

*Gulf of Mexico
2011 Red Snapper
Individual Fishing Quota
Annual Report*



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A Message from the Assistant Regional Administrator

The 2011 Red Snapper Annual Report reflects the completion of the fifth Individual Fishing Quota (IFQ) season in the Gulf of Mexico. This year's report builds upon the information summarized in the past annual reports and is intended to provide fishermen, managers, and other constituents data and information for assessing and evaluating program performance. This report is not intended to be a full comprehensive assessment of the Red Snapper IFQ, but does provide an overview of data and information collected primarily through the IFQ online data collection system.

The 2011 fishing year saw the third increase in the commercial quota since implementation of the revised red snapper rebuilding plan in 2007 and the highest percentage of quota landed (98.1%) since the start of program. The red snapper quota has increased 1,003,604 lb gutted since January 2007, a 43% increase. The Gulf of Mexico Fishery Management Council increased the quotas due to a 2009 stock assessment that indicated overfishing for red snapper was projected to end. Overall, the number of shareholders has decreased 25% since the start of the program. The number of accounts holding allocation decreased through 2009, increased in 2010 due to the implementation of the Grouper-Tilefish IFQ program, but then decreased again in 2011. Landings were reported year round since 2007, and in 2011, landings of 190,000 lb gutted weight or more were reported each month, evidence of a strong year-round fishing market.

Share transfer prices have continued to increase each year, with median prices of a pound equivalent nearly 3 times greater than at the start of the program (2007 = \$8.73/lb vs. 2011 = \$25.00/lb). In contrast, median allocation prices are only 1.5 times greater than at the start of the program (2007 = \$2.00 vs. 2011 = \$3.00). Median ex-vessel prices adjusted for inflation have not changed considerably since the start of the program, but have fluctuated year to year. Median ex-vessel prices consistently remain around \$3.50 ± \$0.20. Ex-vessel prices were lowest in winter and in Louisiana, but highest in fall months and in Florida.

Reef fish observer data indicates discard rates in the northern (Florida Panhandle-Mississippi) and western Gulf of Mexico (Louisiana-Texas) are fewer than discard rates observed immediately prior to implementation of the IFQ program and implementation of the 13 inch minimum size limit. Discard rates in the eastern Gulf of Mexico were comparable or slightly greater than pre-IFQ levels. Most red snapper caught on longlines were legal-sized and were released alive.

Currently a comprehensive 5-year review of the program is underway. The review is intended to evaluate program performance relative to the program's primary objectives and will include a shareholder survey, advisory panel meetings, and scientific reports prepared by National Marine Fisheries Service. Results of the review will be used to evaluate and modify the program to ensure program goals are met. A new red snapper stock assessment (SEDAR 31) will also begin in August 2012. I encourage each of you to follow the IFQ program review and stock assessment closely and provide needed input on ways the program and stock assessment can be improved.

Sincerely,



Phil Steele
Assistant Regional Administrator for Sustainable Fisheries

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Red Snapper IFQ Program

History and Objectives

Development of the Red Snapper Individual Fishing Quota (RS-IFQ) program (Figure 1) began in early 2004 after a majority of eligible voters (based on a weighted majority vote of red snapper Class 1 license holders) supported, through referendum, development of the RS-IFQ program. During 2004 and 2005, the Gulf of Mexico Fishery Management Council (GMFMC), in collaboration with the Red Snapper Advisory Panel, developed Amendment 26¹ to the Fishery Management Plan for Reef Fish sources of the Gulf of Mexico (GOM). 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. The amendment was approved by the GMFMC in March 2006 and implemented by the Secretary of National Marine Fisheries Service (NMFS) on January 1, 2007².



Prior to implementation of the RS-IFQ program the commercial red snapper sector was overcapitalized, resulting in derby-style fishing conditions as fishermen raced to catch a share of the quota. Limited access fishing permits, trip limits, closed seasons, and quotas were the primary management tools used to constrain commercial harvest and effort prior to the IFQ program (Appendix 1). However, these management tools resulted in short fishing seasons, quota overages, unsafe fishing conditions, market gluts affecting ex-vessel prices, and high bycatch and discard mortality rates. The RS-IFQ program was implemented to address these and other problems, including chronic overfishing.

Primary objectives of the program 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 balance 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 GMFMC in preventing overfishing and rebuilding the GOM red snapper population through the stewardship aspects of the RS-IFQ program.

Initial shares were issued to GOM 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 a specific time period. For Class 1 license holders, RS-IFQ shares were based

¹ http://sero.nmfs.noaa.gov/sf/pdfs/Amend_26_031606_FINAL.pdf

² http://sero.nmfs.noaa.gov/sf/pdfs/Amend_26_Final_Rule.pdf

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.

In 2010 there were significant changes made to the RS-IFQ database and online system (Figure 1) which were implemented to align the RS-IFQ program with the Grouper-Tilefish IFQ (GT-IFQ) program and to 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 set of entities could have multiple accounts (one for each vessel owned), but the new system switched to one account per unique set of entities and allowed multiple vessels per shareholder account. Additional changes to the program included submission of share transfer electronically, estimation of gutted fish weights for landing notifications, requiring preapproval of landing locations, and the elimination of vessel endorsements.

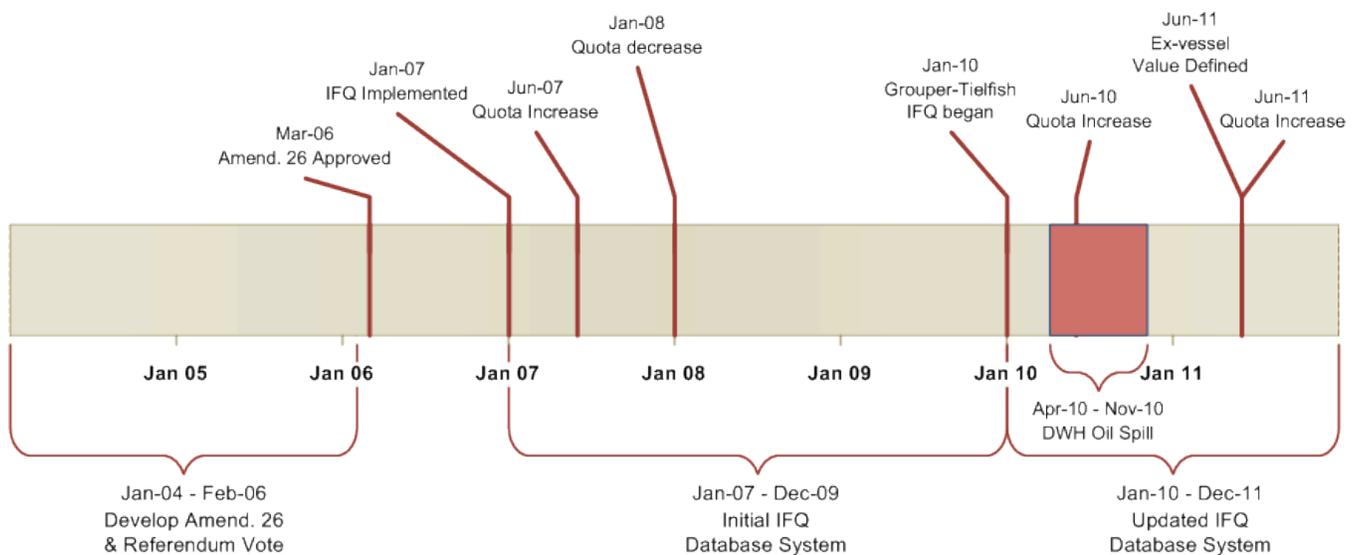


Figure 1: Red Snapper IFQ Timeline

Under the initial RS-IFQ database system, NMFS created 621 RS-IFQ shareholder accounts that consisted of 546 individuals or corporations who qualified for initial shares. Initial quota shares issued to a single entity ranged from a maximum of 6.0203% to a minimum of 0.0001%. Of the 546 individuals, 79 individuals were issued initial shares that no longer held a current GOM reef fish permit in 2007. Based on the current method used to determine a RS-IFQ account, the number of unique RS-IFQ accounts at the start of the program in 2007 is now calculated as 554.

On June 1, 2011, 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 and goods and/or services (e.g. bait, ice, fuel, repairs, machinery replacement). Because the 2011 fisherman-vessel system tracks IFQ accounts in a different manner than the prior fisherman-assignee system, the 2007 through 2009 data were re-analyzed

in this report so that results between the two systems are comparable. These numbers are reflected in all the tables and figures in this report and may differ from numbers presented in previous reports.

Program Overview and Regulations

Program Overview

The RS-IFQ program is a single-species, one share category program where participants obtain a RS-IFQ account and all transactions (share and allocation transfers, landings, and cost recovery fees) are completed online. For the first five years of the program (2007-2011), anyone who possessed a valid GOM commercial reef fish dealer permit or GOM 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 an RS-IFQ account to purchase red snapper shares and allocation. Only accounts with allocation and a valid GOM reef fish permit are allowed to harvest red snapper.

There are three main account roles in the RS-IFQ system: dealer, shareholder, and vessel accounts. All accounts are assigned based on the unique entity (single or combination of individuals and/or corporations) that held either a GOM dealer or GOM reef fish permit. Prior to January 1, 2012, shareholder accounts with current valid GOM reef fish permits were able to purchase or sell both red snapper shares and allocation, and sell red snapper to an approved dealer. Shareholder accounts that did not have a valid GOM reef fish permit could only sell shares and allocation to other IFQ shareholders. Shareholder accounts can be further classified as those that hold shares and allocation, and those that only hold allocation. Vessel accounts belong to shareholder accounts and are used to debit landings at the time of dealer transactions. Shareholders must maintain sufficient allocation in vessel accounts to land red snapper. Shareholder accounts may have multiple vessel accounts. For a list of all current shareholders in the RS-IFQ program, go to: <http://sero.nmfs.noaa.gov/foia/HTML/IFQShareholders.htm>. Dealer accounts are assigned to a unique entity that has a valid reef fish GOM dealer permit, and are limited to completing landing transactions and paying cost recovery.

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. At the beginning of each year, allocation is distributed based on the annual quota and the share percentage held by a RS-IFQ account. Allocation can then be used to harvest red snapper or transferred to another valid shareholder account. Adjustments in quota can occur if the status of a stock changes as a result of new assessments or through the reallocation of quota between fishing sectors. Adjustments in a quota will then be distributed proportionately among shareholder accounts based on the percentage of shares each account holds at the time of the adjustment. If an IFQ shareholder's GOM 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. This overage is then deducted from the shareholder's allocation for the next 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 fewer than the amount needed to repay the overage in the following year.

Program Regulations

The Magnuson-Stevens Fishery Conservation and Management (MSFCM) Act requires fishery managers to ensure that no one catch share participant 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. The RS-IFQ program share cap is 6.0203%. The share cap is based on the maximum RS-IFQ share *issued* to a person, corporation, or other entity at the time of initial apportionment. There is no allocation cap for red snapper. Prior to 2012, share and allocation transfers were restricted to other RS-IFQ accounts that held a valid commercial GOM reef fish permit. After 2012, share and allocation transfers are restricted to RS-IFQ accounts, with or without a GOM reef fish permit. There are no fees associated with any share or allocation transfer.

When harvesting red snapper, vessels are required to have a GOM reef fish permit, and to hail out before leaving port. While at-sea, vessels are monitored using vessel monitoring systems. 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. Landing may occur at any time, but fish may not be offloaded between 6 p.m. and 6 a.m. A landing transactions 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 identity of shareholder account, vessel, and dealer. For current total red snapper landings go to: <https://ifq.sero.nmfs.noaa.gov/>. All landings data are updated in a real-time basis as the landing transaction is processed.

NMFS analyzes the total value of the red snapper commercial sector through the collection of 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 (e.g., 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 fisherman at the time of each sales transaction and submitting fees to NMFS on a quarterly basis.

Complete regulations governing the red snapper IFQ program can be found at 50 CFR 622.16 (<http://www.gpo.gov/fdsys/pkg/CFR-2011-title50-vol10/pdf/CFR-2011-title50-vol10-chapVI.pdf>). The RS-IFQ program is managed with the Individual Fishing Quota (IFQ) online System for the southeast region's online accounting system, which can be accessed at: <https://ifq.sero.nmfs.noaa.gov/>. RS-IFQ

fishermen and dealers can log-in to their online accounts through the above website. Important information regarding the RS-IFQ program is available for download on the website and provides updated information regarding the program's components and regulations.

2011 Red Snapper IFQ Fishing Season

Commercial Quota

The commercial RS-IFQ quota has increased in recent years (Table 1). The RS-IFQ commercial quota began at 2,297,297 lb gutted weight (2,550,000 lb whole weight) in 2007 and increased to 2,986,486 lb gutted weight mid-year (Appendix 1). In 2008, the stock was still experiencing overfishing and NMFS decreased the quota to 2,297,297 lb gutted weight. The quota remained level in 2009, but red snapper stock projections permitted mid-year increases in both 2010 and 2011. At the end of 2011, the red snapper quota was 3,300,901 lb gutted weight. Although this is still below pre-RS-IFQ quota levels, additional quota increases are likely to occur as the red snapper stock continues to improve. The RS-IFQ program tracks landings in pounds of gutted weight; therefore, throughout this report landings are expressed in terms of pounds of gutted weight. Gutted pounds can be converted to whole pounds by multiplying by 1.11.

Table 1: IFQ Commercial Quota in Gutted Weight

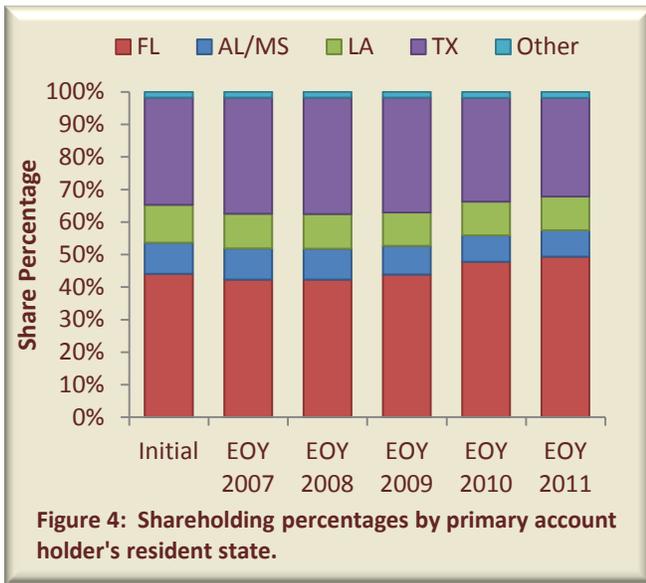
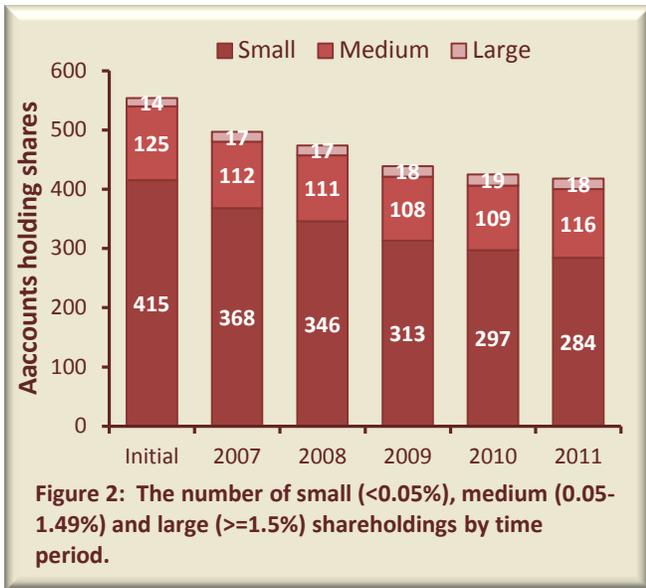
Year	Jan 1	Quota Increase	Increase Date	Dec 31
2007	2,297,297	689,189	June 1	2,986,486
2008	2,297,297	N/A	N/A	2,297,297
2009	2,297,297	N/A	N/A	2,297,297
2010	2,297,297	893,694	June 2	3,190,991
2011	3,190,991	109,910	June 1	3,300,901

IFQ Shares

There are currently 418 accounts that hold shares, which is a 25% decrease in the number of accounts holding shares since the start of the program five years ago (Appendix 2). As the number of accounts holding shares decreased, so did the number of accounts holding a small share percentage (<0.05%) (Figure 2). Even with a decrease in the number of accounts holding a small share percentage, these accounts still comprise the vast majority of the RS-IFQ accounts. Currently, there are only 18 accounts holding a large amount of shares ($\geq 1.5\%$).

Each year some accounts sell all their shares, although this number has decreased over time (Figure 3, Appendix 3). The lowest number of accounts selling all of their shares occurred in 2011 (Figure 3, Appendix 3). In contrast, the number of accounts acquiring shares for the first time (new shareholders) has increased over time (Figure 3, Appendix 3). In both 2010 and 2011, the numbers of new shareholders was double to triple that of previous years. This may be in part due to the implementation of the GT-IFQ program in 2010. Many fishermen participate in both the RS-IFQ and GT-IFQ programs and ex-

changes in shares or allocation between programs is likely, although individual share transfers can only tracked by share category. New shareholders may also result from the transfer of shares from one account to another related account that has similar participants (e.g. from John Doe’s account to John and Jane Doe’s account).



Since the start of the program, the majority of RS-IFQ shareholdings were held by fishermen located in Florida and Texas (Figure 4, Appendix 3). Within the last two years, Florida shareholdings have increased slightly, corresponding to a slight decrease in Texas shareholdings. Currently, 49% of the shares are held by Florida residents, while 30% are held by Texas residents. The remaining shareholdings are held by residents either in other GOM states (18%) or non-GOM states (2%) (Figure 4). The change in shareholdings among states can be related to share transfers among accounts in different states or changes in addresses for existing accounts.

In the RS-IFQ program, shares exist for the lifetime of the account. Once an account acquires shares, that account retains those shares, regardless of their GOM reef fish permit status, until they are sold to another RS-IFQ participant. After the first year of the program there was an increase in the number of accounts that held shares but did not have a valid GOM reef fish permit (Figure 5). Non-permitted accounts with shares have increasingly comprised a larger proportion of shares, especially as the number of accounts with shares has decreased over time (Figures 2 and 5). In 2007, non-permitted accounts accounted for 14% of all accounts with shares (Figure 6). This decreased to 13% in 2008, but continued to increase by ~1% in 2009 and 2010 (Figure 6). In 2011, the non-permitted accounts held 18% of all shares, the highest since the start of the program (Figure 6).

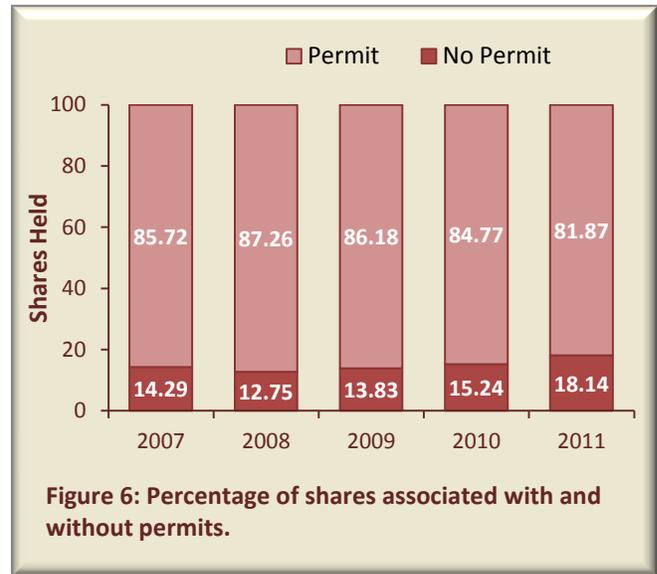
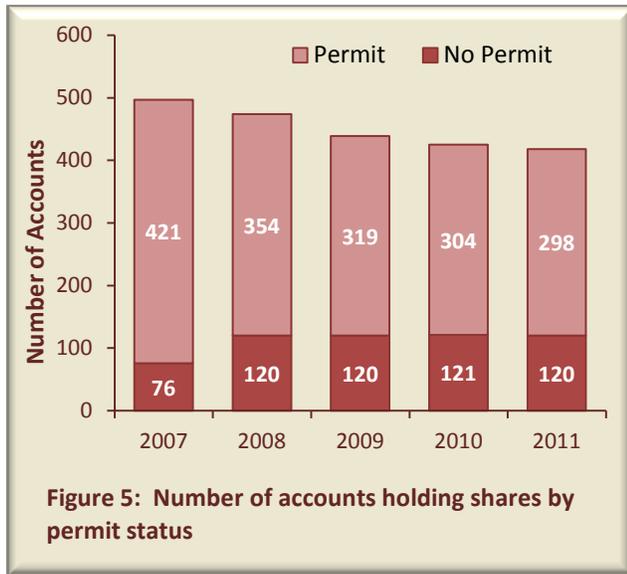


Table 2: Share Transfer Transactions¹

	2007	2008	2009	2010	2011
Total number of share transfers	108	42	75	79	78
Total shares transferred	10.7428%	4.8150%	6.0233%	8.4748%	5.0979%
Average shares transferred	0.0995%	0.1146%	0.0803%	0.1073%	0.0654%
Median shares transferred	0.0107%	0.0158%	0.0189%	0.0218%	0.0313%
Minimum shares transferred	0.0001%	0.0003%	0.0001%	0.000044%	0.0001%
Maximum shares transferred	1.7403%	0.9989%	1.1264%	2.0000%	0.5000%

¹ Numbers adjusted from previous reports to reflect transfers between different comparable IFQ entities.

Share transfers peaked at the start of the program, and have since stabilized at 75 to 79 transactions per year (Table 2). The total percentage of shares transferred was also highest during the first year (11%), but has since fluctuated between 4 to 8%. The 8% value in 2010 was probably indicative of the start of the GT-IFQ program, as many fishermen participate in both IFQ programs. There is a broad range of share percentages transferred in all years, with 2011 average share transfer percentages (0.07%) the low-

est since the start of the program. Despite low average share transfer percentages, median percentages increased slightly to 0.03% in 2011 (Table 2).

Share transfer prices were not required from 2007-2009, but since mid-year 2010 a minimum transfer price of \$0.01 is required of all share transfers. Despite requiring participants to enter a total price for share transfers, in 2011 14% of the transactions had a total value of \$0.01 (Table 3). For price analysis, the data were limited to share transfers with price per pound equivalents³ that were greater than \$0.01 and less than \$36. Because 0.0001% shares do not equal the same pounds over time, equivalent pounds are a stronger measure of share prices over time. *Given the large number of transactions that do not report realistic market values for share transfers, results should be viewed with caution.*

Table 3: Share Transfer Price Analysis¹

	2007	2008	2009	2010	2011
Number of transactions with an entered price	60	30	54	70	67
Percent of transactions with an entered price	56%	71%	72%	89%	86%
Transactions used in price analysis	55	28	52	43	39
Percent of price transactions used in analysis	92%	93%	96%	61%	58%
Average price paid per 0.0001% share	\$20.12	\$23.51	\$34.85	\$44.90	\$63.15
Median price paid per 0.0001% share	\$20.06	\$27.54	\$45.87	\$45.87	\$79.78
Average price paid per 1 lb equivalent of shares	\$7.36	\$10.23	\$15.17	\$16.81	\$19.36
Median share price per 1 lb equivalent of shares	\$8.73	\$11.99	\$19.97	\$19.94	\$25.00

¹ Price analysis excludes transactions not reporting prices, total prices that were \leq \$0.01, and price per pound equivalents that were \leq \$0.01 or greater than \$36. Price data has not been adjusted for inflation. Prices reported in the 2007-2009 annual reports have been updated and adjusted to be comparable data collected in to the current IFQ system.

In 2011, the percentage of transactions that could be used for share price analysis dropped to 58%, the lowest since the start of the program (Table 3). Transactions that had low prices could be due to, but not limited to, any of the following: entering a price per pound equivalent instead of total price, reluctance to enter price information, and/or unrecorded bartering of RS-IFQ shares for GT-IFQ shares. Because all shares transfers are recorded as an individual transfer, there is no current method to record bartered trades.

Both average and median prices per 0.0001% shares have increased each year, with 2011 values 3 to 4 times greater than 2007 values (Table 3). Average and median prices per pound equivalent have also increased each year (Table 3). For 2011, the values are 2.5 to 3 times greater than 2007 values. Median price per pound equivalent increased by \$5 from 2010 to 2011, while average prices only increased by

³ A price per pound equivalent is 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 for any quota increases.

\$2.55 (Table 3). This price increase may reflect an increase in the value of red snapper shares, but only represents 58% of the share transfers and must be interpreted with caution.

Annual Allocation

Annual RS-IFQ allocation is the actual poundage of red snapper each IFQ account can use to possess, land, and/or sell during a given calendar year. Individual units of allocation are not able to be tracked in the system and only allocation transfers between accounts are analyzed in this report. The total amount of allocation traded and the number of transactions have increased every year (Table 4). In 2010, the amount of allocation transferred was double previous years due to a combination of an increased quota and the start of the GT-IFQ program. In 2011, the amount of pounds traded increased to 3,639,394 lb with 2,155 transactions (Table 4). The average amount of allocation transferred in one transaction has been decreasing over time and is currently 1,689 lb. In contrast, the median value has remained stable for the past three years at 500 lb (Table 4). Averages are influenced by both extraordinary high and low allocation transfers. Both 2010 and 2011 had unusually high maximum allocation transfers that were 2 to 2.5 times greater that of previous years (Table 4) and, therefore, the median value is more representative of typical allocation transfers.

Table 4: Allocation (lb) Analysis

	2007	2008	2009	2010	2011
Total traded ¹	1,686,218	1,371,100	1,539,479	3,065,736	3,639,394
Number of transfers	808	683	843	1,719	2,155
Average traded	2,087	2,007	1,826	1,783	1,689
Median traded	671	600	500	500	500
Minimum traded	2	1	1	1	1
Maximum traded	53,541	50,000	44,402	84,049	100,000
Transactions used in price analysis (N, %) ²	222, 27%	183, 27%	315, 37%	374, 22%	520, 24%
Average \$/pound	\$1.80	\$2.21	\$2.63	\$2.76	\$2.79
Median \$/pound	\$2.00	\$2.25	\$3.00	\$3.00	\$3.00
Minimum \$/pound	\$0.02	\$0.02	\$0.02	\$0.02	\$0.01
Maximum \$/pound	\$5.41	\$3.25	\$4.50	\$4.00	\$4.01

¹ In calculating the total pounds of allocation traded, multiple transactions of a single allocation were not tracked separately.

² Prices have not been adjusted for inflation. Most prices were reported on a per pound basis; however, some transactions reported the total value paid for all allocation bought. If the price per pound entered was greater or equal to \$5.00, then the price was assumed to be a total price and divided by the pounds purchased to calculate the price paid per pound. Excluded from the analysis were any prices per pound that were less than or equal to \$0.01/lb or greater than \$5.50/lb. Prices have been updated for the 2007-2009 data to reflect the new criteria for analysis.

Price per pound information for allocation transfers are collected through the online system, but are not required. Since the program's start, between 22-37% of the transactions included price information. As *with the share transaction price information, given the large number of transactions with no or low reported price data, results should be viewed with caution.* Prices \leq \$0.01/lb or $>$ \$5.50/lb were not included in the allocation price analysis, as these were considered outliers. For 2011, there were 544 transactions (25%) that contained price information for analysis (Table 4). Average price per pound has increased every year, with the largest increase in price between 2007 and 2008, after which prices only differed by \$0.20. Median prices had the largest increase between 2008 and 2009 (\$0.75), but since then have remained stable at \$3/lb (Table 4).

In the RS-IFQ program, an account holder may obtain allocation associated with their shares (distributed at the beginning of the year or any mid-year increase) or from the purchase of allocation from another account holder. The total number of accounts that held allocation within a given year decreased in the first three years (2007 = 596, 2008 = 547, and 2009 = 530) (Table 5). The increase in accounts in 2010 (n = 598) can be attributed to the start of the GT-IFQ program, under which participants were eligible to buy red snapper allocation. In 2011, the number decreased again to 589 accounts. The number of accounts with allocation but without shares has been increasing every year (Table 5). Initially, only 7% (n = 42) of the accounts held allocation without shares, but by 2011 this percentage increased to 25% (n = 150). As allocation prices tend to be less than share prices, this may be a main way for new participants to obtain allocation. The number of accounts with allocation and a GOM reef fish permit has remained stable since 2008, with around 75% of the accounts maintaining a valid GOM reef fish permit (Table 5).

Table 5: Allocation Activity in Accounts¹

	2007	2008	2009	2010	2011
Accounts with allocation	596	547	530	598	589
Received through shares ²	554 (93%)	497 (91%)	474 (89%)	461 (77%)	439 (75%)
Received through purchase	42 (7%)	50 (9%)	56 (11%)	137 (23%)	150 (25%)
With permits	508 (85%)	412 (75%)	383 (72%)	461 (77%)	458 (78%)
Inactive Accounts ³	173 (29%)	168 (31%)	137 (26%)	122 (20%)	102 (17%)
Accounts only trading allocation	144 (24%)	110 (20%)	131 (25%)	139 (23%)	159 (27%)
Sold all allocation	131 (22%)	101 (18%)	123 (23%)	110 (18%)	142 (24%)
Accounts that landed fish	279 (47%)	269 (49%)	262 (49%)	337 (56%)	328 (56%)
Landed fish and held shares	243 (41%)	230 (42%)	213 (40%)	216 (36%)	198 (34%)
Only landed fish	99 (17%)	94 (17%)	74 (14%)	43 (7%)	30 (5%)

¹ All percentages are based on the total accounts with allocation.

² This is the total number of IFQ accounts that received allocation through share holdings either at the start of the year or from the mid-year increases and not a year-end count.

³ Inactive IFQ Accounts are accounts that possessed shares but did not land, buy, or sell allocation; this includes both accounts that have and have not been logged into in that year.

Table 6: Allocation Activity in Pounds

	2007	2008	2009	2010	2011
Inactive Accounts ¹	78,543	50,338	41,680	53,151	50,743
% Year End Quota	2.6%	2.2%	1.8%	1.7%	1.5%
Accounts only trading allocation	556,706	474,665	627,807	1,497,168	1,760,875
% allocation transfers	33%	35%	41%	49%	48%
Sold all allocation	503,735	455,043	624,268	1,276,215	1,471,000
% allocation transfers	30%	33%	41%	42%	40%

¹ Inactive IFQ Accounts are accounts that possessed shares but did not land, buy, or sell allocation; this includes both accounts that have and have not been logged into in that year.

Account activity can be determined through allocation transactions. An account is considered active if the account landed, sold, and/or bought allocation. Account status is determined each year based on an account's activity within that year. During the first year of the program 29% of the accounts were considered inactive and contained 2.6% of the final quota (Tables 5 and 6). By 2011, the number of inactive accounts decreased by 71 (17%) and contained only 1.5% of the year-end quota (Tables 5-6). All accounts were contacted by mail and/or phone in January of 2012, and therefore we expect to see a further decrease in inactive accounts in 2012.

Active participants can be divided into two broad categories: those who landed fish and those who only traded allocation. There has been an increase in the number of accounts that are only trading allocation (Table 5). In 2011, there were 159 accounts (27%) that only traded allocation compared to 144 accounts (24%) in 2007 (Table 5). This could be correlated with the growing number of accounts that hold shares but no longer have a valid GOM reef fish permit. These accounts would not be eligible to harvest red snapper, but could sell allocation each year. There was a subset of accounts that sold all of their allocation. Note, these accounts may have bought and sold additional allocation throughout the year. The number of accounts selling all their allocation and the amount being traded has increased every year (Table 6). In 2011 there were 142 accounts (24%) that sold all their allocation. In 2010 and 2011, ~48% of the pounds traded were from accounts only trading allocation (Table 6) versus the 33-41% seen in previous years.

Approximately 50% of the accounts containing allocation landed fish each year (Table 5). In 2010 and 2011, this increased to 56% (Table 5). While the number of accounts that have landed fish has increased over time (297 in 2007 vs. 328 in 2011), the number of accounts that have landed fish *and* held shares has decreased (Table 5). Currently only 60% of the accounts landing fish also hold shares. A small number of accounts have always just landed allocation from their shares and neither bought nor sold any allocation (Table 5). In 2007, there were 99 accounts (17%) that only landed fish, but the number has been steadily decreasing since then to 30 accounts (5%) in 2011 (Table 5).

Year End Allocation Balances

Because allocation is annual there is often un-harvested allocation remaining in accounts at the end of the year. In every year, the remaining allocation was low (< 5%), and, excluding 2010, the number of accounts and the percentage of remaining allocation has decreased each year (Table 7). The higher remaining balances in 2010 may have been affected by one or more of the following: GT-IFQ program implementation, mid-year quota increase, and the Deepwater Horizon oil spill event (Appendix 4). The lowest remaining total allocation balance occurred in 2011 with just 1.89% of the quota remaining, distributed among 236 different accounts (Table 7). This is the lowest number of accounts to hold remaining allocation since the start of the program. In 2011, the amount of allocation remaining in accounts averaged 277 lb, while median balances were much less at 32 lb (Table 7). *Caution should be used when comparing remaining allocation across years, as changes in the commercial quota may influence the amount of remaining allocation, especially for inactive accounts.* The timing of a quota increase may also play a role in the amount of allocation remaining in an account.

Table 7: Year End Allocation Balances

	2007	2008	2009	2010	2011
<u>Unused allocation¹</u>					
Pounds	122,311	59,515	61,318	132,450	62,147
Accounts	327	292	242	306	236
% of annual quota	4.10%	2.70%	2.76%	4.15%	1.89%
<u>Active accounts</u>					
Pounds	43,768	9,177	19,638	79,299	11,404
Accounts	154	124	105	184	134
% of annual quota	1.47%	0.40%	0.85%	2.485%	0.35%
<u>Inactive accounts</u>					
Pounds	78,543	50,338	41,680	53,151	50,743
Accounts	173	168	137	122	102
% of annual quota	2.63%	2.19%	1.81%	1.665%	1.54%
Initial accounts (lb) ²	46,957	36,115	35,844	47,387	47,590
Initial accounts (#) ²	90	90	87	82	75
Average balance	374	204	253	435	277
Median balance	74	32	42	66	32

¹ Total unused allocation is the amount of allocation remaining across all accounts, which is calculated in the following manner: annual allocation + bought allocation – sold allocation – landed allocation – overages.

² Initial accounts include any account that has never logged into by its shareholder.

In all years, except 2010, there was more remaining allocation in the inactive accounts than in active accounts (Table 7). More than half of the inactive accounts are initial accounts (accounts that the user has

never accessed). The number of inactive and initial accounts has been steadily decreasing over time (Table 7).

In contrast to remaining allocation, there were some accounts that landed in excess of their allocation through the one-time 10% overage allowance. Only accounts that hold shares may use the 10% overage allowance (see Program Overview section for more details). Only a small number of accounts (<50) utilize this feature each year, with overages between 1 and 701 lb (Table 8). The average amount of overages in 2011 was 112 lb (median = 14 lb) (Table 8). *As with the remaining balances, caution should be used when comparing overages across years, as changes in the commercial quota or time of quota increase may influence the values.*

Table 8: Overages

	2007	2008	2009	2010	2011
Accounts with overages	35	41	40	14	29
Total overage pounds	2,939	2,061	3,432	655	3,262
Minimum overage	1	1	1	1	1
Maximum overage	656	618	559	228	701
Average overage	84	50	86	47	112
Median overage	11	14	19	28	14

Red Snapper Fishing Effort and Landings

Dealers

The number of dealers purchasing red snapper has increased within the last two years of the program (Table 9), and currently there are 82 dealers who have purchased red snapper. In 2007, there were 75 dealers who purchased red snapper, which decreased in 2008 and 2009. In 2010, 11 more dealers purchased red snapper, and in 2011 there were an additional 5 dealers (Table 9). Until 2010, the majority of the dealers purchased fish from 3-10 different fishermen (shareholder accounts), followed by dealers working with 1-2 fishermen, and then those dealing with 11 or more different fishermen (Table 9). In 2010, there was a shift toward more dealers receiving fish from only 1-2 fishermen. By 2011, more than half of the dealers were working with only 1-2 fishermen (Table 9). The 2010 and 2011 increases were most likely influenced by the start of the GT-IFQ program as well as an increase in IFQ shareholders obtaining a GOM dealer permit. Unfortunately, linking a shareholder account to a dealer account is not currently possible in the system, especially as accounts may be held under different identities and/or corporations.

Dealers may have multiple facilities, where fish are landed and/or processed, associated with their GOM dealer permit and account. The number of single facility dealers has increased over time, while the number of dealers with multiple facilities has remained constant (Table 9). Facilities for any one dealer can be located in multiple states (Appendix 5). Most dealers (>95%) have all their facilities that are in one state, while a handful of dealers have facilities in multiple states (Table 9).

Table 9: Dealer Information

	2007	2008	2009	2010	2011
Total	75	67	66	77	82
<u>Dealer Size¹</u>					
Small (1-2 shareholders)	34 (45%)	26 (39%)	25 (38%)	36 (47%)	42 (51%)
Medium (3-10 shareholders)	32 (43%)	35 (52%)	33 (50%)	28 (36%)	30 (37%)
Large (11+ shareholders)	9 (12%)	6 (9%)	8 (12%)	13 (17%)	10 (12%)
<u>Dealers with:</u>					
Single facility	60	54	53	67	69
Multiple facilities	15	13	13	10	13
Max. Num. Facilities	5	7	7	5	6
<u>Dealers with:</u>					
Single state facilities	73	65	65	75	80
Multiple states facilities	2	2	1	2	2

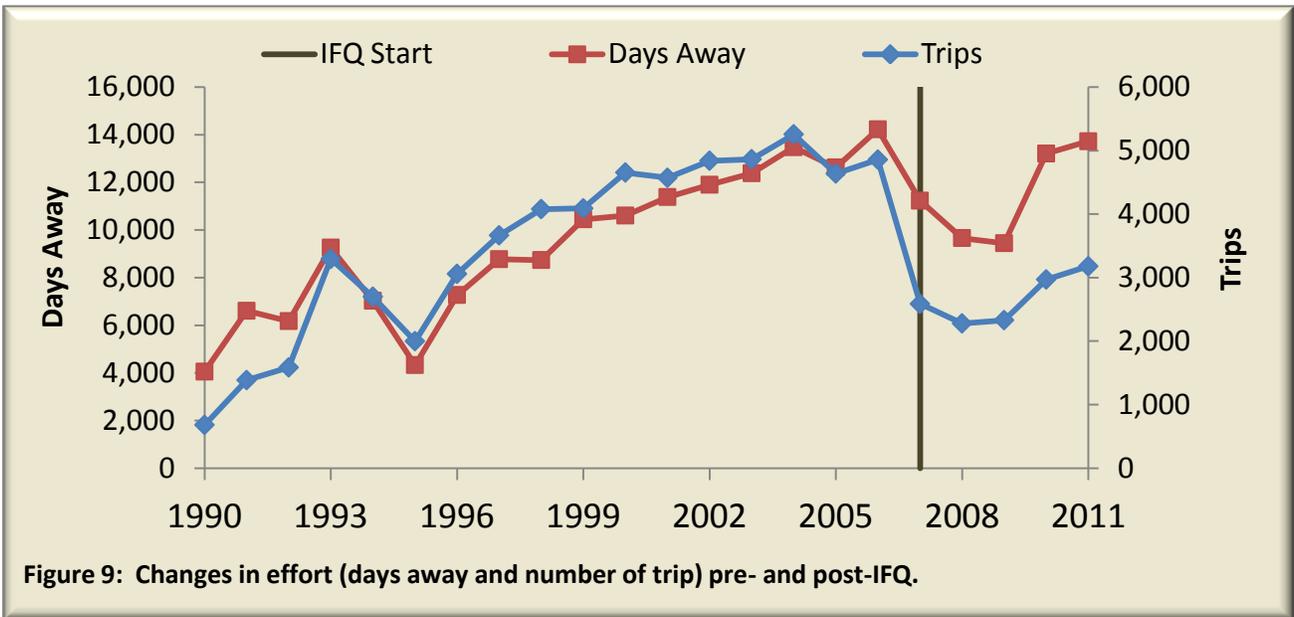
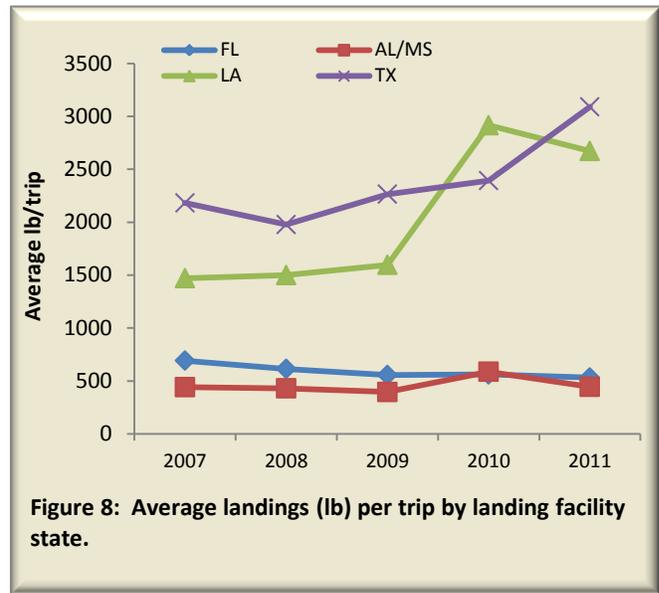
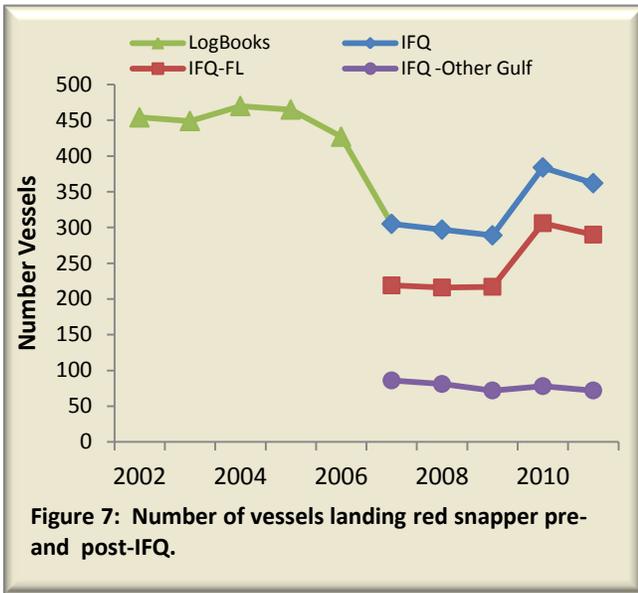
¹ Dealer size is determined by the number of different shareholder accounts that are landing with a dealer. Shareholder may land with more than one dealer and therefore are may be counted in more than one category.

Vessels and Effort

Although a reduction in capacity occurred at the start of the program, for the next three years the number of vessels remained relatively stable, and then increased with the start of the GT-IFQ program (Figure 7, Appendix 6). Pre-RS-IFQ, the number of vessels fishing for red snapper was between 430 and 470 but with the start of the RS-IFQ program, the number of vessels dropped to 305; 122 vessels less than the prior year (Figure 7, Appendix 6). The number of vessels increased to 384 with the start of the GT-IFQ program in 2010 (Appendix 6), as fishermen in the GT-IFQ program also began obtaining and fishing red snapper allocation. By 2011, the number of vessels had decreased again (n = 362).

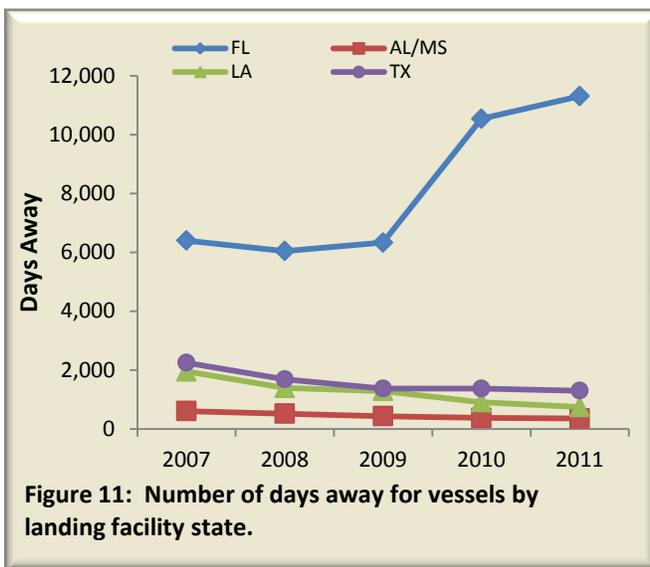
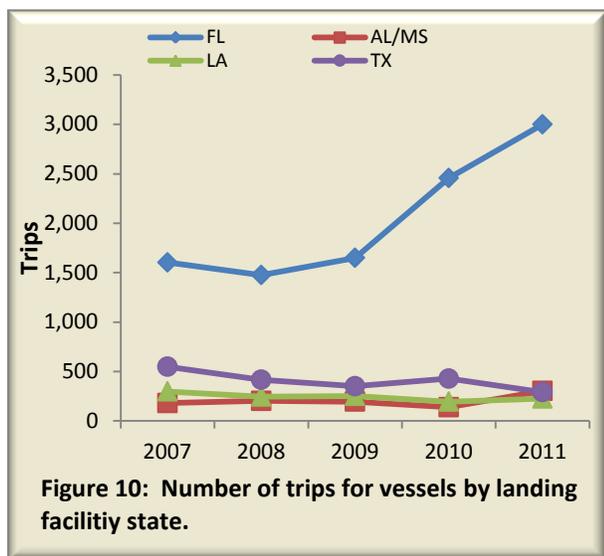


The majority of vessels (>60%) landed red snapper at Florida facilities (Figure 7, Appendix 6). The number of vessels landing at Louisiana and Texas facilities decreased slightly over time, while the number of vessels landing at Alabama/Mississippi facilities increased almost 8x since the start of the program from 3 vessels in 2007 to 23 vessels in 2011(Appendix 6).



The average landings differed by facility landing state, with Louisiana and Texas facilities having the largest average landings per trip (Figure 8, Appendix 6). Since the start of the program, average landings per trip have increased in both Louisiana and Texas, while average landings per trip in Florida and Alabama/Mississippi have remained constant or decreased slightly (Figure 8). Average landings per trip are influenced by many factors such as targeted species (i.e. red snapper targeted vs. caught as bycatch), trip length, and the number of trips.

Overall effort, calculated through days away and number of trips, decreased at the start of the IFQ program (Figure 9), but increased again when the GT-IFQ program began. Vessels that landed at Florida facilities had the greatest number of trips and days away at sea (Figure 10-11, Appendix 6). In 2010, the number of trips and days away increased considerably for vessels landing at Florida facilities. In 2011, there was a continued increase in both trips and days away for Florida vessels (Appendix 6). The number of trips and days away were much fewer for vessels landing at facilities in other GOM states. The number of trips for vessels landing at facilities in Alabama/Mississippi has remained nearly unchanged since the start of the program, but the number of days away has decreased by nearly half since the start of the RS-IFQ program (Appendix 6). For vessels landing at Louisiana and Texas facilities, there has been a decline in the number of trips and days away since the start of the program (Figure 10-11, Appendix 6).



Landings

Since the beginning of the RS-IFQ program, more than 95% of the quota has been landed annually. In 2011 the quota was raised to 3,300,901 lb gutted weight and 98.1% of the quota was landed (Table 10). Monthly landings in 2011 were largest in winter and fall, fluctuating between 195,000 to 380,000 lb per month (Table 10, Figure 12). In 2011, similar to many of the other years, there is an increase in landings in December as commercial fishermen sought to harvest unused allocation before the end of the fishing season.



Table 10: Landings (lb)

	GOM-Wide Landings (lb)				
	2007	2008	2009	2010	2011
January	103,309	241,905	226,559	276,099	239,103
February	330,625	317,871	189,520	258,807	322,078
March	278,021	290,336	268,819	361,969	380,667
April	281,551	204,701	220,336	267,700	265,942
May	181,798	185,313	212,850	269,711	296,991
June	233,376	134,448	181,401	208,869	229,569
July	225,536	152,134	165,968	137,283	205,363
August	198,141	135,030	183,851	162,232	263,077
September	219,284	91,287	138,731	162,257	251,718
October	187,371	135,361	143,212	196,725	229,625
November	296,230	120,797	144,406	246,878	195,741
December	332,084	228,297	161,793	507,514	358,461
Annual Total	2,867,326	2,237,480	2,237,446	3,056,044	3,238,335
<i>Quota</i>	2,986,486	2,297,297	2,297,297	3,190,991	3,300,901
<i>% Landed</i>	96.0%	97.4%	97.4%	95.8%	98.1%

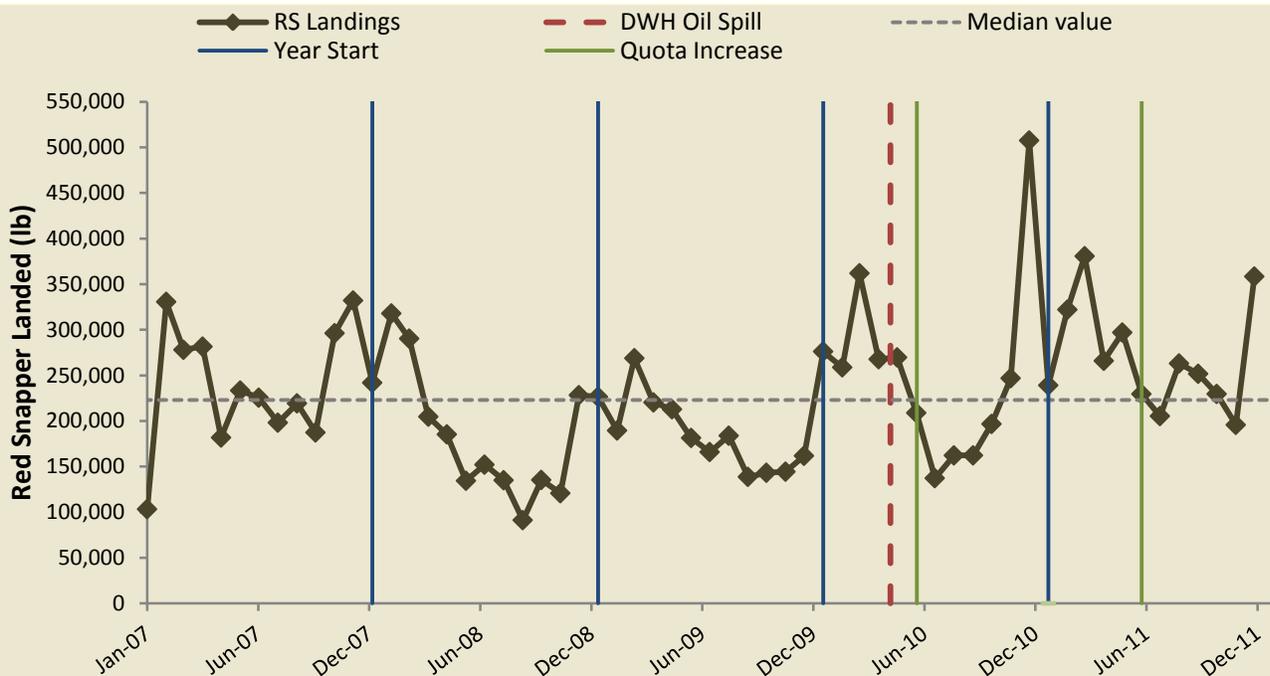
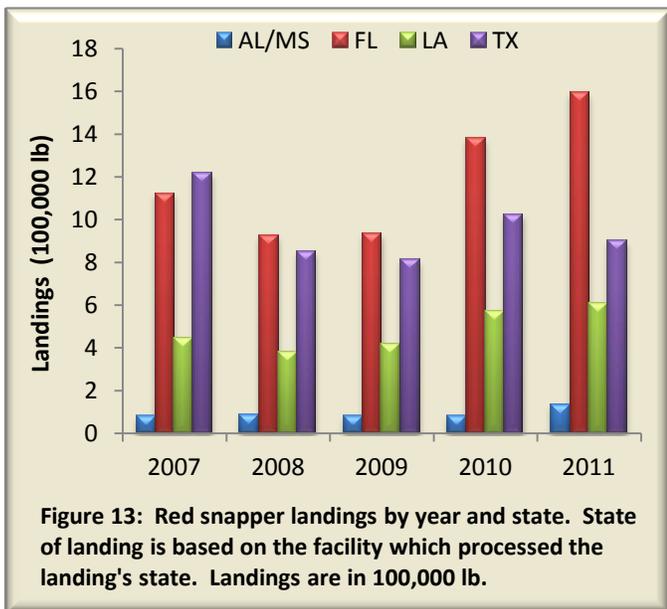


Figure 12: Monthly red snapper landings from 2007-2011. Blue lines indicate the start of each year, green lines indicate quota increases, red dashed line indicates DWH oil spill, and the horizontal dashed line is the monthly median landings over time.

For all years of the program, the majority of red snapper commercial landings occurred in Florida and Texas (Figure 13). Florida landings were 39-49% of all landings, while Texas landings were between 28-42% of all landings (Table 11). Louisiana landings are between 16-19%, while Alabama and Mississippi landings are between 3-4% (Table 11). In 2011, there was a shift to more landings occurring in Florida (49%) and there were 10 additional facilities in Florida that landed red snapper (Appendix 5). Florida now has 72% of all the facilities that receive red snapper. This percentage has been growing since the start of the program (Appendix 5).

Table 11: Landings (lb) by State and Year

Year	AL/MS		FL		LA		TX	
	N	%	N	%	N	%	N	%
2007	80,288	3%	1,122,379	39%	447,055	16%	1,217,604	42%
2008	88,058	4%	921,927	41%	381,075	17%	846,420	38%
2009	78,536	4%	930,630	42%	415,203	19%	813,077	36%
2010	81,641	3%	1,378,733	45%	571,449	19%	1,024,221	34%
2011	134,980	4%	1,594,317	49%	606,804	19%	902,234	28%

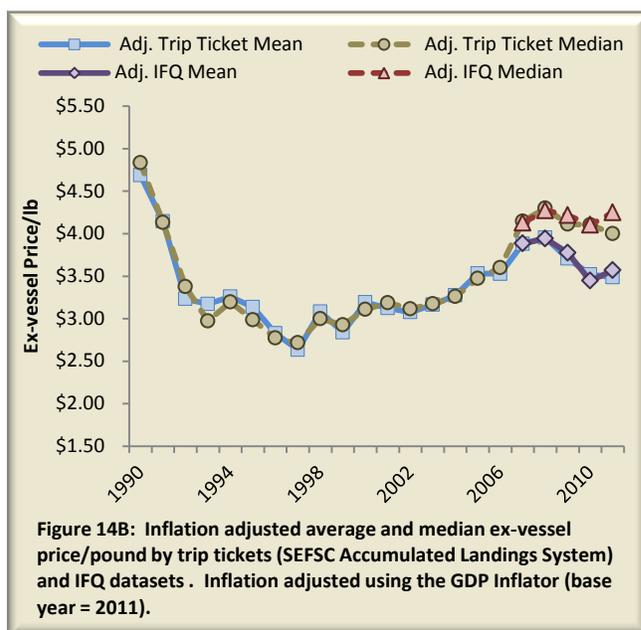
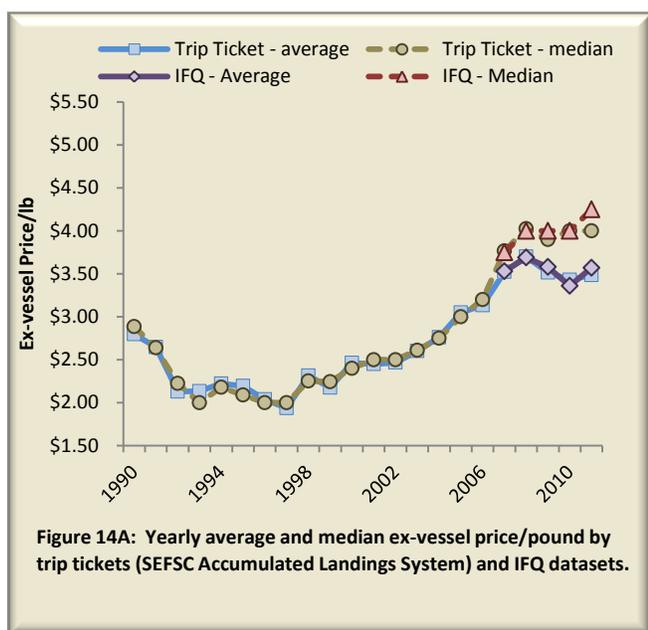


Red Snapper Ex-Vessel Prices

Ex-vessel prices have varied considerably since the start of the RS-IFQ program, values have ranged from \$0.01/lb to \$5.75/lb. Variable prices can be attributed to differences in retail markets, landing season, reporting practices among dealers, and changes in the ex-vessel price definition over time. 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 replace-

ment). The definition of actual ex-vessel price was changed through regulations in June 2011 and prohibits allocation transfers, goods, and/or services costs from being deducted from ex-vessel prices.

Prior to the start of the RS-IFQ program, ex-vessel prices were below \$3.00/lb, with prices near \$2.00/lb for 1992 through 1997 (Figure 14A). From 1999-2006, the average ex-vessel price of red snapper gradually increased from \$2.18 to \$3.14 per pound. With the start of the RS-IFQ program, ex-vessel prices jumped to \$3.52/lb and increased again the following year (Figure 14A). Since then, average ex-vessel prices have remained near \$3.50/lb. Average ex-vessel prices since the start of the program have been less than expected, in part due to the many transactions reporting ex-vessel prices of \$2.50 or less per pound (Table 12). Therefore, median prices may be a more accurate metric of change for ex-vessel prices. Using the Southeast Fisheries Science Center’s (SEFSC) Accumulated Landings System dataset (trip tickets), median ex-vessel prices pre-RS-IFQ mirrored average prices. Post-RS-IFQ, median ex-vessel prices, calculated from both the trip ticket and RS-IFQ system, are considerably greater than the average ex-vessel prices (Figure 14A).



To appropriately compare ex-vessel prices through time, data were adjusted for inflation using the Gross Domestic Product (GDP) deflator⁴ (Figure 14B, Appendix 7) using 2011 as the base year. Inflation-adjusted average ex-vessel prices system have increased 1% from the 2006 trip ticket adjusted value to the adjusted IFQ 2011 value, while median ex-vessel prices have increased 18% for that same time period. After adjusting for inflation, the current ex-vessel prices are similar to those just prior to the IFQ program (Figure 14B). Inflation-adjusted ex-vessel prices have declined from 2008-2010, but increased slightly in the past year.

In general, there has been a shift towards greater ex-vessel prices in recent years in both the pounds landed and number of transactions (Table 12, Figure 15). In 2007, the majority of pounds of red snapper

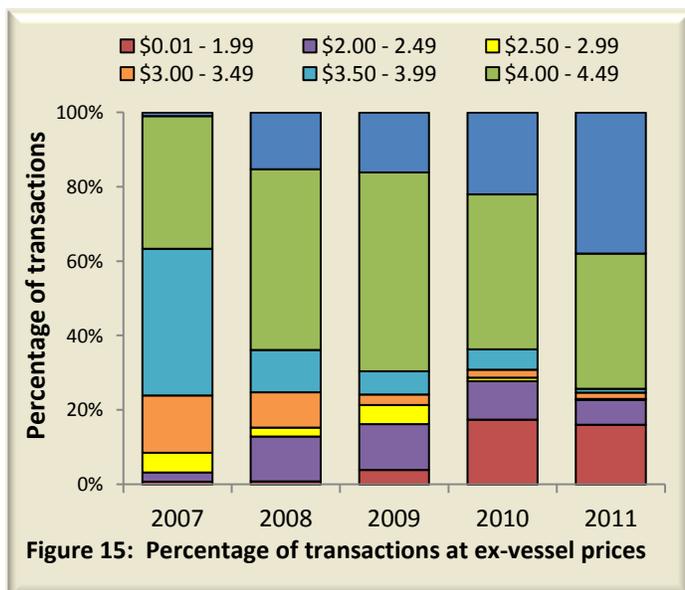
⁴ http://www.hm-treasury.gov.uk/data_gdp_backgd.htm

landed were at ex-vessel prices between \$3.50 and \$4.49. In 2008 through 2010, this shifted towards \$4.00-\$4.99. In 2011, ex-vessel prices greater or equal to \$4.50 represented the highest proportion of red snapper pounds landed (35%) and more than 75% of the landed pounds had ex-vessel prices \geq \$4.00 (Table 12). Concurrently, in 2010 and 2011, there is an increase in the number of pounds landed at $<$ \$2.00 (Table 12). In both years, 20% or more of the landed pounds were at ex-vessel prices below \$2.00. Some of these landings are attributable to shareholders who hold GOM dealer permits and are selling fish to themselves.

Throughout the IFQ program, average ex-vessel prices have varied annually, seasonally, and by region (Table 13, Figure 16, and Appendix 8). Average ex-vessel prices were the least at the end of 2010 and the beginning of 2011 (Table 13, Figure 15). In 2011, average ex-vessel prices continued to steadily increase and ended with prices of \$3.80/pound (Table 13).

Table 12: Pounds Landed by Ex-vessel Price

	<u>Gulf-Wide Landings (lb)</u>				
	2007	2008	2009	2010	2011
\$0.01-1.99	71,368	34,598	238,163	664,100	665,277
\$2.00-2.49	161,748	341,898	222,520	259,930	139,292
\$2.50-2.99	189,704	41,509	88,429	23,310	43,117
\$3.00-3.49	306,460	215,870	109,967	183,046	208,625
\$3.50-3.99	1,216,879	150,043	171,447	175,098	14,828
\$4.00-4.49	913,349	1,051,777	973,343	1,021,415	1,037,493
\$4.50+	7,818	401,785	433,577	729,145	1,129,703
Total Landings	2,867,326	2,237,480	2,237,446	3,056,044	3,238,335



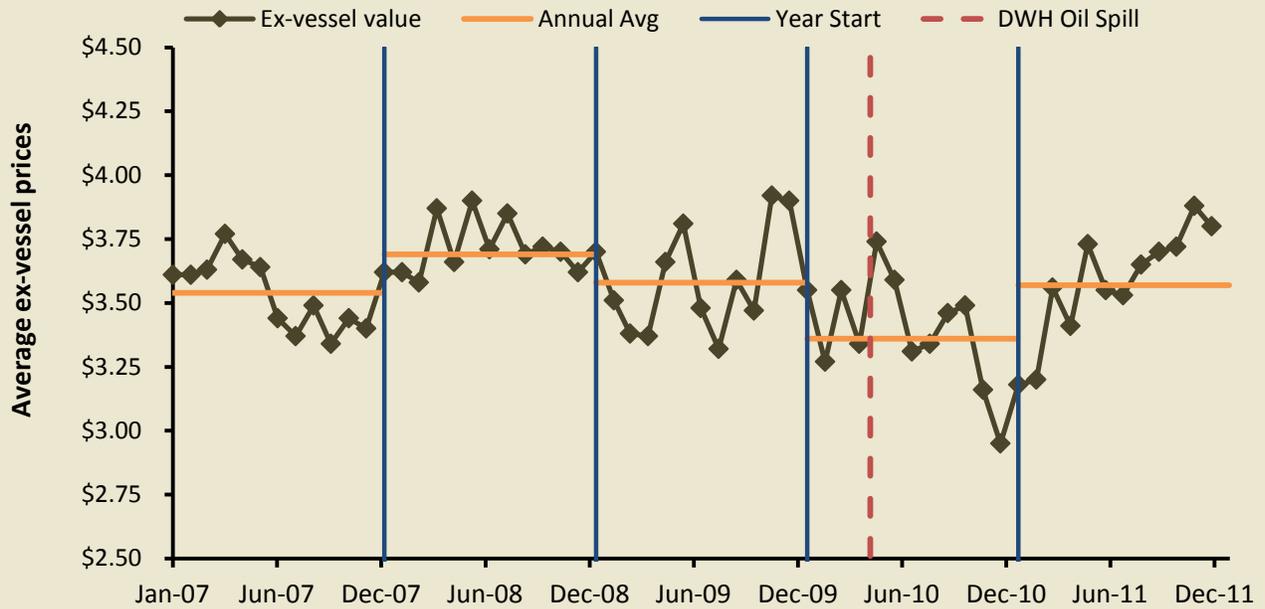
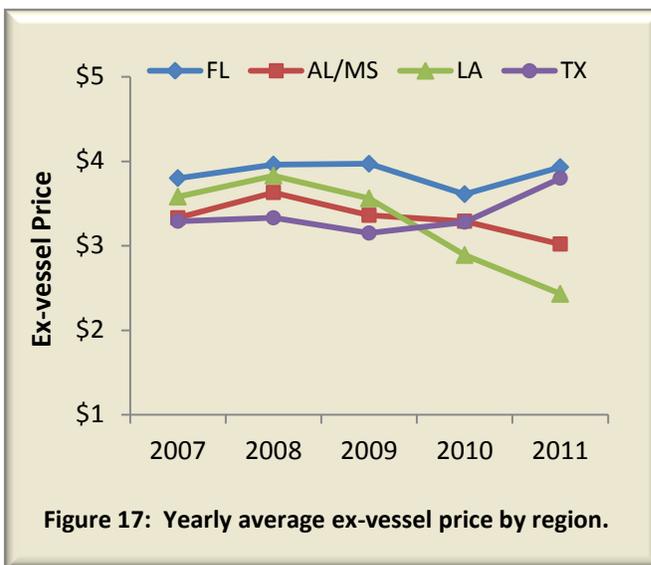


Figure 16: Monthly average ex-vessel prices

Table 13: Average Ex-vessel Prices

Month	Gulf-wide Averages					2011			
	2007	2008	2009	2010	2011	FL	AL/MS	LA	TX
January	\$3.61	\$3.62	\$3.70	\$3.55	\$3.18	\$3.89	\$2.07	\$2.01	\$2.97
February	\$3.61	\$3.62	\$3.51	\$3.27	\$3.20	\$3.85	\$2.00	\$1.80	\$3.11
March	\$3.63	\$3.58	\$3.38	\$3.55	\$3.56	\$3.97	\$2.12	\$2.86	\$3.59
April	\$3.77	\$3.87	\$3.37	\$3.34	\$3.41	\$3.79	\$2.90	\$2.50	\$3.80
May	\$3.67	\$3.66	\$3.66	\$3.74	\$3.73	\$3.83	\$3.61	\$2.65	\$3.94
June	\$3.64	\$3.90	\$3.81	\$3.59	\$3.55	\$4.04	\$3.05	\$2.26	\$3.50
July	\$3.44	\$3.71	\$3.48	\$3.31	\$3.53	\$3.88	\$2.89	\$2.53	\$3.66
August	\$3.37	\$3.85	\$3.32	\$3.34	\$3.65	\$4.01	\$3.35	\$2.37	\$4.42
September	\$3.49	\$3.69	\$3.59	\$3.46	\$3.70	\$3.84	\$3.19	\$2.64	\$4.29
October	\$3.34	\$3.72	\$3.47	\$3.49	\$3.72	\$3.89	\$3.50	\$1.77	\$4.32
November	\$3.44	\$3.70	\$3.92	\$3.16	\$3.88	\$4.01	\$2.97	\$2.23	\$4.71
December	\$3.40	\$3.62	\$3.90	\$2.95	\$3.80	\$4.07	\$2.88	\$3.05	\$3.94
Annual Average	\$3.54	\$3.69	\$3.58	\$3.36	\$3.57	\$3.93	\$3.02	\$2.43	\$3.80

Average ex-vessel prices have been highest in Florida, regardless of year (Figure 17). Average Texas ex-vessel prices were smallest from 2007-2009, but increased within the last few years (Figure 17). In 2011, Texas average ex-vessel prices are only \$0.13 less than those of Florida. In contrast, Louisiana average ex-vessel prices were second highest in 2007 through 2009, but have since decreased steadily (Figure 16). Louisiana's current average ex-vessel prices (\$2.43/lb) are currently the lowest of any state and the lowest to date in the RS-IFQ program (Table 13, Figure 17). The average ex-vessel prices for Alabama and Mississippi have remained similar from 2007-2010. In 2011 there was a decrease in average ex-vessel prices, to \$3.02/lb.



Cost Recovery Fees

The MSFCM Act requires the Secretary to adopt regulations implementing a cost recovery program to recover the actual cost 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 GOM red snapper. RS-IFQ allocation holders who complete a landing transaction with a dealer are responsible for payment of the fee. The dealer who receives the red snapper is responsible for collecting and submitting the fee on a quarterly basis. Monies collected are used for administration of the program, maintenance and upkeep of the online system and software, enforcement of the red snapper IFQ program, and scientific research.

Because nearly the entire red snapper commercial quota is landed each year, quarterly total ex-vessel values and the associated cost recovery fees are correlated to the quota. Values decreased when the quota was reduced in 2008 and 2009, and subsequently increased when the quota was increased in 2010 and 2011 (Tables 14 and 15). Total reported ex-vessel value for 2011 was \$11,562,478, the largest amount to date in the red snapper IFQ program, and the associated cost recovery fees were \$346,877.



Table 14: Quarterly Total Ex-vessel Values

Quarter	2007	2008	2009	2010	2011
Jan – Mar	\$2,576,222	\$3,065,981	\$2,412,661	\$3,108,724	\$3,145,225
Apr – Jun	\$2,577,170	\$1,996,123	\$2,212,748	\$2,652,196	\$2,827,857
Jul – Sept	\$2,208,242	\$1,421,440	\$1,686,223	\$1,557,619	\$2,612,696
Oct - Dec	\$2,775,369	\$1,776,917	\$1,693,520	\$2,957,294	\$2,976,700
Total	\$10,137,003	\$8,260,461	\$8,005,152	\$10,275,834	\$11,562,478

Table 15: Quarterly Cost Recovery Fees

Quarter	2007	2008	2009	2010	2011
Jan – Mar	\$76,997	\$91,897	\$72,386	\$93,262	\$94,357
Apr – Jun	\$77,310	\$59,785	\$66,176	\$79,566	\$84,836
Jul – Sept	\$66,248	\$42,818	\$50,794	\$46,729	\$78,382
Oct - Dec	\$83,261	\$53,315	\$50,801	\$88,718	\$89,302
Total	\$303,816	\$247,815	\$240,157	\$308,285	\$346,877

Red Snapper Bycatch

Reef fish observer data were used to evaluate changes in red snapper bycatch associated with the RS-IFQ program. The red snapper 13” total length (TL) size limit began on May 2, 2007, and therefore the data are split accordingly. In 2009, the observer program shifted effort more towards longline trips (Table 16). Previously observed longline trips (LL) were less than 20% of all observed trips, but thereafter longline trips were between 43 to 62% of all trips (Table 16). Longline trips primarily occurred in water along the Florida peninsula, while vertical line trips (VL; hand lines or bandit reels) occurred throughout the entire GOM. With the increased coverage there was also an increase in the number of fish observed, with over 15,000 red snapper dispositions recorded in 2011 (Appendix 9). Disposition statuses were recorded as landed/kept, discarded alive, discarded dead, and unknown status. Discard status counts (Appendix 9) were used to calculate landing to discard ratios and discard mortality percentages.

The discard ratio (number landed for each fish discarded) showed distinct differences between regions and gear types (Table 17). Regionally, the discard ratio was lowest for areas from the Florida panhandle through Texas with more than 3-5 fish landed for each fish discarded, while the Florida peninsula lands less than one fish for each fish discarded (Table 17). This high discard ratio may have been due to many of the vessels in this area having insufficient allocation to cover landings as the stock expands along the West Florida shelf. Despite the high discard rate, observed discard mortality was less along the Florida peninsula (Table 17). Observed discard mortality from trips in Louisiana through Texas was greater but variable from year to year. Discard mortality may have been affected by numerous factors that have not

been analyzed here such as time of year, capture depth, water temperature, on-deck time, and other factors.

Table 16: Observer Trips by Region and Gear¹

Gear	Region	07/01/06 – 05/01/07	05/02/07 – 12/31/07	2008	2009	2010	2011
VL	FL peninsula	21	30	21	23	24	37
	FL panhandle – MS	14	25	9	9	14	32
	LA-TX	13	10	14	5	5	11
	Unknown area	0	0	0	0	1	1
	<i>Sub-total</i>	<i>48</i>	<i>65</i>	<i>44</i>	<i>37</i>	<i>44</i>	<i>81</i>
LL	FL peninsula	11	7	9	22	58	64
	FL panhandle – MS	0	0	0	3	11	3
	LA-TX	0	0	2	4	7	3
	Unknown area	0	0	0	0	0	0
	<i>Sub-total</i>	<i>11</i>	<i>7</i>	<i>11</i>	<i>29</i>	<i>76</i>	<i>70</i>
Total Trips		59	72	55	66	120	151

¹ Data from the Reef Fish Observer Program accessed as of April 16, 2012. Previous years' values are adjusted from previous reports as data was added to the database.



Table 17: Red Snapper Bycatch Discard Ratio and Discard Mortality¹

	07/01/06 – 05/01/07	05/02/0 - 12/31/07	2008	2009	2010	2011
Landing to Discard Ratio						
By Region						
FL peninsula	0.93	0.73	0.51	0.12	0.81	0.71
FL Panhandle – MS	1.37	6.41	4.71	0.7	7.02	5.4
LA- TX	0.76	2.75	4.56	15.57	4.21	3.75
By Gear						
H&L and Bandit reels	1.04	3.48	3.46	1.32	2.56	3.54
Longlines	0.33	0.07	1.4	0.53	1	0.49
Observed discard mortality (%)						
By Region						
FL peninsula	15	15	21	5	17	13
FL Panhandle – MS	13	35	35	92	28	22
LA- TX	33	63	55	28	74	47
By Gear						
H&L and Bandit reels	22	39	43	17	29	28
Longlines	26	28	44	24	21	14

¹ Data source: SEFSC Reef Fish Observer Program, accessed 4/16/2012. Discard ratio is calculated as x landed red snapper to every one discarded red snapper. Discard mortality is the percentage of fish discarded that had immediate release mortality. Trips reporting catch may be from multiple areas: FL peninsula (areas 1-8), FL panhandle to MS (areas 9-12), and LA through TX (areas 13-21).

Vertical line gears' discard ratios and discard mortality were less than longline gears in all years. During July 2006-2011, vertical lines landed between 1 to 3.5 red snapper for each discarded red snapper, and discard mortalities were between 17 to 43% (Table 17). In 2011, the greatest number of discarded dead fish occurred near the size limit (13" TL), although dead discards occurred in fish of all sizes (Figure 18). The proportion of fish landed to discarded by vertical lines was highest in 2011, and comparable to 2007 and 2008. For longline gears, discard ratios were between 0.07 to 1.4 red snapper landed for each red snapper discarded, with discard mortality percentages between 14 and 44% (Table 17). Discarded fish from the longline sector were generally greater than the size limit and occurred over a wide range of sizes (Figure 19). In 2011, discard mortality was the least seen in the longline sector since the start of the RS-IFQ program, although the percentage of discarded fish was the greatest. The number of discarded fish may be in part due to many longline vessels having insufficient allocation to cover the red snapper caught as bycatch.



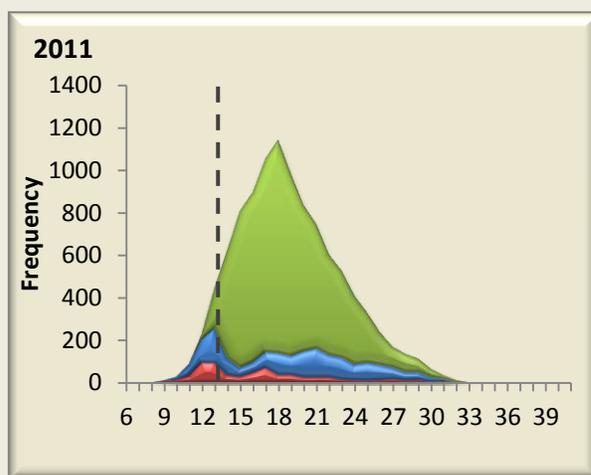
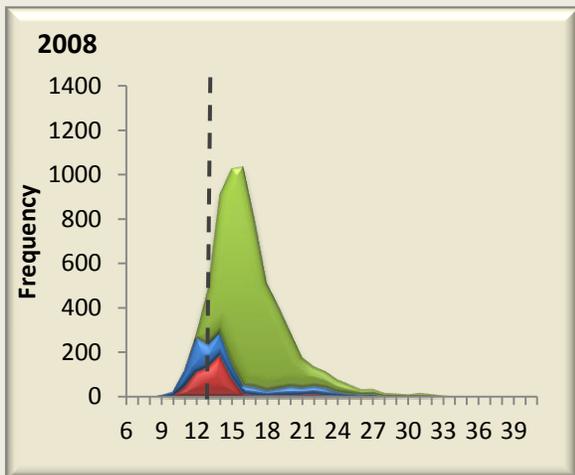
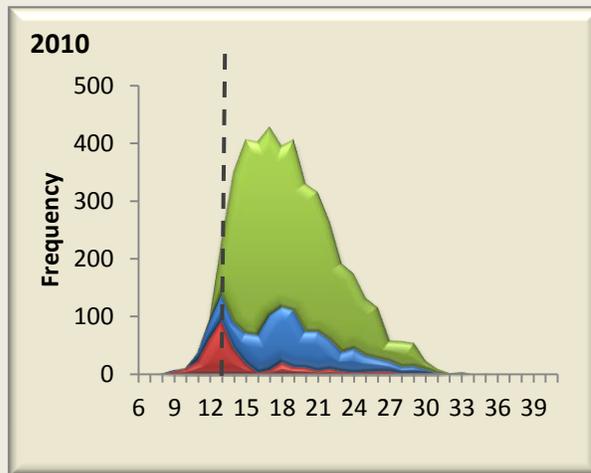
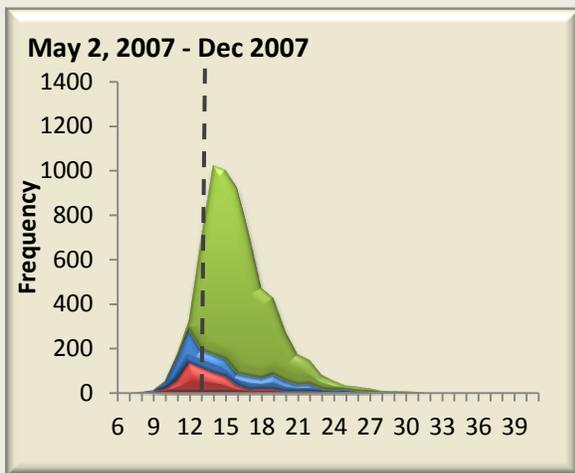
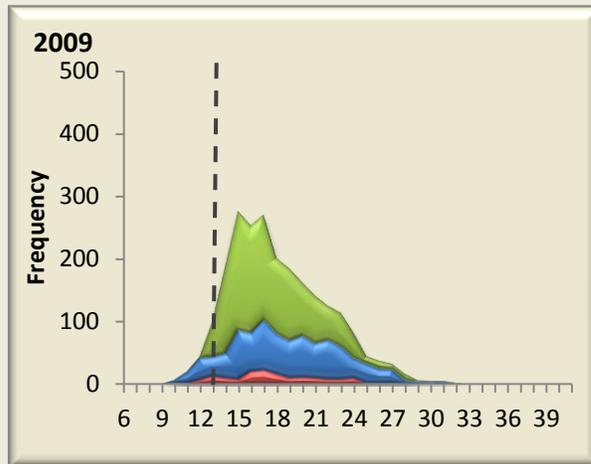
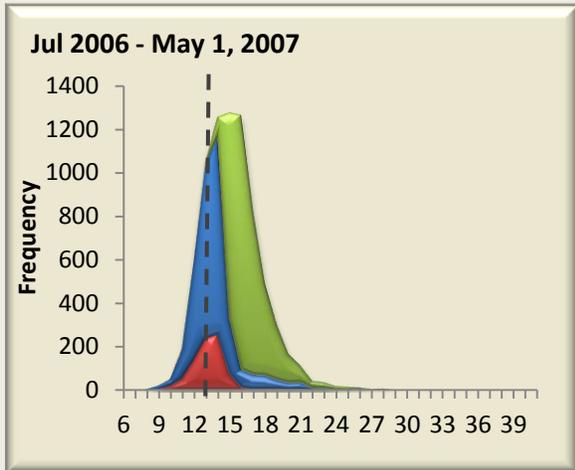


Figure 18: Size (total length in inches) frequency distribution by disposition status of red snapper caught using vertical line gears. Data source: SEFSC Reef Fish Observer Program, accessed 4/16/2012. Landed fish are shown in green, discarded alive fish in blue, and discarded dead fish in red.

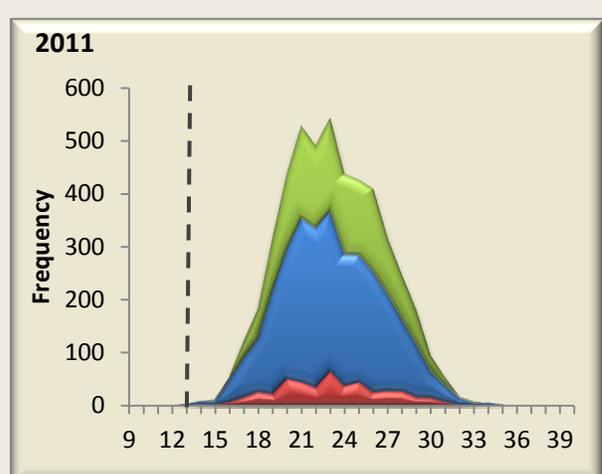
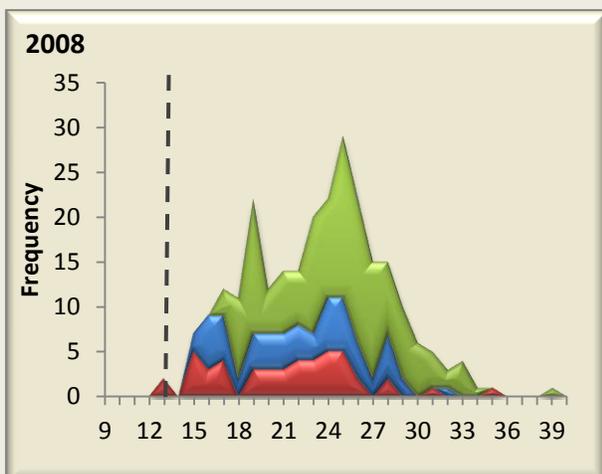
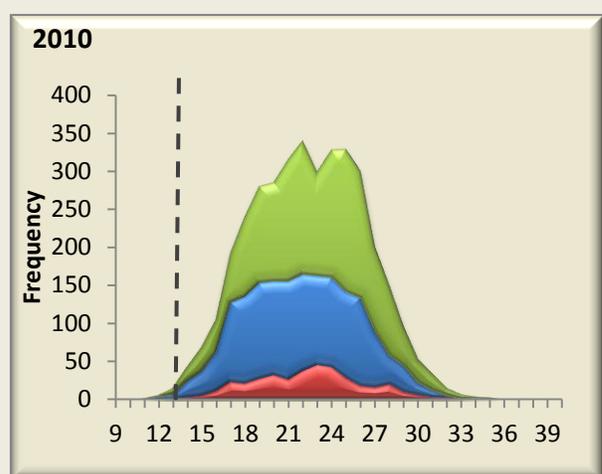
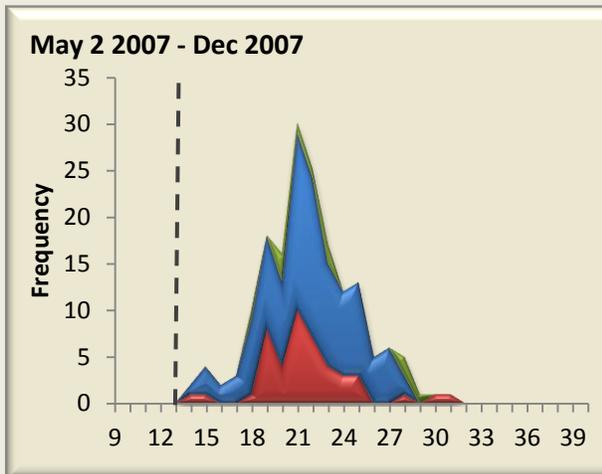
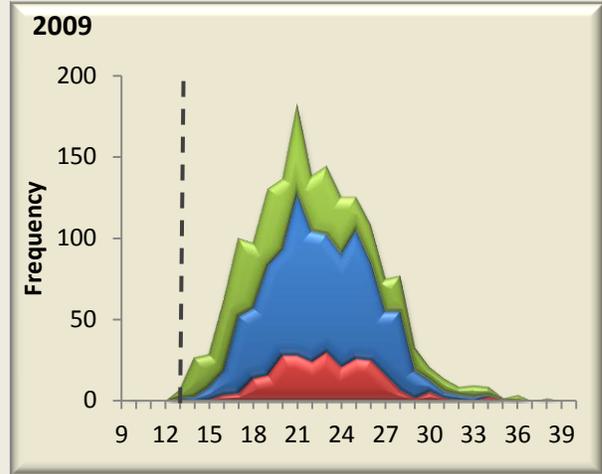
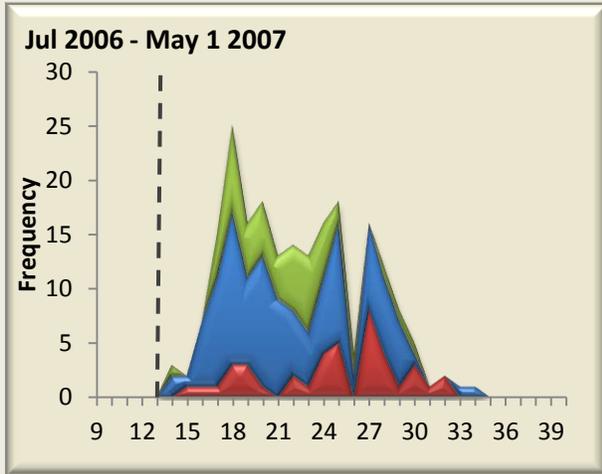


Figure 19: Size (total length in inches) frequency distribution by disposition status of red snapper caught using longline line gears. Data source: SEFSC Reef Fish Observer Program, accessed 4/16/2012. Landed fish are shown in green, discarded alive fish in blue, and discarded dead fish in red.

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 and participating Joint Enforcement Agreement (JEA) states enforce the regulated activities mandated under the GOM IFQ programs. State wildlife officers and game wardens contribute to the enforcement of the IFQ program 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 U.S. Coast Guard and JEA partners with long range capabilities ensure that vessels harvesting red snapper and grouper-tilefish are eligible entities in the IFQ programs. Major violations since implementation of the IFQ programs include the false reporting of species harvested and under reporting of total weights landed. Typical violations include landing prior to the three-hour minimum landing notice, landing at a location other than specified in the landing notification, transporting an IFQ species without an approval code, completing a landing transaction without a landing notification, and offloading after approved hours.

The number of IFQ related cases has decreased since the start of the program, despite the start of the GT-IFQ program in 2010. In 2011, there were 6 seizures of catches that contained red snapper, with over 6,500 lb seized, relating to a total ex-vessel value of over \$26,500 (Table 18). This is a considerable increase since 2010 in the total pounds seized.

Table 18: Law Enforcement

	2007	2008	2009	2010	2011
IFQ cases	20	17	20	9	10
IFQ Red Snapper seizures	7	6	2	4	6
Pounds red snapper	7,678	1,622	250	538	6,683
Seizure Value	\$33,270	\$6,525	\$910	\$2,170	\$26,619

The percentage of notifications without transactions has decreased since the start of the program, as has the percentage of transactions without notifications (Table 19). In 2011, IFQ staff began regularly contacting dealers about missing notifications or landings, which resulted in a much lower percentage of orphan notifications or landings than in previous years despite a greater number of transactions. In 2011, there were 3,910 landing notifications made using either the VMS, IFQ online system, or the IFQ support phone line. Of these, 37 (1%) had no corresponding landing transaction (Table 17). There were a total of 3,822 landing transactions, and of these, 0.5% (19) had no corresponding landing notification (Table 19).

Table 19: IFQ Landing Notification Transaction Audit

	2008	2009	2010	2011
Landing notifications	2,872	2,767	3,366	3,910
Landing transactions	2,861	2,451	3,228	3,822
% notifications without transactions	11%	9%	3%	1%
% transactions without notifications	4%	8%	5%	0.5%

Summary

In the fifth year of the Red Snapper IFQ program, the program has shown progress in its main objectives of reducing overcapacity and mitigating the derby fishing conditions; increased market stability; fishing flexibility; and balancing social, economic, and biological benefits. Some of these benefits are overshadowed by the start of the GT-IFQ program in 2010, which created an influx in shareholders, allocation holders, and vessels into the RS-IFQ program.

After five years of RS-IFQ management, the number of shareholders has declined by 25%, with a small number of shareholders holding large ($\geq 1.5\%$) shareholdings. The number of trips taken in 2011 was ~40% less than pre-IFQ levels, although it should be noted that the quota was 21% less than pre-IFQ. The number of days away from port is comparable to pre-IFQ levels. The majority of shareholders still reside in Florida and Texas. In 2011, there was an increase in the percentage of shares held by non-permitted accounts. This occurs as account holders sell their permits, but retain their shares in order to sell allocation to other account holders. Despite the increase in the number of shareholders without GOM reef fish permits, the majority (98%) of the red snapper quota is being harvested. Although the number of share transfers has been consistent for the last three years, share prices have increased each year, with median share prices per equivalent pound at \$25.00. This is approximately 3 times greater than the prices in 2007. The number of vessels decreased at the start of the RS-IFQ program and remained stable, but increased with the start of the GT-IFQ program. Since 2007, average landings per trip have increased for vessels landing in Louisiana and Texas and have remained stable or slightly declined for vessels landing in Florida and Alabama/Mississippi.

Although the number of shareholders and allocation holders decreased, there has been an increase in the number of dealers in the RS-IFQ system. There has also been a shift in the number of fishermen landing with one dealer, with more dealers working with only 1-2 fishermen in recent years compared to earlier years where more dealers worked with 3-10 fishermen.

The last two years have shown an increase in the amount of allocation being traded between accounts, indicating the flexibility the system offers to fishermen. In 2011, there were more than 2,000 allocation transactions between accounts, which traded over 3.6 million pounds. Although price information is often missing from allocation transactions, the median price for a pound of allocation has been stable

over the last three years at \$3.00/lb. The number of accounts holding allocation that did not also hold shares has increased over the last five years from 7% to 25%. This corresponds with the increase in the percentage of accounts that are only trading allocation (no harvest) which has increased from 24% in 2007 to 27% in 2011. In 2011, over 98% of the quota was landed by just 56% of the accounts that held allocation. The remainder of accounts traded allocation, were inactive, or sanctioned. The number of accounts has decreased since the start of the program the majority of the remaining allocation balances at the end of the year belong to inactive accounts.

Within the last two years, the red snapper quota increased twice, and the quota will be increased again in 2012, as a result of overfishing ending and the stock rebuilding. Similar to other years, landings in 2011 were highest from January to April and in December, when fishermen were using remaining allocation before the end of the year. In 2011, there was an increase in ex-vessel prices with the majority of ex-vessel prices at or above \$4.00/lb. Overall, average ex-vessel price continued to climb throughout the year, which was influenced by the increase in ex-vessel prices reported in Florida and Texas dealers. Average prices differed by more than \$1.00/lb across the different states, showing the variable nature of the market and difference in price reporting.

By-catch of red snapper has remained a problem, especially in the longline sector, where the majority of fish discarded are greater than the legal size limit. A large proportion of legal-sized red snapper continued to be discarded by both the vertical line and longline fleets. For vertical line gear, 3.5 red snapper were landed for every fish released compared to a 0.5:1 landing to discard ratio for longline gear. The proportion of landed to discarded fish was considerably greater in the Florida Panhandle through Texas areas then off the West Florida Shelf. Discards were likely due to insufficient allocation, rather than the minimum size limit, especially in the longline sector.

Looking Ahead

The red snapper rebuilding plan projects increases in quota will continue as stock size increases. The 2012 commercial quota will be increased on June 29, 2012. A five year review of the RS-IFQ program is currently underway and a benchmark stock assessment red snapper will begin in August 2012. The assessment is scheduled for completion by the summer of 2013. These evaluations should provide the most up-to-date information on the status of the red snapper stock and will include the most recent data available for red snapper.

Beginning January 1, 2012, new regulations required any U.S. citizen or permanent resident alien applying for participation, or any person previously issued an IFQ online account, to submit an IFQ Online Account Application to obtain or maintain an IFQ online account. All participants in both the GOM IFQ programs are now required to submit the application every two years to keep an active account. Should an IFQ participant no longer have a GOM reef fish permit associated with their IFQ account, they will still be required to submit the IFQ Online Account Application every two years in order to keep the account active. This has resulted in NMFS staff contacting all IFQ account holders, which has

resulted in a decrease in the number of inactive accounts. In addition, NMFS staff is working to develop procedures to close accounts by the request of the account holder.

At the beginning of 2012 new regulations were implemented allowing any U.S. citizen or permanent resident alien to purchase red snapper shares and/or allocation, although they cannot harvest red snapper without a GOM reef fish permit and sufficient allocation in their vessel account. The system will continue to be monitored to evaluate the effect of the public participation on the RS-IFQ system with respect to share and allocation transfers as well as economic information.

Shareholders and dealers can also expect to see continued improvements to the online IFQ system. The new online system has been under development since its implementation in 2010 and improvements will continue to be made to make the system easier to use. If you have a suggestion on how the online system can be improved please call or e-mail IFQ customer support. Upcoming adjustments to the system include improved ledgers for allocation, shares, and landings with printable options; improved linking of landing notifications to landing transactions; and improved methods for verifying price data. Price data has become an increasingly important aspect to the IFQ system, as it is used to measure the economic value of the commercial sector for evaluating allocation among sectors. Therefore, a main goal in the upcoming year will be to improve the collection of price data and related information for shares transfers, allocation transfers, and ex-vessel prices. Constituent workshops will be held throughout the GOM during summer and fall 2012 to discuss administrative and regulatory improvements that can be made to the IFQ program.

Appendices

Appendix 1: Red snapper management¹

Year	Days open	Quota	Harvest	Size Limit	Commercial Management Action
1990	365	2.79	2.40	13	
1991	236	1.84	2.02	13	
1992	95	1.84	2.81	13	<ul style="list-style-type: none"> ▪ Emergency rule: April 3- May 14 1,000 lb trip limit ▪ Moratorium on new reef fish permits ▪ 2,000 lb and 200 lb endorsements ▪ Closed fishery December 1
1993	94	2.76	3.08	13	<ul style="list-style-type: none"> ▪ Opened Feb 10 ▪ One trip limit per day ▪ Extended endorsements
1994	77	2.76	2.93	14	<ul style="list-style-type: none"> ▪ Raised minimum size over next 5 years ▪ Extended reef fish permit moratorium
1995	52	2.76	2.65	15	<ul style="list-style-type: none"> ▪ Opened Feb 28
1996	87	4.19	3.90	15	<ul style="list-style-type: none"> ▪ Split quota into spring and fall seasons ▪ Extended endorsement
1997	73	4.19	4.34	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 license ▪ Allocated 2/3 quota to spring, starts Feb 1 ▪ Fall season started Sept 1, 1st 10 days /month
1999	70	4.19	4.40	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	4.18	15	
2002	91	4.19	4.32	15	
2003	94	4.19	3.99	15	
2004	105	4.19	4.21	15	
2005	131	4.19	3.69	15	<ul style="list-style-type: none"> ▪ Extended reef fish permit moratorium indefinitely
2006	126	4.19	4.21	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
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
2011	365	3.30	3.24	13	<ul style="list-style-type: none"> ▪ Mid-year quota increase

¹All weights are in million pounds gutted weight; all lengths are in inches total length; all days are calendar days. Pink shading indicates IFQ years. Data collected from Gulf of Mexico Fishery Management Plans and Amendments, stock assessments, and IFQ program. Landings were from the SEFSC ACL dataset accessed 7.3.2012. All values listed are the end of year values.

Appendix 2: Accounts holding shares by share percentage¹

Share Percentage	<u>Accounts holding shares</u>					
	Initial (1/1/2007)	EOY 2007	EOY 2008	EOY 2009	EOY 2010	EOY 2011
0.0001 - 0.0049	162	153	149	144	139	135
0.0050 - 0.0099	92	77	69	59	54	48
0.0100 - 0.0499	161	138	128	110	104	101
0.0500 - 0.09999	25	22	21	21	23	25
0.1000 - 1.4999	100	90	90	87	86	91
1.5000 - 1.9999	6	6	5	8	9	7
2.0000 - 2.9999	3	5	6	3	4	5
≥ 3.0000	5	6	6	7	6	6
Total	554	497	474	439	425	418

¹ The 2007-2009 values have been adjusted to be comparable to the 2010 IFQ system's definition of an account, where an IFQ account is the unique combination of all the individuals/corporations associated with an account.

Appendix 3: Changes in accounts holding shares¹

Year	Accounts selling all shares		Accounts newly acquiring shares	
	N	Shares (%)	N	Shares (%)
2007	67	6.67	10	0.57
2008	33	1.83	10	0.78
2009	41	1.30	6	0.42
2010	42	4.48	28	4.41
2011	29	1.45	22	1.51

¹ Accounts that sold all shares had to own shares at the beginning of the year.

Appendix 4: Size and percent coverage of fishing area closures due to Deepwater Horizon oil spill in 2010.

Date of Closure	Area (sq mi)	Area (sq km)	Percent Coverage of Gulf EEZ	Percent Change in Coverage
2-May	6,817	17,648	2.8	N/A
7-May	10,807	27,989	4.5	58.5
11-May	16,027	41,511	6.6	48.3
12-May	17,651	45,717	7.3	10.1
14-May	19,377	50,187	8.0	9.8
17-May	24,241	62,784	10.0	25.1
18-May	45,728	118,435	18.9	88.6
21-May	48,005	124,333	19.8	5.0
25-May	54,096	140,109	22.4	12.7
28-May	60,683	157,169	25.1	12.2
31-May	61,854	160,200	25.6	1.9
1-Jun	75,920	196,633	31.4	22.7
2-Jun	88,522	229,270	36.6	16.6
4-Jun	78,182	202,491	32.3	-11.7
5-Jun	78,603	203,582	32.5	0.5
7-Jun	78,264	202,703	32.3	-0.4
16-Jun	80,806	209,286	33.4	3.2
21-Jun	86,985	225,290	35.9	7.6
23-Jun	78,597	203,564	32.5	-9.6
28-Jun	80,228	207,790	33.2	2.1
4-Jul	81,181	210,259	33.5	1.2
12-Jul	84,101	217,821	34.8	3.6
13-Jul	83,927	217,371	34.7	-0.2
22-Jul	57,539	149,026	23.8	-31.4
10-Aug	52,395	135,703	21.7	-8.9
27-Aug	48,114	124,614	19.9	-8.2
2-Sep	43,000	111,369	17.8	-10.6
3-Sep	39,885	103,303	16.5	-7.2
21-Sep	31,915	82,659	13.2	-20.0
1-Oct	26,287	68,083	10.9	-17.6
5-Oct	23,360	60,502	9.7	-11.1
15-Oct	16,481	42,686	6.8	-29.4
22-Oct	9,444	24,461	3.9	-42.7
15-Nov	1,041	2,697	0.4	-89.0

Appendix 5: Facility locations

Year	AL/MS		FL		LA		TX	
	N	%	N	%	N	%	N	%
2007	4	3%	64	63%	13	13%	21	21%
2008	7	6%	60	65%	11	12%	15	16%
2009	7	4%	59	66%	8	9%	16	18%
2010	4	2%	68	70%	10	10%	15	15%
2011	6	4%	78	72%	11	10%	13	12%

Appendix 6: Effort and landings

	Year	FL	AL/MS	LA	TX	All Gulf States
Vessels ¹	2007	219	3	25	58	305
	2008	216	12	24	45	297
	2009	217	10	23	39	289
	2010	306	12	20	46	384
	2011	290	23	17	32	362
Trips	2007	1,603	181	299	549	2,632
	2008	1,476	203	247	417	2,343
	2009	1,650	196	254	351	2,451
	2010	2,457	139	196	428	3,220
	2011	3,000	304	227	292	3,823
Days Away ²	2007	6,405	613	1,955	2,256	11,229
	2008	6,048	525	1,393	1,694	9,660
	2009	6,333	439	1,295	1,377	9,444
	2010	10,539	378	913	1,377	13,207
	2011	11,309	361	746	1,306	13,722
Avg. Landings (lb) per Trip	2007	692	441	1,471	2,182	1,075
	2008	614	430	1,500	1,978	937
	2009	556	395	1,597	2,265	898
	2010	561	587	2,916	2,393	949
	2011	532	444	2,673	3,090	847

¹ Vessels states have been adjusted to reflect the landing facility's state rather than the dealer's main address. Previous reports used the dealer's main address, but as dealers can have multiple facilities in different states, the facility state is more appropriate. Vessels were assigned a state based on the greatest total landings. The number of vessels reporting landings in multiple states was 24 in 2007, 19 in 2008, 12 in 2009, 14 in 2010, and 13 in 2011.

² Days away based on reported state of landings. Data for days away (all years) from coastal logbook records as of April 12, 2012 (note numbers may change over time due to the logbook return lag.)

Appendix 7: Inflation-adjusted ex-vessel prices

Year	Trip Ticket ¹		IFQ	
	Average	Median	Average	Median
1990	\$4.82	\$4.97	—	—
1991	\$4.37	\$4.36	—	—
1992	\$3.42	\$3.57	—	—
1993	\$3.32	\$3.11	—	—
1994	\$3.37	\$3.31	—	—
1995	\$3.24	\$3.08	—	—
1996	\$2.92	\$2.87	—	—
1997	\$2.72	\$2.80	—	—
1998	\$3.20	\$3.11	—	—
1999	\$2.94	\$3.03	—	—
2000	\$3.22	\$3.14	—	—
2001	\$3.11	\$3.18	—	—
2002	\$3.09	\$3.13	—	—
2003	\$3.18	\$3.19	—	—
2004	\$3.29	\$3.28	—	—
2005	\$3.51	\$3.46	—	—
2006	\$3.50	\$3.57	—	—
2007	\$3.82	\$4.09	\$3.83	\$4.07
2008	\$3.87	\$4.21	\$3.86	\$4.18
2009	\$3.69	\$4.09	\$3.75	\$4.19
2010	\$3.54	\$4.13	\$3.47	\$4.13
2011	\$3.49	\$4.00	\$3.57	\$4.25

¹ SEFSC Accumulated Landings System.

Appendix 8: Regional ex-vessel prices not adjusted for inflation

	2007	2008	2009	2010	2011
FL	\$3.80	\$3.96	\$3.97	\$3.61	\$3.93
AL/MS	\$3.33	\$3.63	\$3.36	\$3.29	\$3.02
LA	\$3.58	\$3.83	\$3.56	\$2.89	\$2.43
TX	\$3.29	\$3.33	\$3.15	\$3.28	\$3.80
Gulf-Wide	\$3.54	\$3.69	\$3.58	\$3.36	\$3.57

Appendix 9: Red snapper bycatch statistics¹

	07/01/06 – 05/01/07	05/02/07 – 12/31/07	2008	2009	2010	2011
<i>Red snapper observed</i>	8,003	6,889	6,942	4,017	8,224	15,714
H&L/Bandit gears	7,789	6,718	6,653	2,330	4,503	10,628
Longline gears	214	171	289	1,687	3,721	5,086
<i>Disposition</i>	11,961	8,527	8,532	6,122	11,359	21,088
Landed/kept	4,021	5,153	5,274	1,892	5,092	9,794
Discarded	3,958	1,638	1,590	2,093	3,119	5,612
Discarded Alive	3,063	1,010	909	1,665	2,370	4,487
Discarded Dead	895	628	681	428	749	1,125
Unknown	24	98	78	44	29	70

¹ Data source: Reef Fish Observer Program, accessed 4/16/2012. Trips reporting catch may be from multiple areas: FL peninsula (areas 1-8), FL panhandle to MS (areas 9-12), and LA through TX (areas 13-21).

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

Allocation Transfer – A transfer of allocation (pounds) from one shareholder account to another shareholder account. The online IFQ website provides a transaction approval code to the transferor and transferee confirming each allocation transfer. Allocation transfers are accomplished by using the online IFQ Website at <http://ifq.sero.nmfs.noaa.gov/>. Through January 1, 2012, allocation can be transferred only to an entity that holds a valid GOM reef fish permit.

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

GOM Reef Fish Permit Holder – An entity that possesses a commercial Gulf of Mexico reef fish permit and therefore, is eligible to be exempt from bag limits, to fish under a quota, or to sell Gulf of Mexico reef fish in or from the Gulf Exclusive Economic Zone. There is an eligibility requirement and an annual fee associated with the permit.

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 which 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 – A landing transaction report that is completed by an IFQ dealer using the online IFQ system. This report includes 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. The fisherman landing IFQ species must validate the dealer transaction report by entering his 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 of the quota. The exact share percentage that is equivalent to one pound depends on the total commercial quota at that point in time. This value will change as the quota changes either among or within years.

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. Shares are permanent until subsequently transferred.

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 website at <http://ifq.sero.nmfs.noaa.gov/>. Through January 1, 2012, shares can be transferred only to an entity that holds a valid Gulf of Mexico reef fish permit. Website

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

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