

Cooperatives in Alaska and Japan

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Fishermen's Collective Marketing Act of 1934

- Allows fishermen to jointly harvest, market, and price their product without being in violation of antitrust laws
- Cooperative is limited to harvesters, not processors, but processing may occur once the cooperative is formed
- A law that is available now
 - Doesn't require new legislation or Council approval although it is most effective in conjunction with a specifically assigned TAC and limited access program
 - Bearing Sea pollock industry sought Congressional action (AFA)

What Cooperatives can do

- May agree on terms of sale and minimum prices they will accept for products
- May make similar agreements with other cooperatives
- May achieve monopoly power through natural growth or through combinations with other cooperatives
- May limit production if market is limited
- May harvest with fewer vessels and share costs and revenues

What Cooperatives can't do

- May not make agreements with those outside the cooperative
- May not “unduly enhance” the price by holding back supply
- May not force agreements by refusing to sell, boycotting, picketing, or through other non-competitive practices
 - Treble damages are assessed to anti-trust violators

Three Types of FCMA Fishery Cooperatives

- Marketing/supply cooperatives without quota
 - Most common type today (70 as of 1980)
 - Limited ability to negotiate price or cooperate in harvesting because they have no control over supply
- Harvest cooperatives
 - Have a group quota allocation but only cooperate in dividing the shares among vessels
 - Market catch competitively
- Marketing cooperatives with quota
 - Jointly harvest by sharing costs and revenues and sharing quota
 - Jointly market
 - Negotiate prices
 - May handle/process catch (optional)

Harvest Cooperatives

Pacific Whiting Conservation Cooperative

- Pacific Fishery Management Council established Sub-allocation of overall TAC
- Consolidation was permitted before establishment of cooperative (share agreements were reached in half a day!)
- Obtained favorable Business Review Letter from Department of Justice since some vessels were processor owned
- Because of processor involvement, they agreed to cooperate in harvesting only and to take the entire quota allocation

➤ Bering Sea Pollock Cooperative

- After unsuccessful attempts to have the North Pacific Council allocate sector quotas, they turned to Congress which ultimately legislated the AFA
- The AFA named eligible vessels, provided a mechanism for an industry funded buyout, established the cooperative, and allocated quota

Harvest Cooperative Benefits

- Significant benefits even if unable to negotiate higher prices
 - Decreased capacity and ended the race to fish
 - Decreased costs
 - Allowed timing of harvest with market
 - Increased quality and yield
 - Optimized product mix
 - Decreased share negotiation time
 - Cooperated to avoid bycatch (yellowtail rockfish in Pacific Whiting fishery)

Chignik Seafood Producers Alliance - Alaska

- Example of marketing cooperative with quota
 - Not necessary (or appropriate in each case) to cooperate in all aspects but forming an FCMA cooperative leaves the door open
- Alaska Board of Fisheries allocated 70% of sockeye salmon TAC to 77 permit holders
- Cooperative used 19 vessels to harvest TAC
 - Shared reduced costs and higher revenues
 - Negotiated higher prices (one buyer paid for fish in advance)
 - Developed new markets
 - Improved quality
 - Timed production with market
 - Avoided crowding and race for fish

Summary – US Examples

- Laws exist and are currently being used
- Cooperatives can be established quickly
- Doesn't require Council action beyond establishing quota share and limited access
- Individual vessel shares can be negotiated within cooperative (or individual shares brought to coop)
- Incentive to harvest efficiently and control capacity
- Incentive to time catch with market
- Harvesters may negotiate higher prices

Cooperatives in Japan

(See: Administration and conflict managements in Japanese coastal fisheries by Kenneth Ruddle. Available on www.fao.org)

- Backbone of fisheries management
- Fishing rights to a sea area are bona fide personal property of individual members of the association (no conceptual difference between land holdings/tenure and sea holding/tenure)
- Based on village customary law
- Organized as a true cooperative (one-member, one-vote) but more extensive than US examples
 - An “all inclusive management council with a TURF”

Role of Fisheries Cooperative Association (FCA)

- Marketing and other support (supplies, etc.)
- Assignment of fishing rights
- Dispute resolution
- Implement and enforce national and prefectural legislation
- Supplement legislation as local conditions require

History of Japanese Co-ops

- Pre-feudal times (pre-1603)
 - Emperors granted rights (set gear) to areas where rivers flowed in or out of lakes
 - Power shifted to shrines which received shares of the catch
 - Exclusive offshore rights were granted to privileged communities
- Feudal era (1603 – 1867)
 - All sectors of Japanese society were organized according to strict hierarchical systems (fiefdoms)
 - Coastal villages were instructed to proclaim and define sea territory
 - Coastal fisheries were closely adapted to local physical, biological, and socio-economic conditions
 - Villages were classified as farming or fishing settlements (shared usage)

History (cont.)

- Post-Feudal period (1868 – 1948)
 - After fiefs were dismantled, ownership of fisheries reverted to central government. Issued permits based on a use tax.
 - After free-for-all, reverted to traditional system at prefecture level (replaced fiefs) by establishing fisheries cooperatives.
 - Rights were based on clearly defined sea territories associated with traditional use patterns.

Current Co-op Features (Japan)

- Use of cooperatives and licenses based on distance from shore and gear. Rights may be granted to individuals, private organizations or cooperatives
- Area specific, not based on quota
- FCA belongs to local community of fishermen
- Rights cannot be loaned, rented, transferred or mortgaged (can be inherited)
- Membership is currently less reliant on kinship because of out-migration of younger generation
 - Apprenticeships (rite of passage in some villages) or crewing
 - Residency