occurred within the shareholder accounts that held a small share amounts ($< 0.05\%$). In 2014, the majority of the shares was nearly equally split between accounts holding medium (0.05 to $< 1.5\%$) and large ($\geq 1.5\%$) share amounts, with medium accounts holding 49% and large accounts 48% of the shares. Shareholder accounts were subdivided by those that do and do not hold Gulf of Mexico (Gulf) commercial reef fish permits. In 2014, there were 120 shareholders without reef fish permits and these accounts held 28% red snapper shares. This continues the trend of an increasing amount of shares held by accounts without Gulf commercial reef fish permits. Program participation increased with respect to allocation holders, vessels, and dealers and these numbers were the greatest numbers since the program started. In 2014, of 607 accounts with allocation, 399 (66%) of the accounts also held shares. This continues a decreasing trend in the percentage of accounts holding both shares and allocation. There were 369 (61%) accounts that landed red snapper in 2014, an increase of 5% from the previous year. The remaining accounts were either inactive (74 accounts; 12%), or only transferred allocation (164; 27%). The majority of the accounts only trading allocation also held shares. There were 96 dealers in 2014, with 77 landing less than 1% of the quota individually. These small dealers purchased 10% of the 2014 landings in total. There were only 8 dealers purchasing more than 3% of the landings individually, but these large dealers purchased 70% of the 2014 landings. There were 401 vessels landing red snapper in 2014, with the majority landing at Florida facilities, similar to previous years. Despite an increase in the number of vessels, fishing effort in 2014 remained similar to the previous years.

There were 91 share transfers equating to 5.5% of red snapper shares in 2014. Average 2014 share prices were \$34/pound (lb, a decrease of \$3/lb since the previous year. There were 2,861 allocation transfers in 2014, and similar to past years, the amount of pounds transferred exceed the commercial quota for red snapper as the same pounds were transferred multiple times. Average allocation prices remained similar to the previous year at \$3/lb. Nearly all the red snapper allocation was landed (99.2%), with the greatest landings occurring in the first half of the year. In 2014, the majority of landings were landed at facilities in Texas (42%) rather than Florida (39%), a reversal from previous years. Average ex-vessel price in 2014 was \$4.82/lb, a slight increase from the previous year and the greatest price since the start of the program. Ex-vessel value for the RS-IFQ program increased to \$23 million, more than double the value at the end of the first year (\$10 million). The increased ex-vessel value is due to a combination of increased commercial quota, increased landings, and increased ex-vessel prices.

An administrative rule published in 2014, improved enforcement, monitoring, and administration, as well as clarified existing regulatory requirements. This rule made changes to requirements for landing notifications, offloading, landing transactions, and other administrative changes. For detailed information, refer to the Frequently Asked Questions document on the program's website. The National Marine Fisheries Service (NMFS) is committed to the continual improvement of RS-IFQ management. Stakeholders have provided feedback and suggestions on how to improve the RS-IFQ program and online system. This information has been helpful for improving the program since it began. NMFS thanks everyone for their input and encourages them to continue to share their concerns and ideas.

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ABBREVIATIONS

Abbreviation	Description
ABC	Acceptable biological catch
DWH	Deepwater Horizon (oil spill)
GDP	Gross domestic product
GSAD	Gulf and South Atlantic Dealer permit
GT-IFQ	Grouper-Tilefish Individual Fishing Quota
Gulf Council	Gulf of Mexico Fishery Management Council
Gulf	Gulf of Mexico
gw	Gutted weight
HBC	Headboat Collaborative pilot program
IFQ	Individual Fishing Quota
JEA	Joint enforcement agreement
LL	Longline gear
Magnuson-Stevens Act	Magnuson-Stevens Fishery Conservation and Management Act
mp	Million pounds
NMFS	National Marine Fisheries Service
OLE	Office of Law Enforcement
Reef Fish FMP	Reef Fish Fishery Management Plan
RFOB	Reef fish observer program
RS-IFQ	Red snapper Individual Fishing Quota
SERO	Southeast Regional Office, NMFS
SEFSC	Southeast Fisheries Science Center, NMFS
TL	Total length
USCG	United States Coast Guard
VL	Vertical line gear
VMS	Vessel Monitoring system

Program Overview and Regulations

Program Overview

The Red Snapper Individual Fishing Quota (RS-IFQ) program is a single-species, single-share category program where participants use an online account for all transactions (share and allocation transfers, landings, and cost recovery fees). For the first five years of the program (2007-2011), anyone who possessed a valid Gulf of Mexico (Gulf) reef fish dealer permit or Gulf commercial reef fish permit was eligible to participate in the program. Beginning January 1, 2012, all U.S. citizens and permanent resident aliens were eligible to obtain a RS-IFQ shareholder account to purchase shares and allocation. Only accounts with allocation and a valid Gulf commercial reef fish vessel permit can legally harvest red snapper. A history of red snapper management and implementation of the RS-IFQ program is provided in Appendices 1-2.

There are three main account types in the RS-IFQ system: shareholder, vessel, and dealer accounts. All accounts are based on a unique entity (single or combination of individuals and/or business). Shareholder accounts may hold shares and allocation or just hold allocation. Shares are a percentage of the red snapper commercial quota, while allocation refers to the actual poundage that is possessed, landed, or sold during a given calendar year. A list of all accounts that hold shares is available through the National Marine Fisheries Service (NMFS) Southeast Regional Office (SERO) website at:

http://sero.nmfs.noaa.gov/operations_management_information_services/constituency_services_branch/freedom_of_information_act/common_foia/IFQShareholders.htm.

Vessel accounts, which belong to shareholder accounts, only hold allocation that is debited from the account through landing transactions. There may be multiple vessel accounts associated with one shareholder account. Dealer accounts were assigned to a unique entity that has a valid Gulf reef fish dealer permit or Gulf and South Atlantic Dealer (GSAD) permit, which replaced the Gulf reef fish dealer permit starting on August 7, 2014. Dealers are limited to completing landing transactions and paying the fishermen's cost recovery fees. All RS-IFQ dealers are required to have a Gulf IFQ endorsement, which may be printed through their IFQ account. A printed copy of the IFQ dealer endorsement must accompany vehicles used to transport IFQ species on land. Endorsements are valid when a dealer's permit is active and they do not have any outstanding cost recovery fees. The RS-IFQ program and the Grouper-Tilefish Individual Fishing Quota (GT-IFQ) program are contained within the same system and are jointly referred to as the Gulf reef fish IFQ programs.

The RS-IFQ program tracks landings in pounds of gutted weight; therefore, throughout this report, allocation is in pounds (lb) of gutted weight (gw). Gutted pounds of red snapper can be converted to whole pounds by multiplying by 1.11. At the beginning of each year, allocation is distributed based on the annual quota and the share percentage held by a RS-IFQ shareholder account. Allocation can then be used to harvest red snapper or can be transferred to another shareholder's account. Adjustments (increases or decreases) in the red snapper commercial quota can occur as a result of new assessments or through the reallocation of the quota between fishing sectors. Increases in quota are distributed proportionately among shareholder accounts based on the percentage of shares each account holds at the time of the adjustment. If a RS-IFQ shareholder's Gulf commercial reef fish permit has been

permanently revoked, at the beginning of the next fishing year, the Regional Administrator for NMFS will redistribute the shares held by that shareholder proportionately among remaining eligible shareholders, based upon the amount of shares each held just prior to the redistribution.

The RS-IFQ program has a built-in flexibility measure to allow a once-per-year allocation overage for any RS-IFQ account that owns shares. For these accounts, a vessel can land once during the year 10% more than their remaining allocation on the vessel. NMFS deducts this overage from the shareholder's allocation in the following fishing year. Because overages need to be deducted in the following year, RS-IFQ accounts without shares cannot land an excess of their remaining allocation and RS-IFQ accounts with shares are prohibited from selling shares that would reduce the account's shares to less than the amount needed to repay the overage in the following year.

Program Objectives

The primary objectives of the program, as defined in Amendment 26 to Fishery Management Plan for the Reef Fish Resources of the Gulf of Mexico (Reef Fish FMP), are to reduce overcapacity and mitigate derby fishing conditions. Anticipated benefits of the program include: increased market stability; elimination of fishing season closures; increased flexibility for fishing operations; cost-effective and enforceable management of the red snapper commercial sector; improved safety at sea; and balancing social, economic, and biological benefits from the red snapper commercial sector. Additionally, the program is intended to provide direct and indirect biological benefits to red snapper and other marine resources by eliminating quota overages and reducing bycatch and discard mortality. The social, economic, and biological benefits collectively are intended to assist NMFS and the Gulf of Mexico Fishery Management Council (Gulf Council) in preventing overfishing and rebuilding the Gulf red snapper population through the stewardship aspects of the RS-IFQ program.

Program Regulations

The Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act) requires fishery managers to ensure that no individual, business, or other entity acquires an excessive share of the quota. The RS-IFQ program is monitored to prevent an individual entity from obtaining shares in excess of the established share cap of 6.0203%. The share cap was based on the maximum RS-IFQ share issued to a person, business, or other entity at the time of initial apportionment. There is no allocation cap for red snapper. As of January 1, 2012, any RS-IFQ account may transfer (increase or decrease holdings) red snapper shares and allocation, regardless of Gulf commercial reef fish permit status. There are no program fees associated with share or allocation transfers.

When harvesting red snapper, vessels are required to have a Gulf commercial reef fish permit, and to hail out before leaving port. While at-sea, vessels are monitored using vessel monitoring systems (VMS). When returning to port, vessels landing red snapper must provide a landing notification indicating the time and location of landing, the intended dealer, and the estimated pounds landed. At the time of landing, sufficient RS-IFQ allocation at least equal to the pounds landed must be in the vessel account or its linked IFQ shareholder accounts. Landing may occur at any time, but fish may not be

offloaded between 6 p.m. and 6 a.m. A landing transaction report is completed by the IFQ dealer and validated by the fisherman. The landing transaction includes the date, time, and location of transaction; weight and actual ex-vessel value of fish landed and sold; and the identities of the shareholder account, vessel, and dealer. For a summary of in-season reported red snapper landings, go to: <https://portal.southeast.fisheries.noaa.gov/cs>. All landings data are updated in real-time as landing transactions are processed.

NMFS monitors the economic performance of the fleet by collecting share, allocation, and ex-vessel prices. Ex-vessel prices are the prices paid by a dealer per pound of fish before any deductions are made for transferred (leased) allocation and goods and/or services (bait, ice, fuel, repairs, machinery replacement, etc.). All RS-IFQ fishermen are charged a cost recovery fee to recover costs required to administer, manage, and enforce the RS-IFQ program. The cost recovery fee is 3% of the ex-vessel value of the landed fish, and may be re-evaluated and changed if costs of administering and enforcing the program are less than costs recovered. RS-IFQ dealers are responsible for collecting the cost recovery fee from fishermen at the time of each sales transaction and submitting fees to NMFS quarterly.

Complete regulations governing the RS-IFQ program can be found at 50 CFR § 622.16 (www.ecfr.gov) and the program can be accessed through the Southeast Regional Office's (SERO) website: <https://portal.southeast.fisheries.noaa.gov/cs>. Important information regarding the RS-IFQ program is available for download on the website under Additional Information. The red snapper IFQ program and red snapper management histories are available in Appendices 1 and 2.

Program Updates

In 2014, the system that houses the Gulf reef fish IFQ programs also began hosting the Gulf Headboat Collaborative (HBC) pilot program. With the addition of this program, the website homepage view changed to SERO Catch Shares Programs, and additional roles were added for the HBC program. For the Gulf reef fish IFQ programs, a new view was added to allow dealers to add the trip ticket information after a landing transaction was completed. Trip ticket information is used to help reconcile Gulf reef fish IFQ data with information provided by dealers through the individual state trip ticket programs. Matching the Gulf reef fish IFQ transactions with the trip ticket records provides useful data for stock and other assessments. Gulf reef fish dealer permits also transitioned to the GSAD permits, and this was reflected on the IFQ dealer endorsements.

2014 Red Snapper IFQ Fishing Season

Program Participants

Shareholders

The number of accounts holding shares (shareholders) may change daily as accounts are divested of all shares or an account without shares acquires shares. A shareholder may transfer all their shares for a

variety of reasons: to exit the program, to transfer to a new IFQ account after a permit change¹, or to manage related IFQ accounts from one account². Accounts without shares may still participate in the program by obtaining allocation from another IFQ shareholder account.

Accounts holding shares are categorized by volume as small (< 0.05% shares), medium (0.05-1.4999% shares), or large (≥ 1.5% shares). Since the start of the program, the majority of shares are held by the medium and large share accounts (Table 1). In 2014, the medium share accounts held 50% of the red snapper shares, while large share accounts held 48%, and small share accounts held 3% (Table 1). The total number of accounts holding shares decreased in 2014 to 378 accounts, a decrease of 32% since the start of the program (Table 1). Most of the attrition in accounts holding shares occurred in the small volume category both in 2014 and since the program began. At the start of the program, small volume shareholders accounted for 75% of the accounts, but in 2014, decreased to 62%. In contrast, the numbers of medium and large volume shareholders were similar to numbers at the start of the program (Table 1).

Table 1: Number of shareholders and amount of shares held by share volume

Year	Small (<0.05%)		Medium (0.05-1.4999%)		Large (≥ 1.5%)		Total Accts
	Accounts	Share %	Accounts	Share %	Accounts	Share %	
Initial	415	4.55	125	58.52	14	36.94	554
2007	368	4.09	112	49.74	17	46.18	497
2008	346	3.80	111	48.72	17	47.49	474
2009	313	3.34	108	48.02	18	48.66	439
2010	297	3.10	109	47.04	19	49.87	425
2011	284	2.97	116	48.58	18	48.46	418
2012	273	2.91	117	49.94	17	47.16	407
2013	261	2.69	120	48.08	18	49.30	399
2014	236	2.55	125	49.71	17	47.74	378

Note: All values were based on the last day of the year, except Initial, which was the program's start date (1/1/2007).

Even as consolidation occurred, there were new entrants to the IFQ program; each year, accounts with no shares (0%) acquired shares (new shareholders). New shareholders occur in the program for a variety of reasons: entering the program, transferring to a related account due to a permit name change, or managing related accounts from one account.^{1,2} There were twelve new shareholders in 2014 (Table 2). Large increases in new shareholders occurred in 2010 and 2011, and were most likely influenced by the start of the GT-IFQ program. Many fishermen participate in both the RS-IFQ and GT-IFQ programs, both programs require the same fishing permits and the same system manages the programs jointly. In 2014, 1.9154% of shares were transferred to new accounts, a value slightly greater than the previous year. Further investigation into these accounts determined that three of the new shareholders did not hold a Gulf commercial reef fish permit.

¹ IFQ accounts are established based on the name(s) of the Gulf commercial reef fish permit holder. If the name(s) of the permit holder change (e.g., adding/removing a spouse), a new IFQ account must be established to link to the permit.

² Some IFQ participants are associated with more than one IFQ account (e.g., John Smith vs. John and Jane Smith, incorporating each vessel under a different company name), and therefore may shift all their shareholding to one account for ease of management.

Prior to 2012, a valid Gulf commercial reef fish permit was initially required to open a RS-IFQ account, but the account could continue to hold shares and allocation without maintaining a Gulf commercial reef fish permit. These accounts could neither acquire more shares or allocation nor harvest red snapper, but could transfer those shares or allocation to another shareholder account. Starting in 2012, accounts without a Gulf commercial reef fish permits can now fully transfer (in or out of their account) shares and allocation. These accounts are called public participant accounts. The number of public participant accounts decreased slightly in 2014 (Table 3). Public participant accounts comprise 32% of all accounts with shares, and hold 28% of the shares (Figure 1). The amount of shares held by public participant accounts increased slightly every year since 2008 (Figure 1).

Table 2: Number of new shareholder by share volume

Year	Small	Medium	Large	Total Accts.	Total Shares
2007	8	2	0	10	0.5706
2008	7	3	0	10	0.7835
2009	5	1	0	6	0.4221
2010	19	8	1	28	4.4099
2011	14	8	0	22	1.5064
2012	15	11	1	27	5.8570
2013	12	7	0	19	1.3515
2014	6	6	0	12	1.9154

New shareholders are account that did not own shares at the start of the year, but obtained share within the year.

Table 3: Number of accounts & shares by permit status

Year	No Permit		Permit	
	Accounts	Shares	Accounts	Shares
2007	76	14.29	421	85.71
2008	120	12.75	354	87.25
2009	120	13.83	319	86.17
2010	121	15.24	304	84.76
2011	120	18.14	298	81.86
2012	119	21.07	288	78.93
2013	126	24.36	273	75.64
2014	120	27.96	258	72.04

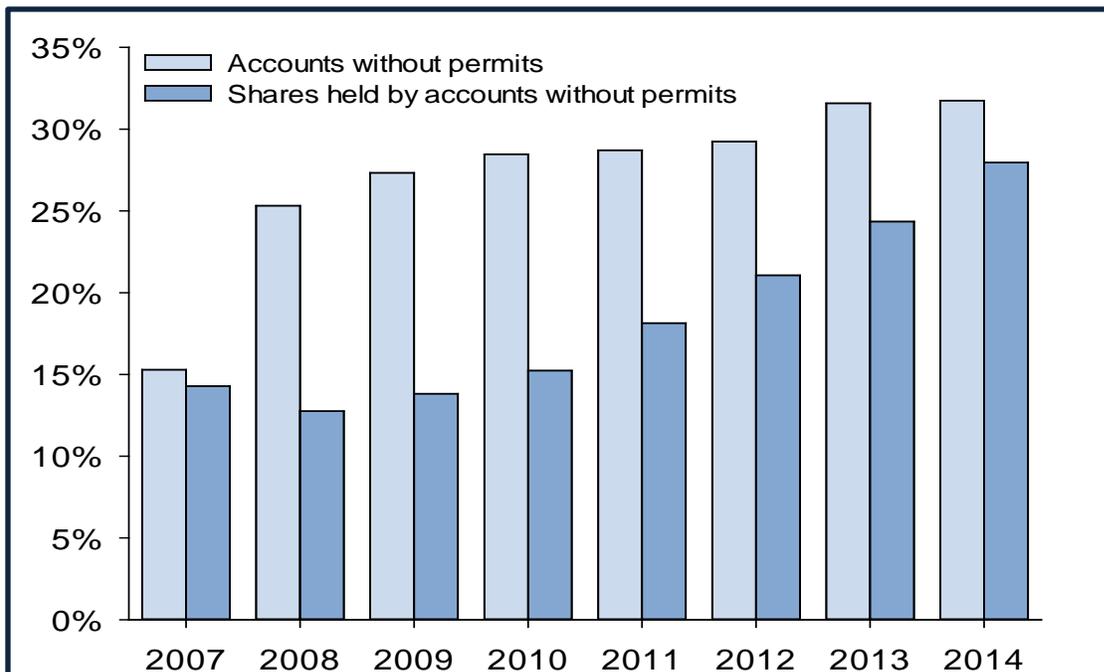


Figure 1. Number of accounts with shares and without permits

Allocation Holders

In the RS-IFQ program, accounts may obtain allocation through shares (distributed at the beginning of the year or from any in-season quota increase) or from the transfer of allocation from another account holder. The number of accounts holding allocation does not necessarily equal the number of accounts that land allocation, as not all accounts that hold allocation also hold a Gulf reef fish permit and some accounts may only transfer allocation. The total number of accounts that held allocation increased slightly in 2014 to 607, the greatest number since the start of the program (Table 4). In 2014, there was a continued increase in the percentage of accounts that obtained allocation through transfers, with 34% of the allocation accounts not holding shares compared to 7% in 2007 (Table 4). The continued increase in allocation holders without shares may result from a variety of factors, for example, a shareholder may manage shares in related accounts,² be unable to buy shares (e.g., availability or price), change their harvesting behavior, and/or may be influenced by the GT -IFQ program. The RS-IFQ and GT-IFQ programs have a large amount of overlap; 90% of the vessels that landed at least one pound of red snapper also landed at least one pound of GT-IFQ species. Discussions with industry representatives indicate that some fishermen that are catching red snapper as supplemental or incidental catch and not targeted catch. Fishermen have indicated that they may use red snapper as a supplemental catch to increase the profitability of a low yield trip targeting another species. Other fishermen catch red snapper incidentally when targeting species that are located in similar habitat, and therefore obtain red snapper allocation to reduce discards. These behaviors may increase the number of accounts holding allocation, as fishermen obtain allocation for supplemental or incidental catch. These fishermen may not wish to invest money in purchasing red snapper shares since they do not target red snapper as their main catch, especially as the share price has increased since the start of the program. Quota increases may also allow allocation to be indirectly distributed among more participants through transfers. As the quota increases, those with shares receive a larger amount of allocation than previously. If the allocation received by the fisherman is more than needed to land red snapper, they might sell the allocation to another account that does not have shares, rather than land the allocation themselves.

Table 4: Number of accounts with allocation

Year	Total	With Shares	Without Shares
2007	596	554 (93%)	42 (7%)
2008	547	497 (91%)	50 (9%)
2009	530	474 (89%)	56 (11%)
2010	598	461 (77%)	137 (23%)
2011	589	439 (75%)	150 (25%)
2012	599	438 (73%)	161 (27%)
2013	599	421 (70%)	178 (30%)
2014	607	399 (66%)	208 (34%)

Dealers

The number of dealers that received and processed red snapper increased considerably in 2014, from 81 dealers in 2013 to 96 dealers in 2014, the largest annual increase to date (Table 5). Dealers can be classified by the percentage of annual RS-IFQ landings purchased: small dealers purchased <1% of red snapper landings, medium dealers between 1-3% of annual RS-IFQ landings, and large dealers greater than 3% of annual RS-IFQ landings. As in previous years, the majority of dealers purchase a small proportion of the overall catch (Table 5). Small-sized dealers increased by 11 in 2014, while medium-

sized dealers only increased by four and large-sized dealers remained the same (Table 5). Some small-sized dealers are likely fishermen who have obtained a GSAD dealer permit in order to eliminate the middleman and therefore reduce costs and increase profits. Currently it is not possible to link ownership of a shareholder account to ownership of a dealer account, as accounts may be held under different names (e.g., business vs. individual name(s) vs. different business name). Personal communication with industry representatives indicated that there were shareholders who also owned dealer permits, but these were not limited to just small dealers.

Table 5: Number of dealer accounts and total landings by dealer size

Year	Total Accounts	Small <1% of quota		Medium 1-3% of quota		Large >3% of quota	
		Accounts	% landings processed	Accounts	% landings processed	Accounts	% landings processed
2007	75	56	9.86	8	14.85	11	75.29
2008	67	48	9.44	9	17.96	10	72.60
2009	66	44	9.91	11	17.53	11	72.56
2010	77	57	12.99	13	25.70	7	61.31
2011	82	64	15.05	10	17.50	8	67.45
2012	82	67	13.48	7	15.75	8	70.77
2013	81	66	14.16	7	15.87	8	69.97
2014	96	77	10.29	11	19.74	8	69.97

Dealer size is determined by percentage of annual red snapper landings landed with each dealer and may include multiple facilities.

Vessels

The number of vessels landing red snapper increased by 9% in 2014, from 368 in 2013 to 401 vessels (Table 6). The increase was distributed across nearly all states, but was primarily from vessels harvesting in the Florida region (Table 6). Despite the increase in vessels landing red snapper, the number of vessels is still below the average number of vessels in the five years preceding the IFQ program. Vessels primarily landed their catch at Florida facilities, typical of landings in previous years (Table 6). The proportion of vessels landing in Florida increased from 72% in 2007 to 82% in 2012, but then decreased slightly to 80% in 2014. Vessels landing in Texas and Louisiana have decreased from 19% (TX) and 14% (LA) in 2007 to 9% (TX) and 6% (LA) in 2014. Vessels landing in Alabama and Mississippi have remained the same. Changes in the number of vessels landing in each state may be influenced by factors outside of the RS-IFQ program, such as changes in markets, fishing behavior, availability of facilities, etc. The increase in vessels in 2010 is most likely due to the start of the GT-IFQ program. The programs are managed under the same system, which made obtaining red snapper allocation relatively easy for GT-IFQ participants. Vessels that primarily target GT-IFQ species may obtain allocation to account for any incidental catch of red snapper. Since the start of the GT-IFQ program, there has been a high degree of overlap between the two programs, with 90% to 94% of the RS-IFQ vessels also harvesting GT-IFQ species.

Table 6: Number of vessels harvesting red snapper by state

Year	Total ¹	FL	AL/MS	LA	TX	% vessel overlap with GT-IFQ program ³
2002 -06 ²	485	-	-	-	-	NA
2007	309	224	8	42	60	NA
2008	300	219	16	37	49	NA
2009	294	221	14	27	40	NA
2010	384	309	30	27	34	91%
2011	362	292	27	20	31	91%
2012	371	304	23	23	28	94%
2013	368	295	20	27	35	91%
2014	401	320	23	26	36	90%

¹ The total number of vessels is less than the sum of vessels across states because some vessels land in multiple states. States are determined by the facility that received the fish.

² Values for 2002-2006 are average values across this time period from the Coastal logbook records.

³ Percentage of vessels that landed red snapper that also landed GT-IFQ species.

Program Activity

Share Transactions

The number of share transfers in 2014 increased by 19% (+15) from the previous year (Table 7). This amount of transfers approached the number of transfers during the first year of the program, which had the largest number of transfers (Table 7). The amount of shares transferred in 2014 was 5.5619%, an increase of 17% compared to 2013 (4.7401%; Table 7), but nearly half of the volume transferred in the first year of the program. Individual share transfers ranged from 0.0004% to 1.0017%, with an average of 0.0611%. The average volume per transfer was similar to the previous year (Table 7).

Table 7: Number and volume of share transfers

Year	N	%	Avg. %/transfer
2007	108	10.7428	0.0995
2008	42	4.8150	0.1146
2009	75	6.0233	0.0803
2010	79	8.4748	0.1073
2011	78	5.0979	0.0654
2012	81	7.5608	0.0933
2013	76	4.7401	0.0624
2014	91	5.5619	0.0611

Allocation Transactions

Annual RS-IFQ allocation is the actual poundage of red snapper each IFQ account can use to possess, land, and/or transfer during a given calendar year. Individual units of allocation cannot be tracked in the system (e.g., the same pounds may be transferred multiple times). All allocation transfers between accounts are analyzed in this report. The number of allocation transfers increased in 2014 by 4% and was the greatest number of transfers in the program to date (Table 8). In contrast, the amount of allocation transferred decreased by 4% with 5.55 million pounds (mp) transferred (Table 8). The amount of allocation transferred exceeded the amount of quota released in 2014 (110%; Table 8). While

allocation transfers ranged from as low as one pound to more than 100,000 pounds per transaction, the average number of pounds transferred was 1,940 lb and the median value was 500 lb (Table 8). Input from industry representatives has indicated that often around 500 lb of allocation is transferred to vessels that do not target red snapper to allow for any incidental or supplemental catch of red snapper on a trip.

The number of transfers and the amount transferred increased considerably in 2010, which, in part, was due to a change in system structure. A new system was created for 2010 to accommodate the GT-IFQ program. The previous system allowed for an under-representation of allocation transfers, as there were no vessel accounts and a single vessel could land under multiple shareholder accounts, thereby bypassing an allocation transfer. The current system precludes this from occurring.

Table 8: Number and volume of allocation transfers

Year	N	Lbs.	Avg. lbs.	Median lbs.	% Quota
2007	808	1,686,218	2,087	671	56.5%
2008	683	1,371,100	2,007	600	59.7%
2009	843	1,539,479	1,826	500	67.0%
2010	1,719	3,065,736	1,783	500	96.1%
2011	2,155	3,639,394	1,689	500	110.3%
2012	2,551	3,741,966	1,467	400	100.8%
2013	2,753	5,762,556	2,093	500	114.0%
2014	2,861	5,549,573	1,940	500	110.0%

Account Activity

Account activity (active vs. inactive) can be determined through analyzing allocation transactions. An account is considered active if the account landed, sold, and/or bought allocation during that fishing year. Accounts may be inactive due to several reasons: initial account that was never accessed, shares resulting in negligible pounds for harvest or sale (e.g., 1-5 lb), or inability to harvest (e.g., vessel in dry dock). Account status was determined each year based on an account's activity within that year. The number of inactive accounts decreased in 2014 to just 12% of all accounts with allocation, the least number of inactive accounts since the program began (Table 9). This decrease in inactive accounts may be attributed to initial account holders logging into their accounts to sell shares or allocation. In 2014,

Table 9: Number of accounts by activity

Year	Holding allocation	Inactive	Landing	Only Transferring allocation
2007	596	173 (29%)	279 (47%)	144 (24%)
2008	547	168 (31%)	269 (49%)	110 (20%)
2009	530	137 (26%)	262 (49%)	131 (25%)
2010	598	122 (20%)	337 (56%)	139 (23%)
2011	589	102 (17%)	328 (56%)	159 (27%)
2012	599	94 (16%)	333 (56%)	172 (29%)
2013	599	96 (16%)	337 (56%)	166 (28%)
2014	607	74 (12%)	369 (61%)	164 (27%)

an indicator for initial accounts was added the website that listed the RS-IFQ shareholders, allowing other RS-IFQ account holders to identify potential sellers of RS-IFQ shares. This may have contributed to the decrease in the number of inactive accounts and their associated volume of allocation. The percentage of accounts landing red snapper increased by 5% in 2014, with 61% (369 accounts) of all accounts landing red snapper (Table 9). This is the greatest percentage of accounts landing red snapper to date, and indicates an increased connection between allocation holders and landings. The number of accounts that only transferred allocation decreased by 1% in 2014, to just 164 accounts or 27% of all accounts with allocation (Table 9).

Accounts that landed allocation can be further subdivided into those accounts that hold shares and those without shares. In 2014, the majority of pounds landed were associated with accounts that held shares, consistent with the previous year (Table 10). However, these results must be interpreted with caution, as accounts without shares may be related to accounts with shares. Conversations with industry representatives have indicated that some fishermen separate their assets by holding RS-IFQ and/or GT-IFQ shares in a separate account than the account that harvests RS-IFQ and/or GT-IFQ species. Active accounts can be further divided by type of activity: those that only transfer allocation and those that landed (and may or may not transfer allocation) red snapper. There are a variety of reasons why an account holder may have only transfer allocation: account holder could not harvest allocation (e.g., no permit, vessel inoperative), allocation was transferred to a related account, account holder had insufficient allocation to harvest (e.g., shares resulted in only a few pounds of allocation), and/or greater profit could be earned from selling than harvesting the allocation. Accounts without a Gulf commercial reef fish permit may not land red snapper, and therefore can only transfer allocation. Prior to 2012, accounts without permits could only transfer out allocation and could not transfer in allocation.

Table 10: Landings by share status

Year	With Shares		Without Shares	
2007	2,598,649	91%	265,738	9%
2008	1,958,999	88%	276,420	12%
2009	1,735,818	78%	498,196	22%
2010	2,220,185	73%	835,859	27%
2011	2,060,719	64%	1,177,616	36%
2012	2,522,817	69%	1,113,578	31%
2013	2,972,769	61%	1,935,829	39%
2014	3,035,667	61%	1,980,389	39%

The majority of the accounts that are only transferring allocation belong to accounts that hold both shares and permits (Table 11). In 2014, the percentage of these accounts decreased slightly to 76 accounts (46% of accounts only transferring allocation) (Table 11). The number of accounts with shares but without a permit increased to 66 (40% of accounts only transferring allocation) in 2014 (Table 11). The percentage of accounts without shares that were only transferring allocation remained low in 2014, with 2% of accounts only transferring allocation without permits and 11% with permits (Table 11). These accounts may have been acting as brokerage accounts, obtaining allocation solely in order to transfer it to other accounts, or these accounts may have related accounts and are being used to temporarily hold allocation. Currently, there is no method to determine which accounts are related or any established method to distinguish accounts that act as brokers.

The total pounds transferred from accounts that were only transferring allocation was 59% of the total amount of allocation transferred (Tables 8 and 11). The majority of pounds transferred were from accounts with shares (94%), and were divided nearly evenly among those accounts with permits (50%) and without permits (44%) in 2014. In previous years, the accounts with permits and shares accounted for the majority of pounds transferred in accounts only transferring allocation. The amount of pounds transferred from accounts that did not hold shares was small (6%) and was evenly split among those with and without permits.

Table 11: Number and volume of accounts only transferring allocation

Year	N	With Shares				Without Shares			
		With Permit		No Permit		With Permit		No Permit	
		Accts	Lb	Accts	Lb	Accts	Lb	Accts	Lb
2007	144	117	321,285	21	216,531	6	18,890	N/A	N/A
2008	110	63	192,382	36	267,159	11	15,124	N/A	N/A
2009	131	75	385,237	49	238,140	7	4,430	N/A	N/A
2010	139	75	948,205	48	497,648	16	51,315	N/A	N/A
2011	159	93	1,183,371	46	557,981	20	19,523	N/A	N/A
2012	172	101	1,410,115	52	819,592	19	24,812	0	0
2013	166	89	2,016,673	52	1,170,137	22	36,964	3	109,899
2014	164	76	1,651,320	66	1,445,864	18	107,529	4	92,331

Commercial Quota and Landings

Quota

After the 2005 red snapper stock assessment concluded that the stock was overfished and experiencing overfishing, the Gulf Council revised the red snapper rebuilding plan in 2007 by reducing commercial and recreational quotas, lowering the commercial size limit, specifying a shrimp trawl bycatch reduction target, and reducing the recreational bag limit. The 2009 and 2013 red snapper stock assessments (SEDAR 07 Update and SEDAR 31, respectively) revealed that spawning stock biomass increased as lower fishing mortality rates allowed more fish to survive to older ages. Increases in the spawning stock biomass allowed the Gulf Council to increase annual catch limits for red snapper in 2010, 2011, 2012, and 2013. The quota in 2014 remained the same as the end of year quota from 2013 (5.054 mp), and there were no quota increases during the year (Table 12).

Table 12: Red snapper quota (lb gw)

Year	Jan 1	Quota Increase	Increase Date	Dec 31
2006	4,189,189	N/A	N/A	4,189,189
2007	2,297,297	689,189	June 1	2,986,486
2008	2,297,297	N/A	N/A	2,297,297
2009	2,297,297	N/A	N/A	2,297,297
2010	2,297,297	893,694	June 2	3,190,991
2011	3,190,991	109,910	May 31	3,300,901
2012	3,300,901	411,712	June 29	3,712,613
2013	3,712,613	174,774 1,166,667	May 29 Sept 30	5,054,054
2014	5,054,054	N/A	N/A	5,054,054

Landings

Since the beginning of the RS-IFQ program, more than 95% of the quota has been landed annually (Table 13). In 2014, 99% of the quota (5.016 mp) was landed, the greatest amount to date (Table 13). Landings fluctuated monthly, with between 0.265 – 0.615 mp landed monthly (Table 13, Figure 2). Peak landings occurred from February through April (0.500 – 0.615 mp; Table 13, Figure 2), which coincides with the Lenten season, when landings are traditionally greater than other times of the year. In contrast to previous years, the majority of landings occurred in Texas (42%, 2.12 mp) instead of Florida (39%, 1.96 mp; Table 14). Florida landings have been decreasing since 2011 (Table 14). Alabama and Mississippi landings have remained the same in 2014, while Louisiana landings decreased to 13% or 0.674 mp (Table 14).

Table 13: Commercial landings by month and year

	2007	2008	2009	2010	2011	2012	2013	2014
Jan	103,309	241,905	226,559	276,099	239,103	305,284	356,544	375,560
Feb	330,625	317,871	189,520	258,807	322,078	290,652	279,295	500,551
Mar	278,021	290,336	268,819	361,969	380,667	447,846	424,268	615,490
Apr	281,551	204,701	220,336	267,700	265,942	311,624	299,044	577,759
May	181,798	185,313	212,850	269,711	296,991	321,705	312,069	461,025
Jun	233,376	134,448	181,401	208,869	229,569	185,931	271,257	371,266
Jul	225,536	152,134	165,968	137,283	205,363	293,151	380,482	382,815
Aug	198,141	135,030	183,851	162,232	263,077	256,486	369,519	347,230
Sept	219,284	91,287	138,731	162,257	251,718	260,268	388,064	328,171
Oct	187,371	135,361	143,212	196,725	229,625	298,116	565,583	404,256
Nov	296,230	120,797	144,406	246,878	195,741	296,205	452,067	265,232
Dec	332,084	228,297	161,793	507,514	358,461	368,897	810,406	386,701
Total	2,867,326	2,237,480	2,237,446	3,056,044	3,238,335	3,636,395	4,908,598	5,016,056
% of Quota	96.0%	97.4%	97.4%	95.8%	98.1%	97.9%	97.1%	99.2%

Table 14: Landings by state

Year	FL		AL/MS		LA		TX	
2007	1,122,379	39%	80,288	3%	447,055	16%	1,217,604	42%
2008	921,927	41%	88,058	4%	381,075	17%	846,420	38%
2009	930,630	42%	78,536	4%	415,203	19%	813,077	36%
2010	1,378,733	45%	81,641	3%	571,449	19%	1,024,221	34%
2011	1,594,317	49%	134,980	4%	606,804	19%	902,234	28%
2012	1,725,555	47%	166,429	5%	711,339	20%	1,033,072	28%
2013	2,001,334	41%	244,697	5%	1,060,017	22%	1,602,550	33%
2014	1,958,498	39%	261,762	5%	674,096	13%	2,121,700	42%

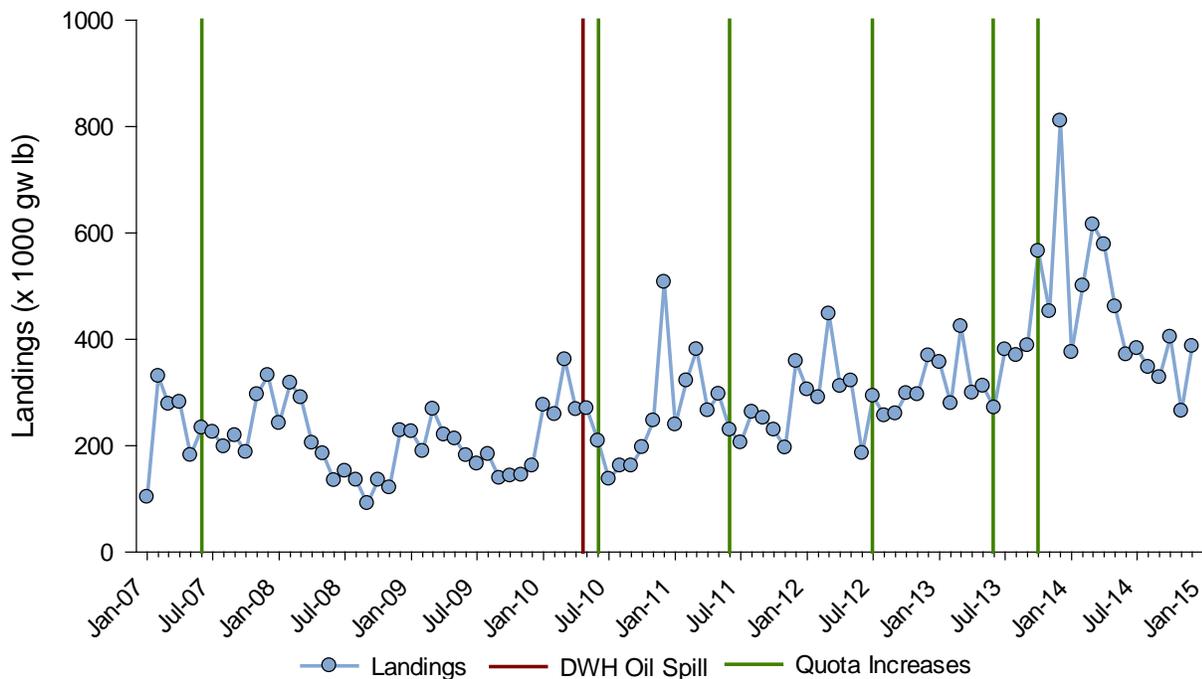


Figure 2. Monthly landings

Remaining Allocation

At the end of each year, any remaining allocation in an account expires. In 2014, 30% of the accounts (179 accounts) had at least one pound of allocation remaining, for a total of 37,243 lb (Table 15). This was the least number of accounts, least percentage of accounts, and the least pounds of remaining allocation since the start of the program. While 105 of the accounts with remaining allocation were active, they only held a small portion of the remaining pounds (9,262 lb; Table 15).

Table 15: Number of accounts with remaining allocation and volume by activity status

Year	Accounts	Lb.	% Quota	Active Acct	Active lb	Inactive Acct	Inactive lb
2007	327 (55%)	122,311	4.1%	154	43,768	173	78,543
2008	292 (53%)	59,515	2.7%	124	9,177	168	50,338
2009	242 (46%)	61,318	2.8%	105	19,638	137	41,680
2010	306 (51%)	132,450	4.2%	184	79,299	122	53,151
2011	236 (40%)	62,147	1.9%	134	11,404	102	50,743
2012	216 (36%)	75,626	2.0%	122	20,352	94	55,274
2013	258 (43%)	148,867	2.95%	162	69,057	96	79,810
2014	179 (30%)	37,243	0.74%	105	9,262	74	27,981

In contrast to remaining allocation, accounts that hold shares can land in excess of their allocation once per year through the 10% overage flexibility measure. These overages are then deducted from the

shareholder’s allocation in the next year. Each year, a small number of accounts (≤ 40 accounts) have overages (Table 16). Since the start of the program, total overages have been less than 3,500 lb, which equated to less than 0.15% of the quota (Table 16). In 2014, there were 23 accounts with a total of 2,828 lb of overages. The average amount of an overage was 123 lb, although the median amount was smaller at 33 lb (Table 16).

Table 16: Number of accounts with overages and associated volume

Year	Acct.	Total (lb)	Average (lb)	Median (lb)
2007	35 (6%)	2,939	84	11
2008	41 (7%)	2,061	50	14
2009	40 (8%)	3,432	86	19
2010	14 (2%)	655	47	2
2011	29 (5%)	3,262	112	14
2012	29 (5%)	1,715	59	18
2013	36 (6%)	4,741	132	26
2014	23 (4%)	2,828	123	33

Effort and Discards

Effort was categorized by analyzing the number of trips that caught at least one pound of red snapper, days at seas (days away), and the average landings of red snapper on those trips. This analysis used the Southeast Fisheries Science Center’s (SEFSC) coastal logbook records for 2007-2014 accessed on 4/2/2015, and therefore may be incomplete for 2014. While each measure of effort for red snapper decreased slightly in 2014, this may be a factor of incomplete logbook records available at the time of analysis (Table 17). Despite this slight decrease, effort has remained comparable for the past three years with respect to number of trips, days away, and average pounds of red snapper landed per trip. The average pounds of red snapper landed per trip has been between 900 and 1,300 lb/trip since the start of the program. The pace of fishing pre- to post-IFQ changed dramatically with longer but fewer trips (Table 17). This change in the pace of fishing may be influenced by factors both directly and indirectly related to the RS-IFQ program, such as elimination of trip limits and short fishing seasons, implementation of the GT-IFQ program, increases in quota, changes in targeting behavior, and regulations on other reef fish species.

Table 17: Effort harvesting red snapper

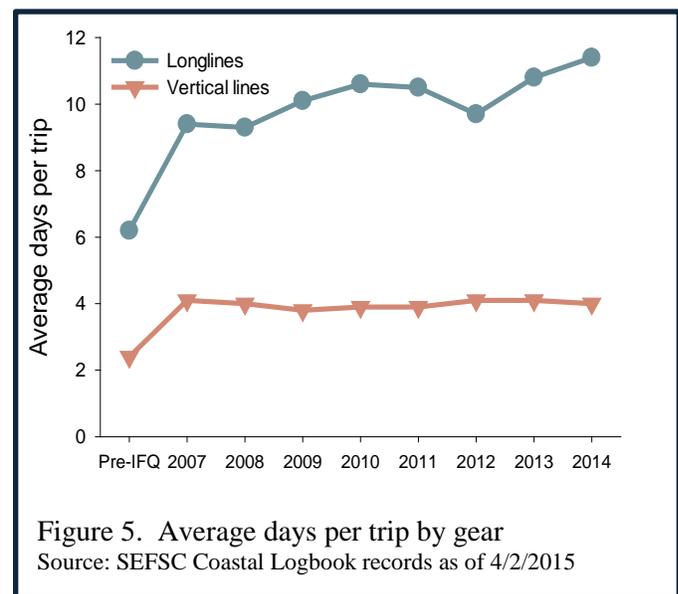
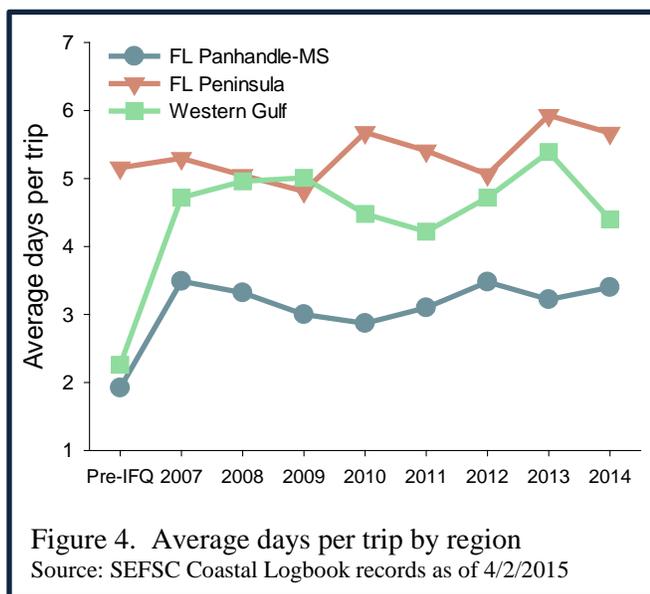
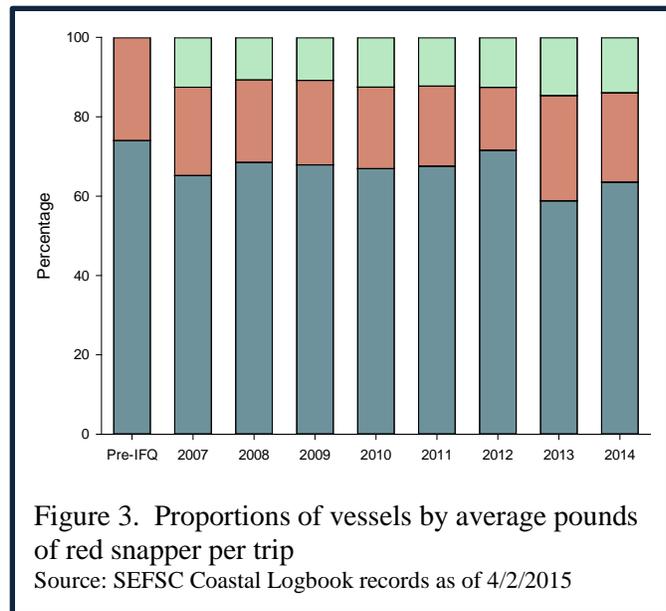
Year	Trips	Days Away	Avg. days/trip	Avg. RS lb/trip
2002 -06 average	4,872	12,856	2.6	848
2007	2,578	11,165	4.3	1,072
2008	2,274	9,646	4.2	951
2009	2,329	9,444	4.1	929
2010	2,970	13,207	4.4	990
2011	3,389	14,613	4.3	907
2012	3,456	15,017	4.3	1,006
2013	3,452	15,827	4.6	1,292
2014	3,425	15,371	4.5	1,238

Data from the SEFSC Coastal Logbook records as of 4/2/2015 and therefore may not contain the complete 2014 data.

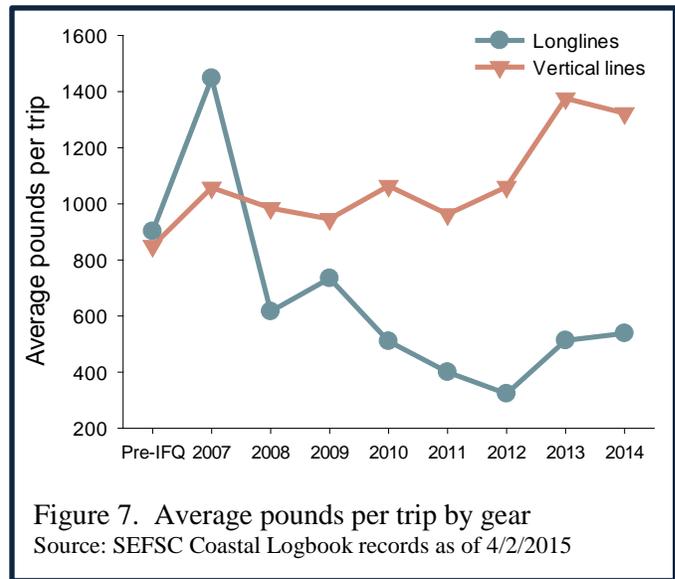
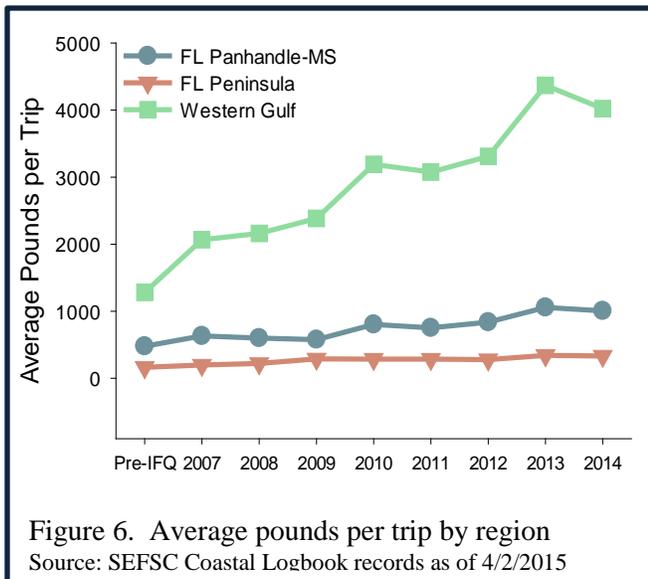
The majority of vessels in the RS-IFQ program land on average ≤ 500 lb/trip both pre- and post-RS-IFQ (Figure 3). In 2014, 64% of all vessels landed ≤ 500 lb of red snapper per trip (Figure 3). The 2014 value is comparable to other years since the beginning of the RS-IFQ program, when between 64-72%

of the vessels landed an average of 500 lb/trip. Vessels harvesting ≤ 500 lb of red snapper per trip may be owned by small shareholder that do not primarily target red snapper, but rather catch red snapper as supplement harvest when targeting other reef fishes or as the retention of incidentally caught red snapper. The vessels that primarily target red snapper ($>2,000$ lb/trip³) comprise only 14% of the vessels harvesting red snapper in 2014, which has shown very little change since the start of the RS-IFQ program (Figure 3).

There are both regional and gear differences in trip length (days per trip) and subsequently pounds per trip. In 2014, the average number of days per trip remained similar for the Florida peninsula and panhandle regions, as well as for trips using vertical lines (Figures 4 and 5). Days per trip decreased by one day for trips in the western Gulf and increased by one day for trips using longline gear (Figures 4 and 5). The average pounds per trip remained similar in 2014 for the Florida regions, but decreased in the western Gulf region (Figure 6). Despite the decrease in the Western Gulf in 2014, the average pounds per trip was still higher than pre-IFQ suggestion increased targeting of red snapper in that region. Average pounds per trip also increased slightly for vessels using longline, but the average pounds are still less than pre-IFQ values (Figure 7). Average red snapper pounds per trip decreased slightly for vessels using vertical lines, but were still considerably greater than pre-IFQ values (Figure 7). Red snapper are not the primary catch of many longline vessels, and therefore vertical line vessels' average pounds per trip may be more indicative of trends in the red snapper commercial sector.



³ This delineator was chosen to match the Class 1 licenses prior to the RS-IFQ program that had a trip limit of 2,000 lb.



Data from the SEFSC reef fish observer (RFOB) program was used to evaluate changes in red snapper discards. The RFOB program began in mid-2006. RFOB data were categorized by gear: longline (LL) and vertical line (VL; handlines and bandit reels). LL trips primarily occurred off the Florida peninsula, while VL trips occurred throughout the entire Gulf. In 2009, RFOB coverage shifted effort towards vessels using LL gear (Table 18) increasing the total number of trips sampled from 2010 through 2012 (Table 18). The total number of trips observed decreased in 2013 and again in 2014 (Table 18). In 2014, there were 138 trips with observer coverage; 108 of those trips caught red snapper (Table 18). As in previous years, more of the observed trips fished with VL gear than LL gear, and more trips were observed off the Florida peninsula than the other regions (Table 18). Observed red snapper trips primarily occurred from Florida through Mississippi, with slightly more trips observed along the Florida peninsula (Table 18).

Table 18. Number of reef fish observer trips and trips catching red snapper ¹

Year	Gears						Regions ²					
	Trips		LL		VL		FL pen.		FL pan. – MS		LA – TX	
	Total	RS	Total	RS	Total	RS	Total	RS	Total	RS	Total	RS
2007	108	97	11	8	97	89	91	52	33	32	20	17
2008	59	49	5	4	54	45	35	25	11	10	17	17
2009	79	63	33	26	46	37	56	43	18	15	11	9
2010	110	88	54	43	56	45	81	64	24	18	13	10
2011	187	162	81	75	106	87	129	110	47	41	18	16
2012	274	234	19	17	255	217	160	124	89	86	37	35
2013	209	158	84	71	125	87	142	99	65	56	15	11
2014	138	108	28	23	110	85	84	58	37	35	20	18

¹ Data from the Reef Fish Observer Program accessed as of 08/04/2015.
² One trip may include multiple regions, and therefore the sum of regions is greater than the total trips.

RFOB observers record disposition status as: landed/kept, discarded alive, discarded dead, and unknown. These disposition statuses were used to calculate discard ratios by gear and region. The discard ratio is the number of discarded fish for each fish landed. A larger value indicates that more fish are being discarded. Discard ratios may be influenced by the amount of allocation available to the vessels that were observed. Discussions at several stock assessments indicated that fishermen behavior, particularly with regards to discards, varies with the amount of allocation available both during a trip and throughout the year and the species the fishermen were targeting.

From 1995 through May 2, 2007, the minimum size limit for red snapper was 15 inches total length (TL; Appendix 2). On May 2, 2007, the minimum size limit was reduced to 13 inches TL and has remained at that size limit. The ratio of discarded to landed red snapper showed distinct differences between regions and gear types (Table 19). Similar to past years, the 2014 red snapper discard ratio was larger in the LL fleet (1.19) relative to the VL fleet (0.10; Table 19). This greater discard ratio in the LL fleet may have resulted from insufficient allocation available to land red snapper as a bycatch species. Many of the vessels that fish off the Florida peninsula for grouper-tilefish and may not have enough red snapper allocation available to them.

As the red snapper stock continues to expand to the waters along the west Florida shelf⁴, discards will occur unless vessels obtain additional allocation. Discard rates in both fleets decreased in 2014, and these lower rates may be due to the increased amount of quota landed for that year. As more allocation is available, less fish are discarded. For all regions in 2014, the discard rates for red snapper were less than one fish discarded per each landed fish (Table 19).

Table 19: Red snapper discard ratios (discarded:landed)

Year	Gears		Regions		
	LL	VL	FL pen.	FL pan. – MS	LA - TX
2007	22.18	0.43	1.41	0.36	0.39
2008	0.71	0.29	1.95	0.21	0.22
2009	1.9	0.76	8.14	1.44	0.06
2010	1.00	0.39	1.24	0.14	0.24
2011	2.01	0.31	1.39	0.21	0.27
2012	3.33	0.27	0.95	0.19	0.16
2013	1.87	0.13	0.89	0.16	0.18
2014	1.19	0.10	0.75	0.13	0.05

¹ Data from the Reef Fish Observer Program accessed as of 08/4/2015.

Price Information

Share, allocation, and ex-vessel price information is important for evaluating the performance of catch share programs. Economic theory suggests that, when fishermen no longer have to engage in a “race for fish,” their profits will likely increase as they adjust their operations to take advantage of weather and market conditions. The elimination of “derby” fishing is expected to increase market stability. As more efficient and profitable operators are willing to pay higher prices to purchase shares and allocation, share and allocation prices increase, which may result in increased profits. Theoretically, allocation prices should reflect the expected annual profit from harvesting one unit of quota, whereas share prices

⁴ The 2013 SEDAR 31 Red Snapper stock assessment notes the red snapper stocks have expanded along the west Florida shelf.

should reflect the net present value of the expected profit from harvesting one unit of quota in the long-run. Dockside or ex-vessel prices are anticipated to increase as well because fishermen no longer have to race to fish, which in turn, should reduce market gluts and generate higher quality products. All inflation-adjusted values in the analysis below were calculated based on the Gross Domestic Product (GDP) deflator⁵. The GDP deflator was chosen as the measure of inflation because it includes prices for all domestically produced goods and services and so is broader than other indexes.

Share Transfer Prices

Reporting of share transfer prices was not required until mid-2010, when a minimum transfer price of \$0.01 was required for all share transfers. Each year, there are share transactions that are either missing price information or have under-reported price information (e.g., \$0.01/lb). Transactions that had reported unreasonably low prices could be due to, but not limited to, any of the following: entering a price per pound equivalent⁶ instead of transaction price, reluctance to enter price information, gifts, transferring to a related accounts, part of a package deal (e.g., sale of shares with a permit, vessel, and/or other equipment), and/or unrecorded bartering of shares within the GT-IFQ or RS-IFQ programs. This misreporting of prices led to a 2012-2013 mail survey to participants about share prices. The survey was mailed to both the transferor and transferee for all past transfer where information was incomplete or possibly incorrect. Participants were asked to verify or correct the price information and select one of seven share transfer reasons: “Barter trade for allocation,” “Barter trade for shares,” “Gift,” “Transfer to a related account,” “Sale to another shareholder,” “Package deal,” and “No comment.” Beginning in 2013, a submission of one of these share transfer reasons was required to complete every share transfer, to better monitor the performance of the program.

In 2014, the majority of share transfers had “Sale to another shareholder” selected, while the greatest volume of shares transfer had “No comment” selected (Table 20). The “No comment” transfer reason also contained the greatest total price paid (\$2,094,033; Table 20).

For all transfer reasons except “Package deal”, the minimum price per equivalent pound was less than \$0.01/lb. Maximum price per equivalent pound values were between \$0/lb (“Gift”) to \$50/lb (“Sale to another shareholder”). Both transferor and transferee prices were collected for share transfers starting in 2013. There was agreement between the

Table 20: 2014 Share Transfer Reasons

Reason	Transfers		Shares transferred	Total Price
	N	%		
Barter trade for shares and barter trade for allocation	6	6%	0.33311	\$314,777
Gift	6	7%	1.0802	\$104
No comment	17	19%	1.9361	\$2,094,033
Package Deal	5	5%	0.9461	\$21,212
Transfer to a related account	9	10%	0.1762	\$16,093
Sale to another shareholder	48	53%	1.09014	\$1,298,861

⁵ <http://www.bea.gov/national/index.htm#gdp>

⁶ A price per pound equivalent is the share percentage that would equal one pound for that particular period. The exact share percentage that is equivalent to one pound depends on the total commercial quota and will change as the quota changes from year to year or within a year for any quota increases.

transferor and transferee on 71% of the transfer prices in 2014, down 5% from 2013. Prices that were in disagreement generally fell into the following categories: one account had entered price per pound instead of total value of the shares transferred, one account had entered an unreasonable transfer price (e.g., \$0.01 or \$1.00), or one party had made typographical mistakes when entering the transfer price (e.g., adding or deleting a zero to the transfer price). The percentage of buyers and sellers for these price disagreement categories were generally equally split as to who reported the higher price.

For share price analysis, the data were limited to share transfers with reasonable price per pound equivalents (see Appendix 3: Price Analysis Rationale). From 2013 onward, when prices differed between the transferor and transferee, a final price was decided based on the most reasonable total price entered. For example, a reasonable total price was selected over a non-reasonable price (e.g., price per pound). For the share price analysis, the data were limited to share transfers with price per pound equivalents that were greater than \$9 and less than \$36 (2007-2011) or less than \$50 (2012-2014), and all values were weighted by the pounds instead of on a transactional basis (See Appendix 3: Price Analysis Rationale).

In 2014, the percentage of share transactions with reasonable share prices decreased to 49%, a 13% decrease from the previous year (Table 21), which illustrates an on-going problem with collecting price information on share transactions. Average price per pound for shares decreased in 2014 to \$34.38/lb, nearly \$3/lb less than in 2013 (Table 21). In the last few years, the average share price has stabilized around \$34-37/lb, which may indicate stability in the market or an upper limit participants are willing to pay for red snapper shares given the current and expected commercial quota in the near future.

Table 21: Number of share transfers with prices

Year	N ¹	% of all transfers	Avg. price/lb ¹	Median price/lb ¹	Inflation-adj. avg. price/lb ²
2007	21	19%	\$11.04	\$12.51	\$12.28
2008	22	52%	\$11.56	\$10.50	\$12.61
2009	38	51%	\$20.64	\$20.00	\$22.35
2010	36	46%	\$19.84	\$21.50	\$21.23
2011	28	36%	\$28.77	\$26.03	\$30.16
2012	36	44%	\$34.75	\$35.00	\$35.78
2013	47	62%	\$36.77	\$42.00	\$37.31
2014	45	49%	\$34.38	\$34.00	\$34.38

¹ Only used share transactions between \$9 and \$36/lb equivalent from 2007 - 2011, \$9 - \$50/lb equivalent from 2012 - 2013, and \$12 - \$50/lb for 2014.

² Inflation adjustments from: <http://www.bea.gov/> with 2014 as the base year using the GDP deflator.

Allocation Transfer Prices

Allocation transfer prices are collected on a per pound basis but are not required to complete a transfer. Nearly two-thirds or more of the allocation transfers each year are either missing price information or

have under-reported price information (e.g., \$0.01/lb). Transfers that had low or no price information may be due to, but not limited to, any of the following: reluctance to enter price information, gift, transferring to a related account, part of package deal, or bartering for shares and/or allocation in the GT-IFQ program. Similar to the share transfers, beginning in 2013 the selection of one of seven allocation transfer reasons was required for every allocation transfer, to better monitor the program's performance. Allocation transfer reasons that could be selected were "Barter trade for allocation," "Barter trade for shares," "Gift," "Transfer to a related account," "Sale to another shareholder," "Package Deal," and "No comment."

For the allocation price analysis, the data were limited to allocation transfers with prices per pound that were between \$1.20/lb (2007-2009) or \$1.50/lb (2010+) and \$5.00/lb (See Appendix 3: Price Analysis Rationale). All statistics were computed by weighting pounds transferred and not on a transactional basis. The percentage of reasonable transactions increased from 39% in 2013 to 38% in 2014, consistent with an increasing trend in reasonable prices since 2010 (Table 22). The inflation-adjusted average allocation prices have remained consistent around \$3/lb since 2010 (Table 22). While average allocation prices were near \$3/lb in 2014, prices did vary by month by nearly \$0.50/lb (Table 23). The greatest and least price per pound values occurred in consecutive months; September = \$3.19/lb and October = \$2.71/lb (Table 23).

Table 22: Number of allocation transfers and prices

Year	N¹	% of all transfers	Avg. price/lb	Median price/lb	Inflation-adj. avg. price/lb²
2007	155	19%	\$1.97	\$2.00	\$2.19
2008	152	22%	\$2.31	\$2.25	\$2.52
2009	283	34%	\$2.69	\$2.75	\$2.91
2010	344	20%	\$2.88	\$3.00	\$3.09
2011	476	22%	\$2.96	\$3.00	\$3.10
2012	781	31%	\$3.00	\$3.00	\$3.09
2013	1,068	39%	\$2.98	\$3.00	\$3.02
2014	1,382	48%	\$3.03	\$3.00	\$3.03

¹ Number of allocation transactions that had prices between \$1.20/lb and \$5.00/lb for 2007-2009 and \$1.80 - \$5.00 for 2010 onward.

² Inflation adjustments from: <http://www.bea.gov/> with 2014 as the base year using the GDP deflator.

In 2014, the majority of allocation transfers had "No comment" (54.6%) selected as the allocation transfer reason (Table 24). Transfers that had selected "No Comment" also contained the greatest amount of pounds transferred (Table 24). Similar patterns were seen when viewing the total amount of pounds transferred as on the transactional level (Table 24). Reasonable prices were typically entered only on transfers that selected the "Sale to another shareholder" transfer reason (94%; Table 24). The "Package deal" reason contained the least number of transfers with reasonable prices information (9%; Table 24), which is understandable, as the parties involved in the transfer probably did not calculate the value of the transaction's individual components.

Table 23: Average monthly allocation prices adjusted for inflation

Month	2007	2008	2009	2010	2011	2012	2013	2014
January	\$1.96	\$2.33	\$2.95	\$3.11	\$3.09	\$3.06	\$3.12	\$2.97
February	\$2.14	\$2.58	\$2.95	\$3.48	\$3.04	\$3.17	\$3.29	\$3.05
March	\$1.87	\$2.54	\$2.86	\$3.27	\$3.17	\$3.05	\$3.10	\$3.11
April	\$2.00	\$2.49	\$2.81	\$3.21	\$3.13	\$3.05	\$3.19	\$3.10
May	\$2.26	\$2.54	\$2.92	\$3.26	\$3.07	\$3.16	\$3.10	\$3.11
June	\$2.19	\$2.48	\$3.07	\$3.09	\$3.12	\$3.01	\$3.20	\$3.02
July	\$2.10	\$2.73	\$3.21	\$2.92	\$3.09	\$3.22	\$3.22	\$3.15
August	\$2.27	\$2.70	\$2.87	\$3.02	\$3.00	\$3.00	\$3.01	\$2.89
September	\$2.41	\$2.63	\$2.93	\$2.98	\$3.12	\$3.22	\$3.21	\$3.19
October	\$2.23	\$2.68	\$2.74	\$2.98	\$3.07	\$2.79	\$3.06	\$2.71
November	\$2.37	\$2.84	\$3.00	\$3.18	\$3.14	\$3.14	\$2.52	\$3.10
December	\$2.43	\$2.55	\$2.58	\$2.56	\$3.12	\$3.16	\$2.37	\$3.18

Inflation adjustments from: <http://www.bea.gov/> with 2014 as the base year using the GDP deflator.

Table 24: 2014 Allocation Transfer Reasons

Reason	<u>Transfers</u>		<u>Pounds</u>		<u>With</u>	<u>Without</u>
	N	%	lb	%	%	%
Barter trade for allocation	21	0.7%	13,031	0.2%	10%	90%
Barter trade for shares	4	0.1%	9,950	0.2%	25%	75%
Gift	28	1.0%	16,887	0.3%	25%	75%
No comment	1,561	54.6%	3,088,728	55.7%	29%	71%
Package deal	22	0.8%	51,792	0.9%	9%	91%
Transfer to a related account	323	11.3%	823,707	14.8%	39%	61%
Sale to another shareholder	902	31.5%	1,545,478	27.8%	94%	6%

Ex-vessel Prices

While ex-vessel prices are required to complete a landing transaction, prices have been variable, with prices as low as \$0.01/lb reported. Ex-vessel prices may differ depending on location and season. They may also be under-reported for a variety of reasons: to minimize cost recovery fees and/or capital gains, contractual arrangements between dealers and shareholders, and deductions for transferred allocation, goods (e.g., bait, ice, fuel), and/or services (e.g., repairs, machinery replacement). In June of 2011, new regulations modified the definition for ex-vessel price and explicitly prohibited the deduction of allocation, goods, and/or services when reporting the ex-vessel price. For ex-vessel price analysis, the data were limited to landings with prices per pound that were greater than \$2.60/lb and less than \$10.00/lb (See Appendix 3: Price Analysis Rationale). All statistics were weighted by pounds rather than on a transactional basis. All ex-vessel prices prior to the start of the program were calculated using the SEFSC Accumulated Landings System (ALS) database as of 5/13/14. ALS ex-vessel prices below

\$2.60/lb were excluded as outliers. After the start of the RS-IFQ program, ex-vessel prices are reported to both the ALS and RS-IFQ systems.

While the majority of prices were within the reasonable range described above, the percentage of reasonable ex-vessel prices reported decreased in 2014 to 84% (Table 25). After adjusting for inflation, the average 2014 ex-vessel prices increased since 2013 by \$0.29/lb, for an average ex-vessel price of \$4.82/lb (Table 25). The 2014 median ex-vessel price increased by \$0.25/lb to \$5/lb (Table 25). When compared to pre-RS-IFQ ex-vessel prices (average of 2002-2006, inflation-adjusted), the 2014 ex-vessel prices increased by 44% (Table 25). After adjusting for inflation, ex-vessel prices in 2014 are now the greatest since 1990 (\$4.54/lb; Figure 8).

One goal of the RS-IFQ program was to create greater market stability. Ex-vessel price may be influenced by the amount of quota, demand, landings, and regional differences. Red snapper ex-vessel prices prior to the RS-IFQ program differed monthly by \$0.01/lb to \$2.03/lb per year (Figure 9). Ex-vessel price fluctuations since the start of the RS-IFQ program were generally smaller, with monthly differences of \$0.01/lb to \$0.93/lb (Figure 9). Ex-vessel prices typically decrease in November and December when fishermen seek to use the remaining allocation or when a large amount of quota is released during the season (Figure 9). These increases in allocation and subsequent landings result in lower ex-vessel prices.

During 2014, average monthly ex-vessel prices ranged from \$4.74/lb (January) to \$4.93/lb (November; Table 26). Ex-vessel prices increased from January through March, then remained relatively constant at approximately \$4.80/lb, before increasing in November to \$4.93/lb and finally decreasing in December (Table 26). The decrease in ex-vessel price in December has occurred each year since the start of the program as fishermen seek to use their remaining allocation, temporarily creating an excess supply of red snapper in the market.

Table 25: Number of ex-vessel transfers and prices (\$/lb)

Year	N¹	% of all trans.	Avg.	Median	Inflation-adj. avg.²
Pre-IFQ ³	-	-	\$2.80	\$2.81	\$3.34
2007	2,455	92%	\$3.74	\$3.75	\$4.16
2008	2,023	85%	\$4.06	\$4.25	\$4.43
2009	1,963	79%	\$4.13	\$4.25	\$4.47
2010	2,319	71%	\$4.17	\$4.25	\$4.46
2011	2,985	77%	\$4.26	\$4.25	\$4.47
2012	3,319	84%	\$4.44	\$4.50	\$4.57
2013	3,716	90%	\$4.46	\$4.75	\$4.53
2014	3,660	84%	\$4.82	\$5.00	\$4.82

¹ Number of reasonable ex-vessel transactions (see Appendix 3).

² Inflation adjustments from: <http://www.bea.gov/> with 2014 as the base year using the GDP deflator.

³ Pre-IFQ averages are from 2002-2006.

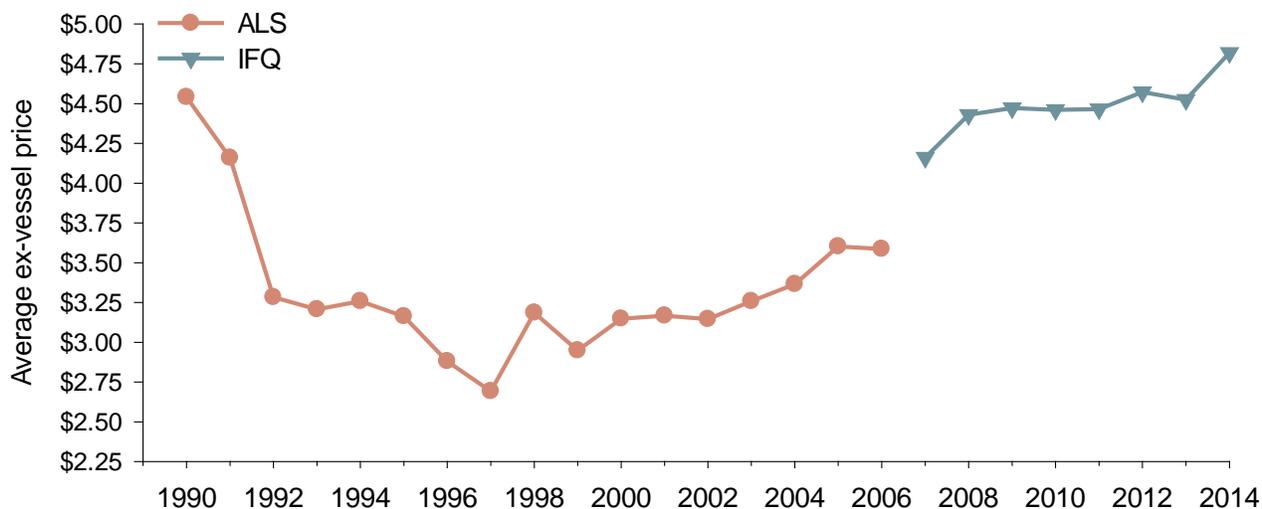


Figure 8. Average annual inflation adjusted ex-vessel price

Data source: SEFSC ALS records as of 5/13/14. For ALS data minimum reasonable price was \$2.60/lb; IFQ database, see Price Analysis Appendix for reasonable minimum and maximum prices.

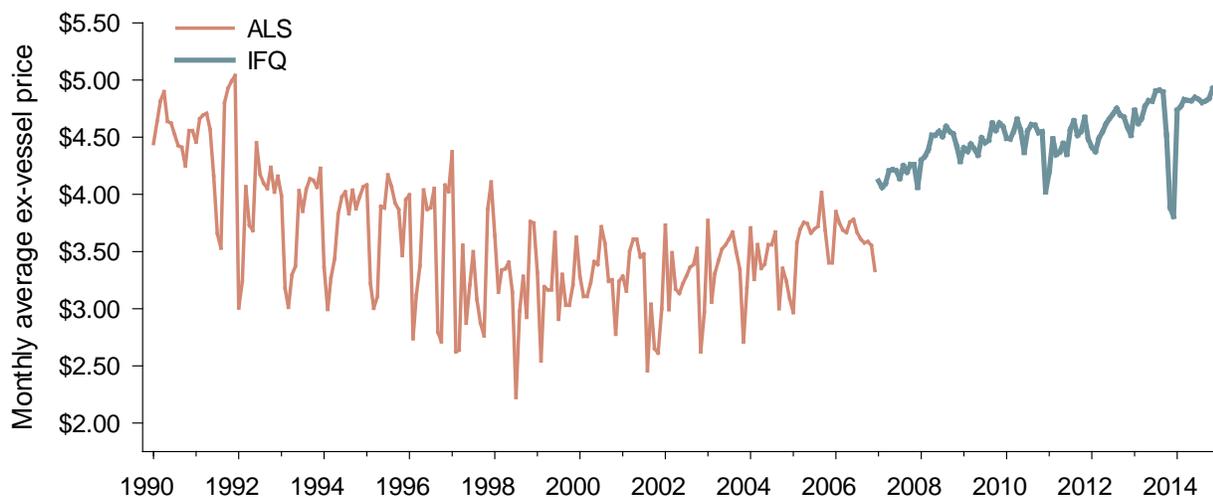


Figure 9. Average inflation-adjusted monthly ex-vessel prices

Data source: SEFSC ALS records as of 5/13/14. For ALS data minimum valid price was \$2.60/lb; IFQ database, see Price Analysis Appendix for valid minimum and maximum prices.

Regionally, 2014 ex-vessel prices were lower year-round in Alabama and Mississippi, and in the last three-quarters of the year for Louisiana. Ex-vessel prices in the above regions averaged between \$4.51/lb and \$4.70/lb (Tables 26 and 27). The 2014 average ex-vessel prices in Florida and Texas were greater than the other regions, with prices between \$4.80/lb and \$4.90/lb (Tables 26 and 27). Both Florida and Texas are regions that typically have greater landings, which contribute to the RS-IFQ program's average ex-vessel price of \$4.82/lb. Since the RS-IFQ program was implemented, there has been a shift in which region had the greater average ex-vessel prices. At the start of the RS-IFQ

program, average ex-vessel prices were greatest in Florida, followed by Louisiana, Texas, and Alabama/Mississippi (Table 27). The differences between ex-vessel prices in the regions were greatest in the first two years of the program, with differences ranging between \$0.68/lb and \$0.71/lb. Beginning in 2012, the greatest average ex-vessel prices occurred in Texas instead of Florida. With the exception of 2009, Alabama had the lowest average ex-vessel prices each year (Table 27).

Table 26: Average 2014 ex-vessel prices by month

Month	FL	AL/MS	LA	TX	All
Jan	\$4.65	\$4.00	\$4.76	\$4.80	\$4.74
Feb	\$4.75	\$4.32	\$4.55	\$4.90	\$4.77
Mar	\$4.81	\$4.35	\$4.80	\$4.92	\$4.83
Apr	\$4.74	\$4.49	\$4.84	\$4.91	\$4.82
May	\$4.81	\$4.63	\$4.66	\$4.89	\$4.82
Jun	\$4.83	\$4.56	\$4.65	\$4.94	\$4.85
Jul	\$4.80	\$4.67	\$4.67	\$4.92	\$4.83
Aug	\$4.79	\$4.66	\$4.69	\$4.86	\$4.80
Sept	\$4.80	\$4.72	\$4.62	\$4.88	\$4.82
Oct	\$4.87	\$4.59	\$4.66	\$4.87	\$4.84
Nov	\$5.05	\$4.56	\$4.60	\$4.95	\$4.93
Dec	\$4.87	\$4.43	\$4.63	\$4.91	\$4.85

Table 27: Average annual ex-vessel prices by region¹

Year	FL	AL/MS	LA	TX
2007	\$4.26	\$3.58	\$4.24	\$4.06
2008	\$4.59	\$3.88	\$4.55	\$4.21
2009	\$4.56	\$4.71	\$4.44	\$4.33
2010	\$4.51	\$4.25	\$4.31	\$4.46
2011	\$4.52	\$4.36	\$4.59	\$4.35
2012	\$4.57	\$4.42	\$4.43	\$4.64
2013	\$4.48	\$4.32	\$4.53	\$4.57
2014	\$4.80	\$4.51	\$4.70	\$4.90

¹Inflation adjustments from: <http://www.bea.gov/> with 2014 as the base year using the GDP deflator.

Price Ratios

Allocation price to share price and allocation price to ex-vessel price ratios are commonly used as indicators of economic performance. These ratios provide information about the implicit discount rate of the quota market. Discount rates indicate the value of your current dollars to future dollars. Therefore, a high discount rate implies that your current dollars may be worth more than your future dollars. In general, decreasing discount rates indicate that fishermen have longer planning and investment horizons because the perceived uncertainty about future returns lessens.

In 2014, the allocation to share ratio remained consistent with the previous two years at 9% (Table 28). But in comparison to the start of the program, the allocation to share discount rate decreased from 18% in 2007 to 9% in 2014 (Table 28). This suggests that fishermen are less uncertain about the RS-IFQ program with respect to share prices. The allocation to ex-vessel price ratio decreased slightly in 2014 to 63%, but since the start of the program is has increased from 53% in 2007 to 63% in 2014 (Table 28). The long-term change in allocation to ex-vessel ratio, suggests that fishermen have been successful at maximizing profits from the commercial red snapper quota and have an increased confidence in the program.

Table 28: Price ratios

Average \$/lb ¹	2007	2008	2009	2010	2011	2012	2013	2014
Allocation	\$2.19	\$2.52	\$2.91	\$3.09	\$3.10	\$3.09	\$3.02	\$3.03
Shares	\$12.28	\$12.61	\$22.35	\$21.23	\$30.16	\$35.78	\$37.31	\$34.38
Ex-vessel	\$4.16	\$4.43	\$4.47	\$4.46	\$4.47	\$4.57	\$4.53	\$4.82
Ratios (allocation price/share or ex-vessel price)								
Shares	18%	20%	13%	15%	10%	9%	8%	9%
Ex-vessel	53%	57%	65%	69%	69%	68%	67%	63%

¹Averages are adjusted for inflation, and shares are based on the equivalent pound.

Cost Recovery and Ex-vessel Value

The Magnuson-Stevens Act requires the Secretary of Commerce to adopt regulations implementing a cost recovery program to recover the actual incremental costs of managing and enforcing the RS-IFQ program. The cost recovery fee established for the RS-IFQ program is currently 3% of the actual ex-vessel value of Gulf red snapper. RS-IFQ allocation holders who completed a landing transaction with a dealer were responsible for payment of the fee. The dealer who purchased red snapper was responsible for collecting and submitting the fee on a quarterly basis. Monies collected were used for administration of the program, maintenance and upkeep of the online system and software, enforcement of the RS-IFQ program, and scientific research.

Cost recovery fees were calculated from the reported ex-vessel value, and therefore changes in ex-vessel prices and landings will affect the amount of cost recovery fees collected (Tables 29 and 30). Total ex-vessel value increased again in 2014 to \$23 million (Table 29). Ex-vessel value in each of the first two quarters of 2014 was above \$6 million and accounted for more than 50% of the total ex-vessel value for the year, while the last two quarters contributed \$4.8 - \$4.9 million (Table 29). As the average ex-vessel price was similar throughout 2014, the main cause of the differences in ex-vessel value per quarter was red snapper landings. The first quarter for many of the years had the greatest ex-vessel value with the exception of the first year of the program (2007) and 2013, in which the last quarter had the greatest ex-vessel value. In both of these years, the ex-vessel value was driven mainly by an increase in landings rather than changes in ex-vessel price (Appendices 4 and 5).

Table 29: Reported ex-vessel values by quarter

Year	Jan – Mar	Apr – Jun	Jul- Sept	Oct –Dec	Total
2007	\$2,576,222	\$2,577,170	\$2,208,242	\$2,775,369	\$10,137,003
2008	\$3,065,980	\$1,996,123	\$1,421,440	\$1,776,917	\$8,260,461
2009	\$2,412,869	\$2,212,748	\$1,686,223	\$1,693,520	\$8,005,360
2010	\$3,108,724	\$2,652,196	\$1,557,619	\$2,957,294	\$10,275,834
2011	\$3,145,224	\$2,827,857	\$2,612,696	\$2,976,691	\$11,562,468
2012	\$3,934,030	\$3,308,138	\$3,132,546	\$3,805,450	\$14,180,164
2013	\$4,723,278	\$4,036,831	\$5,323,814	\$7,024,875	\$21,108,798
2014	\$6,818,495	\$6,437,344	\$4,967,398	\$4,801,220	\$23,024,456

Cost recovery fees are calculated directly from the reported ex-vessel value. Increases in quota, landings, and/or ex-vessel prices will affect the total cost recovery fees. Cost recovery fees increased in 2014 by \$57,470 for a total of \$690,736 (Table 30). Cost recovery fees are now more than double the amount collected at the start of the program, which has been due to both increases in ex-vessel prices and increased landings due to increased quotas.

Table 30: Cost recovery fees by quarter

Year	Jan – Mar	Apr – Jun	Jul- Sept	Oct –Dec	Total
2007	\$77,223	\$77,310	\$66,248	\$83,261	\$304,043
2008	\$91,890	\$59,884	\$42,643	\$53,308	\$247,815
2009	\$72,386	\$66,383	\$50,587	\$50,801	\$240,157
2010	\$93,262	\$79,566	\$46,729	\$88,719	\$308,277
2011	\$94,357	\$84,836	\$78,382	\$89,301	\$346,877
2012	\$118,022	\$99,245	\$93,977	\$114,164	\$425,407
2013	\$141,699	\$121,105	\$159,715	\$210,747	\$633,266
2014	\$204,555	\$193,121	\$149,022	\$144,037	\$690,736

Enforcement and Administrative Audits

Law Enforcement Activities

Law enforcement is a crucial component of the IFQ programs. Agents and officers from NOAA/NMFS Office of Law Enforcement (OLE) Southeast Division, the U.S. Coast Guard (USCG) and participating Joint Enforcement Agreement (JEA) states enforce the regulated activities mandated under the Gulf IFQ programs. State wildlife officers and game wardens routinely contribute to the enforcement of the IFQ programs under the auspices of the Cooperative Enforcement Agreement, by patrolling the waterfront, meeting vessels upon landing, and monitoring offloads. OLE Special Agents conduct random monitoring of vessels, assist state wildlife officers and game wardens with violations requiring further investigation and conduct independent investigations, primarily those involving the undocumented landing and sale of IFQ species and the trafficking of illegally harvested red snapper and grouper-tilefish entered into interstate commerce. During offshore boardings, the USCG and JEA partners with long range capabilities ensure that vessels harvesting red snapper have valid RS-IFQ accounts.

During patrol, action was taken by OLE agents to correct problems identified and educate fishermen on program requirements and regulations. In other instances, OLE agents took enforcement action by way of warnings (verbal and written), citations, and follow-up investigation by NOAA’s Special Agents. Major violations since implementation of the IFQ programs included the false reporting of species harvested and under reporting of total weights landed. Typical violations included landing prior to the three-hour minimum landing notice, landing at a unspecified or unapproved location, insufficient allocation, transporting IFQ species without an approval code, completing a landing transaction without a landing notification, and offloading after approved hours. Typical dealer violations included

misreporting IFQ species, failure to provide a current dealer permit and/or IFQ dealer endorsement, and failure to report IFQ species landed.

OLE agents working with Florida Fish and Wildlife Conservation Commission and Alabama Marine Resources Division investigators, and officers recently completed an undercover investigation leading to the criminal indictments of eight individuals involved in the illegal commercial harvest, sale, and filing of false landing reports for IFQ species in the Florida panhandle and Alabama. In 2013, JEA partners dedicated approximately 5,087 hours to the enforcement of the Gulf IFQ programs (RS-IFQ and GT-IFQ). OLE agents and officers conducted approximately 27 patrols, offload monitorings, and investigations involving IFQ program regulations, including the seizure of IFQ regulated species. The 2014 cases resulted in the issuance of verbal warnings, written warnings and violations, including three seizures totaling 739 lb of illegally harvested red snapper with a corresponding value of \$911 (Table 31). This is third lowest amount of annual pounds seized and the second lowest in value since the start of the program.

Table 31: Federal IFQ law enforcement actions

Year	Total IFQ cases	RS Cases	RS Pounds Seized	RS Seized value
2007	20	7	7,678	\$33,270
2008	17	6	1,622	\$6,525
2009	20	2	250	\$910
2010	9	4	538	\$2,170
2011	10	6	6,683	\$26,619
2012	6	5	5,855	\$27,482
2013	6	3	1,706	\$9,206
2014	4	3	739	\$911

Administrative Audits

IFQ administrative staff regularly audit landing notifications and transactions. Phone calls and/or audit letters may be sent to dealers and fishermen notifying them of outstanding transactions. If transactions are not completed or are considerably late, they are referred to OLE for further investigation. In 2014, IFQ staff resolved 76 unmatched landing notifications that accounted for 34,294 lbs of red snapper. Only one unresolved notifications needed to be forwarded to law enforcement for further action.

Synopsis

Summation

In the eighth year of the RS-IFQ program, the program has shown continued progress in achieving its main objectives of reducing overcapacity and mitigating the derby fishing conditions and auxiliary objectives such as increased market stability, fishing flexibility, and balancing social, economic, and biological benefits. As anticipated, there has been continued consolidation of shareholders. In 2014, there were 32% fewer shareholders accounts than at the start of the program. The reduction in shareholders mainly occurred in accounts holding small share percentages. Consistent with the start of the program, the majority of 2014 shareholder accounts hold only a small share amount (<0.05%). Even with consolidation, there is opportunity for new shareholders and in 2014, 12 accounts acquired shares

for the first time. In contrast to the shareholders, the number of allocation holders, vessels, and dealers increased in 2014. There were 607 allocation holder accounts, with 66% of these accounts also holding shares. These accounts were associated with 401 vessels, with most vessels primarily landing in Florida. There were 96 dealers, the greatest to date, although the majority were small dealers that purchased less than 1% of the red snapper allocation landed.

As participants adjust to the program, there have been changes in how participants behave and interact with other participants, including changes in the percentages of shareholders without reef fish permits, the percentage of accounts with shares, and account activity (number accounts inactive, landing or trading allocation). Of the 378 accounts with shares, 32% of those accounts did not have an associated Gulf reef fish permit. The percentage of accounts with shares but without reef fish permits has been increasing steadily each year. In 2014, while the number of accounts with shares but without reef fish permits decreased by six accounts, the percentage of these accounts increased by 0.5%. This trend will be monitored in the following years to see if the percentage of accounts continues to increase. The amount of shares held by accounts without reef fish permits increased to 28%, a 4% increase since the previous year. The number of accounts that held allocation but did not hold shares increased by 4% to 34% of all allocation holder accounts. This is a continuation of the trend seen since the start of the program, as more participants obtain their allocation through transfers rather than through holding shares. The number of inactive accounts decreased in 2014 to just 74 accounts or 12% of all accounts with allocation. The number of accounts landing red snapper increased to 61% of all accounts with allocation, the greatest to date. Of the accounts that were landing allocation, 61% of those accounts also had shares. This was similar to the previous year but a 30% decrease since the start of the program. The percentage of accounts that are only transferring allocation (no landings) decreased slightly since the previous year to 27% of the accounts with allocation. These accounts are split into accounts with and without shares and with and without permits. Accounts with shares comprise the majority of these accounts and transferred the majority of allocation (around 3 mp). Caution must be taken when interpreting the above percentages as the accounts not harvesting red snapper may be related to the accounts that were harvesting red snapper or held shares. At this time, determining relationships between accounts was not possible, although industry representatives have mentioned that they may keep their shares (and the allocation received from those shares) separate from their accounts that harvest fish.

The number of share and allocation transfers increased in 2014 with 91 share transfers totaling 5.5% of the total shares and 2,861 allocation transfers totaling 5.5 mp. Allocation transfers once again were in excess of the quota distributed that year, indicating that allocation was being transferred multiple times. The average amount of allocation transferred decreased slightly from the previous years while the median amount transferred remained similar to previous years at 500 lb.

There was very little change in effort from 2013 to 2014, with slight decreases in trips, days away, average days per trip, and average pounds per trip. Compared to pre-IFQ years, fishing effort was considerably different. The behavior of fishermen has changed since the start of the RS-IFQ program, which may be influenced both directly and indirectly by the RS-IFQ program. Some factors may include: effects from the GT-IFQ program, red snapper quota increases, changes in quota or regulations

for other Gulf reef species, market demand, and changes in targeting behavior. Not all RS-IFQ accounts that land red snapper fish in the same manner, as some may target red snapper as their primary catch, while others use red snapper allocation to supplement other catch, and still others may use their allocation for incidental bycatch of red snapper. The majority of the vessels land around 500 lb/trip, indicating that many participants are not directly targeting red snapper but instead using their allocation for supplement catch or incidental catch. Vessels using longlines typically have longer days per trip than vertical line vessels and this has increased within the last three years. The average pounds per trip for longline vessels increased slightly in 2014, but was still below pre-IFQ values. Vessels using vertical line gear had no change in the days per trip, and in fact, since the IFQ program started have remained consistent around four days per trip. The average pounds per trip for vertical line vessels decreased slightly in 2014 but remained greater than pre-IFQ averages. Differences were also apparent by region, with the Florida peninsula having the greatest days per trip, followed by the Western Gulf and then the Florida panhandle to Mississippi. The Western Gulf region had the greatest average pounds per trip while the remaining regions had much lower values. Discard ratios decreased slightly for vessels using longlines, but are still high with 1.19 fish discarded for each fish landed. In comparison, vessels using vertical line gear discard 0.10 fish per each fish landed. These discards are more likely due to insufficient allocation, rather than the minimum size limit, particularly as the red snapper stock has expanded along the Florida peninsula. Future options should look into ways to minimize the discard of red snapper in areas or with gear types that have higher discards.

Similar to other years, most of the red snapper allocation was landed. In 2014, the greatest total amount of the red snapper quota was landed (99.2%) for a total of 5.016 mp. Landings were greater in the first two quarters of the year with 1.5 mp in the first quarter and 1.4 mp in the second quarter. This coincides with the Lenten time period when amount of fish harvested typically increases. The majority of landings in 2014 were in Texas (2.1 mp; 42%), followed closely by Florida (1.9 mp; 30%). The majority of remaining allocation in accounts at the end of the year were held in accounts that were inactive (did not land or transfer allocation during the year). Despite this, the number of inactive accounts decreased as well as the pounds within those accounts.

When accurate, price information (share, allocation, and ex-vessel price) can indicate how successful an IFQ program has been. Price reporting continually improved for all type of price data since the program's implementation, although further improvements are still needed for share and allocation prices. Price reporting decreased for share transfers in 2014 to 49% of all transactions. While price reporting increased in allocation transfers, the number of transfers reporting accurate prices is still lower than desired at 48%. The inclusion of transfer reasons for share and allocation transactions helped to explain some of the low prices, as 47% of the share transfers and 68% of the allocation transfers were not a straightforward sale to another shareholder. Share prices decreased slightly in 2014 to \$34/lb while allocation prices remained similar at \$3/lb. Although the share price decreased by only \$3/lb, share prices should be monitored closely in the future for any further changes. Ex-vessel prices increased slightly in 2014 to \$4.82/lb, the greatest to date in the program.

Looking Ahead

The March 2015 Gulf Council webinar established a framework amendment to adjust the red snapper quotas for the next three years (2015-2017) to be consistent with the red snapper rebuilding plan. The total red snapper quota was set equal to the acceptable biological catch (ABC) for each year. As the ABC is projected to decrease over the following three years, so will the commercial quota. The commercial quota was to be set at 6.567 mp gw in 2015, 6.414 mp gw in 2016, and 6.315 mp gw in 2017. However, in August 2015, the Gulf Council evaluated and adjusted the allocation of red snapper between the commercial and recreational sectors to ensure the allowable catch and recovery benefits were fairly and equitably allocated between the commercial and recreational sectors (Amendment 28, Red Snapper Allocation). Amendment 28, if approved, will result in an increase in red snapper allocation to the recreational sector and a decrease in the commercial sector's allocation. The allocation would change from 51% commercial:49% recreational to 48.5% commercial:51.5% recreational allocation. This is expected to further decrease the commercial quotas to 6.097 mp gw in 2016, and 6.004 mp gw in 2017. In September 2015, the Gulf Council finalized a framework amendment to retain a portion of the red snapper commercial quota from distribution at the start of 2016, as Amendment 28 may not be finalized before the annual IFQ distribution of allocation. This framework action allows for withholding 4.9% of the 2016 red snapper commercial quota, which is the amount proposed to be moved to the recreational sector. If Amendment 28 is disapproved by the Secretary of Commerce, the 4.9% of the commercial quota that was withheld will be distributed to the IFQ shareholders.

Amendment 36 to the Reef Fish FMP, Modifications to the Red Snapper IFQ program, aims to improve the performance of the red snapper IFQ program based on suggestions from the 5-year review, an advisory panel, and Gulf Council discussions. The topics being considered relate to program eligibility, inactive accounts, regulatory discards, share and allocation caps, use requirements, procedures for mid-year quota reductions, and landings enforcement. Amendment 36 is in the early stages of development; the scoping phase, where the Gulf Council tries to identify potential impacts and reasonable alternatives and provides the public an opportunity to make suggestions or raise issues and concerns has been completed.

The SERO Catch Share staff are continuously looking for ways to improve the interaction with the online website. If you have a suggestion on how the online system can be further improved, please call or e-mail SERO Catch Share customer support as listed on the cover page.

Appendices

Appendix 1. History of the red snapper individual fishing quota (IFQ) program

An IFQ program for red snapper was first proposed in Amendment 8 to the Fishery Management Plan (FMP) for Reef Fish Resources of the Gulf of Mexico (Reef Fish FMP) and approved by the National Marine Fisheries Service (NMFS) in 1995. The program was not implemented due to Congressional action that placed a moratorium on the development and implementation of new Individual Transferable Quota programs until October 1, 2000. Despite this moratorium, red snapper commercial fishermen and the Gulf of Mexico Fishery Management Council (Gulf Council) remained interested in developing an IFQ program, and in 2004 initiated the development of the current Red Snapper IFQ (RS-IFQ) program (Figure A1). A majority of eligible voters (based on a weighted majority of votes of red snapper Class 1 license holders) supported, through referendum, development of the RS-IFQ program. Persons eligible to vote in the 2004 referendum included red snapper Class 1 license holders and vessel captains harvesting red snapper during 1993-1996. License holders were defined as the entity that actually controlled the transfer of the license, and such person would be listed as the qualifier on the commercial reef fish permit. NMFS issued 157 referendum ballots, 145 of which were filed with the agency. The weighted vote resulted in 72% of respondents (representing 81% of the weighted votes) supporting the Gulf Council's development of an IFQ program. During 2004 and 2005, the Gulf Council, in collaboration with their Ad Hoc Red Snapper Advisory Panel, developed Amendment 26 to the Reef Fish FMP. This amendment outlined the key components of the RS-IFQ program. In 2006, a second referendum determined that a majority of eligible voters supported the submission of Amendment 26 to the Secretary of Commerce for approval. On January 17, 2006, NMFS issued 167 referendum ballots, 140 of which were filed with the agency; the weighted vote demonstrated 76% of respondents (representing 87% of the weighted vote) favored implementation of an IFQ program. The amendment was approved by the Gulf Council in March 2006 and implemented by the Secretary of Commerce on January 1, 2007.

Initial shares were issued to Gulf of Mexico commercial reef fish permit holders with valid Class 1 or Class 2 red snapper licenses on November 22, 2006, based on the amount of red snapper landings reported under each entity's qualifying license during the qualifying time period. For Class 1 license holders, RS-IFQ shares were based on the best ten consecutive years from 1990-2004. For Class 1 historical captain license holders, RS-IFQ shares were based on seven years of landings from 1998-2004. For Class 2 license holders, RS-IFQ shares were based on the best five years of landings from 1998-2004. Initial share distribution was based on landings history; therefore, Class 1 license holders received a majority of the RS-IFQ shares (91%) and corresponding allocation. Class 2 license holders and fishermen along the west Florida shelf received smaller amounts of shares and corresponding allocation, as red snapper were less plentiful there during the qualifying years of the RS-IFQ program.

In 2010, there were significant changes made to the RS-IFQ database and online system (Figure A1) to align it with the new GT-IFQ program and enhance law enforcement. In 2010, the structure switched from a fisherman-assignee based system to a fisherman-vessel based system. In the old system, a unique entity could have multiple accounts (one for each vessel owned), but the new system switched to one

account per unique entity and allowed multiple vessels per shareholder account. Additional changes to the program included submission of share transfers electronically, estimation of gutted fish weights for landing notifications, requiring pre-approval of landing locations, and the elimination of vessel endorsements.

On June 1, 2011 (Figure A1), actual ex-vessel price was redefined to ensure equivalent reporting among dealers. The definition now states that “actual ex-vessel price” represents the price paid per pound of fish before any deductions are made for transferred (leased) allocation (i.e., pounds of fish) and goods and/or services (e.g., bait, ice, fuel, repairs, machinery replacement).

On January 1, 2012, the RS-IFQ program opened to the general public. Prior to January 1, 2012, accounts could only be established in the RS-IFQ program if the account holder also held a Gulf commercial reef fish permit. After January 1, 2012, any U.S. citizen or permanent resident alien could establish a RS-IFQ account. Accounts without commercial Gulf reef fish permits, can transfer shares and allocation, but cannot harvest red snapper.

In 2012-2013, a five-year review of the RS-IFQ program was conducted to evaluate the progress - towards achieving the stated goals of reducing overcapacity and eliminating the problems associated with derby fishing. To analyze the program’s progress data were obtained from a variety of sources: RS-IFQ database; Southeast Fisheries Science Center’s coastal logbooks accumulated landings system, and reef fish observer program; the National Institute of Occupational Safety and Health; and surveys of the RS-IFQ participants. In general, the review found that the program has been moderately to highly successful in achieving its stated goals, although there is still room for further achievement, particularly with respect to overcapacity, discard mortality, price reporting, and social and community analyses. In 2013, transfer reasons were added to both share and allocation transfers in order to capture more information about the types of transfer that occur and the reasons for the transfers, especially as how they related to price.

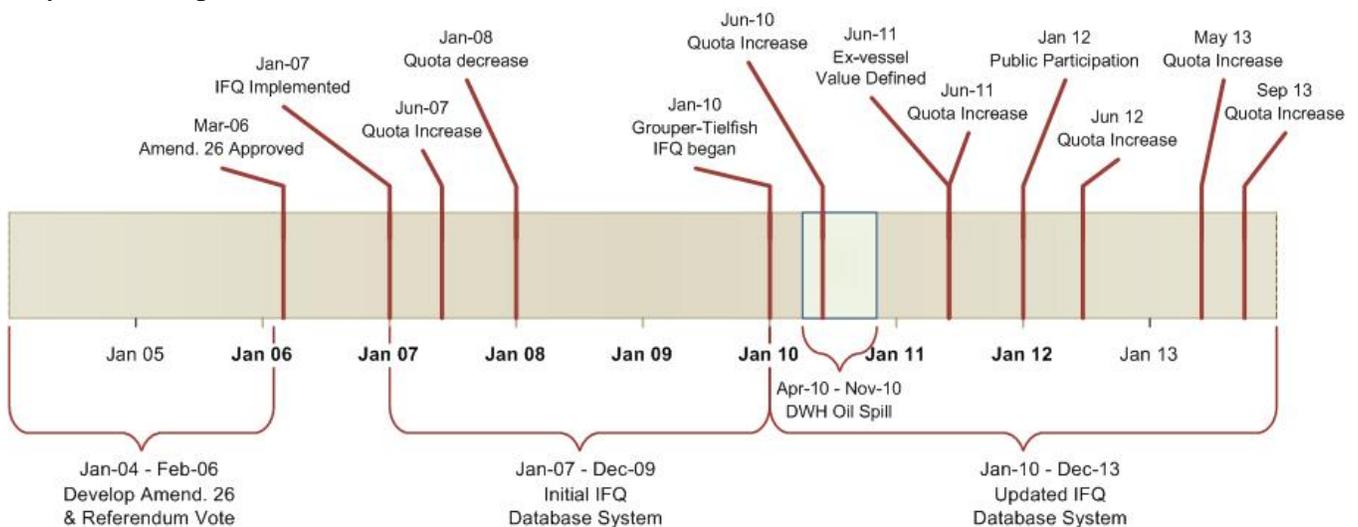


Figure A1: Red Snapper IFQ Timeline

Appendix 2: Red snapper management history

Year	Days open	Quota (mp gw)	Harvest (mp gw)	Size Limit	Commercial Management Action
1990	365	2.79	2.39	13	
1991	236	1.84	1.99	13	
1992	95	1.84	2.80	13	<ul style="list-style-type: none"> Emergency rule: Apr 3- May 14 1,000 lb trip limit Moratorium on new commercial reef fish permits 200 lb trip limit or 2,000 lb trip limit with endorsement Closed fishery Dec 1
1993	94	2.76	3.04	13	<ul style="list-style-type: none"> Opened Feb 10 One trip limit per day Extended endorsements
1994	77	2.76	2.90	14	<ul style="list-style-type: none"> Raised minimum size over next 5 years Extended commercial reef fish permit moratorium
1995	52	2.76	2.64	15	<ul style="list-style-type: none"> Opened Feb 28
1996	87	4.19	3.89	15	<ul style="list-style-type: none"> Split quota into spring and fall seasons Extended endorsement
1997	73	4.19	4.33	15	<ul style="list-style-type: none"> Fall season started Sept 2 for 1st 15 days/month till quota met
1998	72	4.19	4.22	15	<ul style="list-style-type: none"> Established Class 1 and Class 2 licenses Allocated 2/3 quota to spring, starts Feb 1 Fall season started Sept 1, 1st 10 days /month
1999	70	4.19	4.39	15	<ul style="list-style-type: none"> Spring season reduced from 15 to 10 days/month
2000	66	4.19	4.36	15	<ul style="list-style-type: none"> Extended permit moratorium for 5 more years
2001	79	4.19	4.17	15	
2002	91	4.19	4.31	15	
2003	94	4.19	3.97	15	
2004	105	4.19	4.19	15	
2005	131	4.19	3.69	15	<ul style="list-style-type: none"> Extended commercial reef fish permit moratorium indefinitely
2006	126	4.19	4.19	15	
2007	365	2.99	2.87	13	<ul style="list-style-type: none"> Implemented commercial red snapper IFQ program Reduced quota from 2006 level Mid-year quota increase Reduced size limit on May 2, 2007 to 13" TL
2008	366	2.30	2.24	13	
2009	365	2.30	2.24	13	
2010	365	3.19	3.06	13	<ul style="list-style-type: none"> Mid-year quota increase in June; Area closures due to Deepwater Horizon oil spill event
2011	365	3.30	3.24	13	<ul style="list-style-type: none"> Mid-year quota increase in May
2012	366	3.71	3.64	13	<ul style="list-style-type: none"> Mid-year quota increase in June
2013	365	5.05	4.91	13	<ul style="list-style-type: none"> Mid-year quota increases in May and September
2014	365	5.05	5.02	13	

All weights are in million pounds gutted weight; all lengths are in inches total length; all days are calendar days. Shading indicates IFQ years. Data collected from Gulf of Mexico Fishery Management Plans and Amendments, stock assessments, and IFQ program. Landings through 2006 were from the SEFSC ACL dataset accessed 7/3/2012; landings 2007 onward were from the IFQ system.

Appendix 3: Price Analysis Rationale

Price information is a crucial portion of the economic evaluation of the program, and yet the program continues to have price reporting challenges with respect to share transfers, allocation transfers, and ex-vessel prices. Share prices were not required from 2007-2009, but since mid-year 2010, a minimum transfer price of \$0.01 has been required for all share transfers. Despite requiring participants to enter a total price for share transfers, many share transactions had the default total value of \$0.01. Allocation transfer prices are currently not required by the online system (e.g., a zero value may be entered). Ex-vessel prices have varied considerably since the start of the RS-IFQ program, with values ranging widely. Extremely low prices have been attributed to dealers reporting ex-vessel prices after deducting for transferred or leased allocation, goods (e.g., bait, ice, fuel), and/or services (e.g., repairs, machinery replacement). The definition of actual ex-vessel price was changed through regulations in June 2011 and prohibits the cost of allocation transfers, goods, and /or services from being deducted from ex-vessel prices. Despite the new regulation in 2011, ex-vessel prices in many instances continue to be under-reported in the RS-IFQ online system.

An expected range of reasonable prices was calculated for each price variable but investigating the frequency of each price within a given year(s). Any price value outside the given range was excluded from analysis. Share prices were analyzed over multiple years, as any one given year had small number of prices with transactions. Allocation and ex-vessel prices were analyzed on a yearly basis. Both allocation and ex-vessel prices had bi-modal distributions that clearly displayed a subset of transactions with low price information. The minimum value was set as the valley between the bi-modal distributions. Share price ranges were set between \$9-\$36/lb for the first five years and greater than \$50/lb since 2012. For ex-vessel prices, the online system set a cap of \$10/lb for the first seven years, but increased the cap to \$15/lb in 2015. All minimum and maximum values can be seen in the table below. The above method for limiting price ranges was demonstrated to and endorsed by the Socioeconomic Scientific and Statistical Committee of the Gulf Council in 2013.

Year	Share		Allocation		Ex-vessel	
	Min	Max	Min	Max	Min	Max
2007	\$9	\$36	\$1.20	\$5.00	\$2.60	\$10
2008	\$9	\$36	\$1.20	\$5.00	\$2.60	\$10
2009	\$9	\$36	\$1.20	\$5.00	\$2.60	\$10
2010	\$9	\$36	\$1.80	\$5.00	\$2.60	\$10
2011	\$9	\$36	\$1.80	\$5.00	\$2.60	\$10
2012	\$9	\$50	\$1.80	\$5.00	\$2.60	\$10
2013	\$9	\$50	\$1.80	\$5.00	\$2.60	\$10
2014	\$9	\$50	\$1.80	\$5.00	\$3.40	\$10

Appendix 4: Monthly Ex-vessel Price

The table below contains the average monthly ex-vessel price per pound for each year of the RS-IFQ program, after adjusting for inflation based on based on the Gross Domestic Product (GDP) deflator (<http://www.bea.gov/national/index.htm#gdp>).

Month	2007	2008	2009	2010	2011	2012	2013	2014
January	\$4.12	\$4.30	\$4.41	\$4.49	\$4.20	\$4.41	\$4.73	\$4.74
February	\$4.06	\$4.33	\$4.37	\$4.48	\$4.49	\$4.37	\$4.62	\$4.77
March	\$4.09	\$4.39	\$4.44	\$4.55	\$4.35	\$4.49	\$4.66	\$4.83
April	\$4.21	\$4.52	\$4.40	\$4.66	\$4.37	\$4.55	\$4.77	\$4.82
May	\$4.22	\$4.52	\$4.34	\$4.56	\$4.45	\$4.62	\$4.82	\$4.82
June	\$4.21	\$4.55	\$4.49	\$4.37	\$4.35	\$4.66	\$4.81	\$4.85
July	\$4.14	\$4.51	\$4.45	\$4.55	\$4.57	\$4.70	\$4.90	\$4.83
August	\$4.25	\$4.59	\$4.47	\$4.61	\$4.64	\$4.75	\$4.91	\$4.80
September	\$4.19	\$4.55	\$4.62	\$4.61	\$4.52	\$4.69	\$4.89	\$4.82
October	\$4.26	\$4.53	\$4.56	\$4.54	\$4.55	\$4.68	\$4.52	\$4.84
November	\$4.26	\$4.42	\$4.62	\$4.55	\$4.67	\$4.58	\$3.88	\$4.93
December	\$4.06	\$4.29	\$4.59	\$4.02	\$4.48	\$4.52	\$3.81	\$4.85

Appendix 5: Glossary

10% Overage – A provision in the IFQ program that allows IFQ accounts that hold shares to land 10% over their remaining allocation on the last fishing trip of the year. Any overage will be deducted from the shareholder's allocation for the next fishing year and the shareholder is restricted from selling shares that would prohibit this take back action.

Active Account – An account in which the allocation holder has landed, bought, and/or sold allocation within that year. Accounts activity status changes yearly based on the actions taken by the account.

Allocation – Allocation is the actual poundage of red snapper by which an account 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 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. Dealer accounts may not possess allocation.

Allocation Transfer – A transfer of allocation (pounds) from one shareholder account to another shareholder account. Before January 1, 2012, allocation could be transferred only to an entity that held a valid Gulf commercial reef fish permit.

Entity – An individual, business, or association participating in the IFQ program. Each IFQ account is owned by a unique entity.

Ex-vessel price – The price paid to the vessel by a dealer per pound of fish before any deductions are made for transferred (leased) allocation and goods and/or services (e.g., bait, ice, fuel, repairs, machinery replacement, etc.).

Ex-vessel value - A measure of the dollar value of commercial landings, usually calculated as the price per pound at first purchase of the commercial landings multiplied by the total pounds landed

Gulf of Mexico Commercial Reef Fish Permit Holder – An entity that possesses a valid Gulf commercial 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 Dealer Endorsement – The IFQ dealer endorsement is a document that a dealer must possess in order to receive Gulf of Mexico red snapper. The dealer endorsement can be downloaded free of charge from the IFQ dealer's online account.

Inactive Account – An account in which the allocation holder has neither landed, bought, nor sold allocation within that year, including those who never logged into their account. Accounts activity status changes yearly based on the actions taken by the account.

Initial Account - An account that was never logged into by the account's owner(s).

Landing Notification - A required 3-12 hour advanced landing notification stating the vessel identification, approved landing location, dealer's business name, time of arrival, and estimated pounds to be landed in each IFQ share category. Landing notifications can be submitted using either a vessel's VMS unit, through an IFQ entity's on-line account, or through the IFQ call service. The landing notification is intended to provide law enforcement officers the opportunity to be present at the point of landing so they can monitor and enforce IFQ requirements dockside. For the purpose of these regulations, the term landing means to arrive at the dock, berth, beach, seawall, or ramp.

Landing Transaction – The dealer completes a landing transaction by entering the date, time, and location of transaction; weight and actual ex-vessel price of red snapper fish landed and sold; and information necessary to identify the fisherman, vessel, and dealer involved in the transaction into the IFQ online system. The fisherman landing IFQ species must validate the dealer transaction report by entering his vessel's unique personal identification number when the transaction report is submitted. After the dealer submits the report and the information has been verified, the website will send a transaction approval code to the dealer and the allocation holder.

Median - The middle value in a statistical distribution, above and below which lie an equal number of values.

Participant - An individual or corporation that is part of an IFQ entity. For example, John Smith the participant may belong to multiple entities such as John Smith, John and Jane Smith, and ABC Company. Share and allocation caps are tracked at the IFQ participant level and not the IFQ entity level.

Pound Equivalent – The share percentage that would equal one pound for that particular time period. The exact share percentage that is equivalent to one pound depends on the total commercial quota and will change as the quota changes from year to year or within a year from any quota increases.

Public Participant – Accounts that do not have an associated Gulf commercial reef fish permit. Public participants may own and transfer shares and allocation, but can not harvest red snapper.

Share – A share is the percentage of the commercial quota assigned to a shareholder account that results in allocation (pounds) equivalent to the share percentage of the quota. With limited exceptions, your percent share of the quota does not change unless you buy or sell your shares. Dealer accounts may not possess shares.

Share Cap – The maximum share allowed to be held by a person, business, or other entity. The share cap prevents one or more IFQ shareholders from purchasing an excessive amount of IFQ shares and monopolizing the red snapper commercial sector.

Share Transfer – A transfer of shares from one shareholder account to another account. A shareholder must initiate the share transfer and the receiver must accept the transfer by using the online IFQ system. Before January 1, 2012, shares could be transferred only to an entity that held a valid Gulf commercial reef fish permit.

Shareholder – An account that holds a percentage of the commercial red snapper quota.

Shareholder Account – A type of IFQ account that may hold shares and/or allocation. This includes accounts that only hold allocation.