

Cost/Benefit of Avoiding Cost Recovery Fishery

Summary of the Situation

The State of Alaska is facing significant budgetary pressures. The Alaska Department of Fish and Game (ADF&G) needed about \$226,000 in additional funding to pay for fishery management in Bristol Bay during 2016. ADF&G had planned on using a cost recovery program to raise the additional funds, where processors would bid on a certain volume of fish to be harvested by contracted fishermen. The cost recovery program would have taken about 150,000 sockeye, or about 840,000 pounds of fish, out of the fishery. ADF&G anticipated raising 30 cents per pound from this year's cost recovery fishery, a figure well below the \$0.76 average base price and the estimated final price of \$0.92.¹

The Bristol Bay Regional Seafood Development Association (BBRSDA) decided it was an appropriate use of funds to supply ADF&G with additional funding during 2016 to avoid a cost recovery program that would lower the amount of fish available for harvest by member fishermen. BBRSDA also coordinated donations from processors. In total, BBRSDA contributed \$128,327 and eight processing companies donated a total of \$98,000.

Cost/Benefit Analysis

BBRSDA spent \$128,327 to bridge ADF&G's funding gap in 2016. This expenditure represents an investment in maximizing the fishery's ex-vessel value, which would have been lower had no action been taken. Given final estimated prices, the cost recovery volume of approximately 840,000 pounds would have yielded an ex-vessel value of \$772,800. BBRSDA's funding provided a net increase of \$644,473 in ex-vessel value, after debiting the \$128,327 payment to ADF&G. Driftnetters typically account for about 84 percent of the region's ex-vessel sockeye value, yielding a collective net benefit of \$520,825 for BBRSDA member fishermen ($\$772,800 \times .84 - \$128,327$) and \$123,648 for setnetters. Actions taken by the BBRSDA resulted in a return of roughly four dollars for every dollar spent on avoiding a cost recovery, in terms of raising the overall fishery value.

Costs and Benefits of Avoiding a Bristol Bay Sockeye Cost Recovery Program in 2016

BBRSDA Funds Paid to ADF&G to Avoid Cost Recovery Harvest	\$128,327
Processor Donations to ADF&G	\$98,000
Expected Cost Recovery Harvest Volume (lbs.)	840,000
Estimated Final Ex-Vessel Bristol Bay Sockeye Price	\$0.92/lb.
Estimated Final Ex-Vessel Value of Cost Recovery Volume	\$772,800
Total Net Ex-Vessel Value Retained by Bristol Bay Harvesters	\$644,473
Total Net Ex-Vessel Value Retained by Bristol Bay Driftnetters	\$520,825

Source: McDowell Group estimates.

¹ Final ex-vessel prices for 2016 will not be available until May 2017, but McDowell Group estimates the final ex-vessel price for 2016 Bristol Bay sockeye will be approximately \$0.92/lb. based on historical differences between base price and final price.

BBRSDA would like to thank the following Bristol Bay processors for their contributions that helped avoid a cost recovery fishery in 2016:



Alaska General Seafoods