

Markets And Management: You Need To Know Both

Rod Moore
Executive Director
West Coast Seafood Processors Association
USA

Since one of the themes of this conference is to develop a better understanding between the seafood and economic communities, I thought I would address how markets and management influence each other.

Perhaps first a definition of terms is in order. Since I am approaching this from the perspective of somebody involved in the fishing industry, my definition of "market" is both the place and the arena in which fishermen and processors sell their products; a definition which is probably not that much different than one which would be used by a theoretical economist, but one which definitely has a more immediate and direct effect on the individual fisherman or processor.

"Management" can be roughly defined as that set of rules and policies designed to achieve a specified objective, usually biological in nature. While fisheries management can also address economic and social goals, in reality the underlying rationale tends to be biology: maintaining a certain number or amount of fish.

So, to the questions that need to be answered:

* Do these concepts interact?

* If so, how?

* Do people, especially managers, recognize the interactions and incorporate them into their decisions?

Given my background, I will try to answer these questions from the perspective of the west coast fisheries.

I think it is safe to say that management has a bigger effect on market than vice versa. While the Pacific Groundfish Fishery Management Plan has as one of its goals the maintenance of a year-round fishery so that fresh groundfish will be available in the marketplace all year, the rules governing various species of fish are based more on the biology and ecology of the fish than they are on providing efficiency, quality product, or higher prices for that product. We provide fishermen with a better opportunity to catch flatfish at a time of year when rockfish - a generic term for members of the *Sebastes* genus - evidences a higher demand from consumers. Conversely, we increase the supply of rockfish fillets when consumers are more interested in other species. So, while we have a year-round fishery, we are not catching the right things at the right time.

And, of course, to a certain extent prices reflect this basic supply / demand situation. Ex-vessel price per pound generally tends to be higher in the winter and early spring, and lower in the summer, about what we would expect. Management affects market, at least for the individual fisherman, both positively and negatively.

But in a broader context, management of groundfish tends to have a predominantly negative effect on the market, because the Pacific groundfish is not the sole source of supply. When rockfish limits are low on the west coast, the market niche they occupy is filled by rockfish from other sources - Canada, for example - or even other species. Thus, while demand for rockfish is high, demand for west coast rockfish is less. This not only dampens prices in the high demand months, but follows through into the summer as well, because - in order to have entry into the market - processors must reduce their prices below those of competitors and in turn must reduce prices paid to fishermen.

A similar situation can be found with Pacific shrimp. Under current management, the fishery opens on April 1st, when the shrimp are of lower quality and demand is not as high as it will be later in the spring. Prices tend to start low. By the time quality and demand have improved, shrimp begins arriving from other sources at a competitive price albeit generally at lower quality. However, because buyers have been exposed to the lower quality Pacific shrimp found earlier in the year, there are difficulties in establishing a market position later in the year. Once again, management has ignored the marketplace.

Unfortunately, things look even grimmer for the west coast fisheries in the years ahead, unless we make some major changes. Under current rules, and based on our sad lack of data, we will see substantial reductions in harvest levels for Pacific groundfish. We will see more arcane twists in management measures to reflect biology but ignore how fish is bought and sold. We will exacerbate problems in dealing with imports.

So what do we do about all of this? Is there anything we can do?

For the short term, given the likely harvest levels, we need to start approaching our seafood sales from a new direction. We need to build an identity, not just for "Pacific groundfish" but for identifiable species. We need to sell customers on Dover sole, rex sole, petrale sole, rather than simply offering them "sole". We need to extol the virtues of particular species of rockfish and - even more important in this day of "green" lists which decide for us what is ecologically and politically correct to eat - we need to differentiate among species. Why should the Audubon Society warn us of the dangers of eating all Pacific rockfish when yellowtail rockfish are at a high level of abundance? But unless we make those distinctions, we will be dealing with consumers who look only at price or ecological purity and lump all of our products together.

Of course, this sort of specialized marketing is neither cheap nor easy to do. It cannot be carried out by any one company or any one sector in the fisheries; it will require cooperation across the board, something that the seafood industry often does not exhibit. We will see if economic pressure forces new alliances.

But what about the broader concept of mixing markets with management? I've already demonstrated that the two interact, and given you brief example of how this interaction occurs. What we haven't seen is the incorporation of these interactions into the decision process. That's my challenge to you in the economics industry - stop assuming that processors are interchangeable and that they are the end point in the fishery. Stop spending all your time on looking at an economically efficient way to deal with catching fish and broaden your horizons to include the processing and sale of fish products. Even the most efficient fisherman needs a place to sell his fish, and dockside sales to the general public won't handle 50,000 pound loads of Dover sole.

We need to look at our fisheries as a whole, not individual parts. We need to have our management choices reflect what happens in the marketplace. We can only do that if we look at both management and markets.

Rod Moore
Executive Director
West Coast Seafood Processors Association
P.O. Box 1477
Portland, OR 97207
503-227-5076 / 503-227-0237 (fax)
email: seafood@attglobal.net