

CARES Act Relief Commercial Working Group

Meeting Overview

- Meeting is being held via Zoom.
- Meeting will be recorded and recording will be a public record.
- Presentation is a public record and may be shared.
- Presentation and meeting summary will be published on DMF's CARES Act website by end of the week.

Meeting Guidelines

- Please mute yourself when you are not speaking.
- Webcams do not need to be active.
- Use "raise hand" feature in the participants box to be recognized to speak.

Commercial Working Group Membership

DMF Staff

- Jared Silva, Co-Chair
- Melanie Griffin, Co-Chair

Industry Members

- Ed Barrett, President of MA Fishing Partnership
- Dan Orchard, MA Fishing Partnership
- Beth Casoni, Executive Director of MA Lobstermen's Association
- John Pappalardo, CEO of Cape Cod Commercial Fishermen's Alliance
- Ed Washburn, Port Director for Port of New Bedford
- Jackie Odell, Executive Director of Northeast Seafood Coalition
- Drew Minkiewicz, Fisheries Survival Fund
- Albert Cottone, Executive Director of Gloucester Fisheries Commission
- Ron Bergstrom, Chatham-based shellfish fishermen



Process Overview

1

- **Initial Advisory Panel Meeting (June 2)**
 - Reviewed CARES Act funding, sector specific aid programs, and initial concerns.

2

- **Sector Specific Working Groups (mid-June 2020)**
 - Goal: Develop sector specific spending plans
 - Multiple meetings may be held

3

- **Second Advisory Panel Meeting (Late June 2020)**
 - Reviews spending plans and program administration

4

- **Relief Program Administration (July 2020 – End of Program)**
 - Application and initial determinations
 - Appeals and final determinations
 - Payment



Overview of CARES Act Disaster Relief Funding

\$300 Million to Support U.S. Fishermen and Seafood Industry

- NOAA Fisheries used multi-year averages of “fishery participants” to estimate total average annual revenues for each state and sector.
- Eligibility for disaster relief from this program requires an economic loss of at least 35% as compared to prior 5-year average.

Massachusetts receives approximately \$27.8 Million (4 Sectors)

- Seafood Processing 51.2%
- Commercial Fishing and Aquaculture combined 47.3%
- For-Hire (Party and Charter Boats) 1.5%
- Strong interest in getting the money out the door as soon as possible



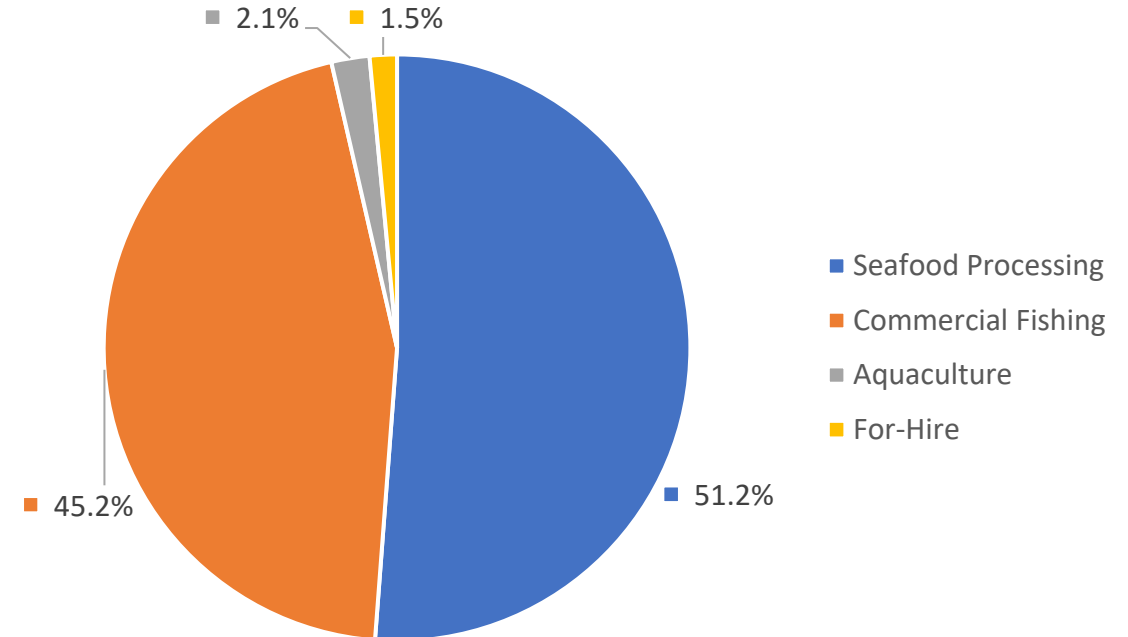
Value Estimates Among Four MA Sectors

Sector	Pct of Total	Annual Value (millions)
Wholesale Dealers	51.2%	716
Wild Capture Fisheries	45.2%	630
Aquaculture	2.1%	30
For-Hire (Party/Charter boats)	1.5%	21
Grand Total	100%	1,397

Total revenue for these 4 sectors = **\$1.4 billion**.

If losses across all sectors combined reach 35%, then losses may be \$500 million; the \$28 million won't come close to making the industry "whole".

% of Estimated Annual Revenue by Sector - for Massachusetts



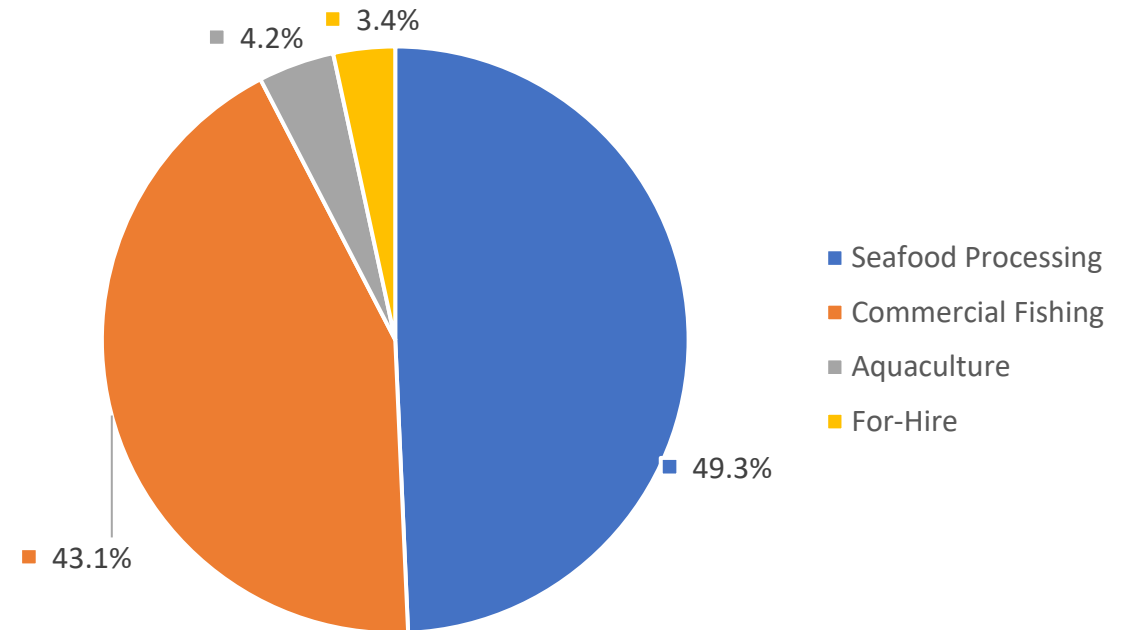
Sector Allocation Proposal

Sector

- Seafood Processing: \$13,779,789
- Commercial Fishing: \$11,828,404
- Aquaculture: \$1,152,652
- For-Hire Industry: *\$1,000,000

*This value is 1.5% of available + \$316K from DMF admin funds + \$271,586 (~2%) from Seafood Processing sector

% of Estimated Annual Revenue by Sector -
for Massachusetts



DMF recommends shifting most of DMF's administrative budget to the for-hire industry, and realigning the combined commercial/aquaculture percentage to more closely align with each sector's current losses (~68% aquaculture loss, ~33% all commercial fisheries loss)



Commercial Fishing occurs on many species

Species with >\$3 million Ex-Vessel Value in 2019*

Species	Ex-Vessel Value
Sea scallop	\$397,097,791
American lobster	\$93,122,838
Eastern oyster	\$30,140,622
Haddock	\$18,258,987
Atlantic surf clam	\$16,616,040
Ocean quahog	\$8,233,267
Jonah crab	\$8,137,653
Monkfish	\$8,100,894
Northern shortfin squid (<i>Illex</i>)	\$7,200,085
Soft shell clam	\$6,542,633
Acadian redfish	\$6,151,012
Northern quahog	\$5,492,526
Bluefin tuna	\$5,282,704
Pollock	\$4,945,496
Atlantic cod	\$4,540,043
Longfin squid (<i>Loligo</i>)	\$4,505,408
White hake	\$3,978,752
Channeled whelk	\$3,759,914
American plaice (dab)	\$3,353,202
Winter flounder	\$3,132,192
Striped bass	\$3,116,800

*Deep-sea red crab is also in this list, but the data are confidential.

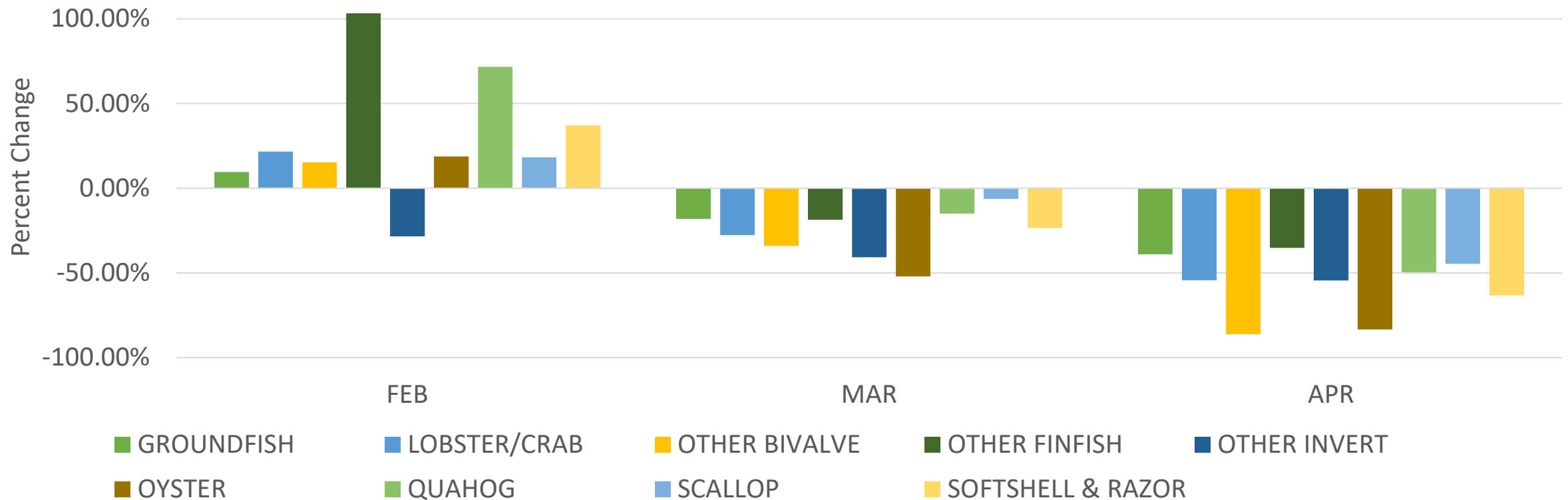
Source: ACCSP Data Warehouse, 4/17/20.

- Commercial fishermen report all sales of fish & shellfish to DMF or NMFS.
- Seafood dealers also report their purchases of seafood from fishermen to DMF or NMFS.
- Sea scallop fishery dominates commercial fishing revenues in MA, and accounts for a majority (58%) of fishing revenues.
- Lobster is a distant second (14%) and Eastern oyster comes in third (5%).
- Certain fisheries are seasonal and cannot show an impact yet.



2020 Commercial Landings vs 5-Year Average

Change in Ex-Vessel Value across Species Groups*



*Atlantic Surf Clams are not included as 2020 landings are not yet available to the Fisheries Statistics Project.



High-Level View, Where the Losses Came From

- Other bivalve shellfish down 60%
- Aquaculture lost 80% in April, overall losses around 69%
- Lobster value down over 40%
- The total decrease in value for March + April is ~\$27 million.
- May data not yet audited but expect trends to be similar to April.

COMPARING MARCH - APRIL 2020 TO THE PREVIOUS 5 YEAR AVERAGE			
SPECIES GROUP	Previous 5-year Average Value	2020 Value	% Change Value
SEA SCALLOP	\$55,730,539.53	\$38,644,785.33	-30.66%
GROUND FISH	\$11,056,584.64	\$7,862,477.87	-28.89%
LOBSTER/CRAB	\$5,127,781.16	\$2,969,270.46	-42.09%
OYSTER	\$4,009,609.15	\$1,255,585.79	-68.69%
OTHER FINFISH	\$2,516,837.81	\$1,879,032.17	-25.34%
SOFTSHELL & RAZOR CLAM	\$1,313,647.76	\$716,432.02	-45.46%
QUAHOG	\$479,427.28	\$309,407.20	-35.46%
OTHER BIVALVE	\$358,716.96	\$148,379.36	-58.64%
OTHER INVERT	\$57,243.54	\$27,316.75	-52.28%
SURFCLAM/OCEAN QUAHOG*	N/A	N/A	N/A
TOTAL	\$80,650,387.83	\$53,812,686.95	-33.11%

Data Source: SAFIS Dealer Reports, May 21, 2020
 *Fisheries Statistics Project does not yet have access to 2020 data for this group



Working Group's Key Decision Points

- Minimum eligibility requirements
- Other eligibility criteria
- Time period for losses (March – ???)
- Payout methodology
- Tiering of payments
- Scaling of payments
- Maximum cap on payments to single entity



Mandatory Eligibility Criteria

- Suffered at least 35% loss from previous 5-years due to pandemic.
 - Can be established by self-certification (affidavit).
- Current 2020 MA commercial fisherman permit.
 - Demonstrates intent to conduct commercial fishing activity this year.
- Minors are not eligible to apply.
 - Applicants must be >17 years of age as of close of eligibility period.
- Cannot be made more than whole through various relief programs (e.g., PPP, pandemic unemployment assistance).
 - Can be established by affidavit.
- No federal violations.
 - Can be established by affidavit
- MA resident
 - NOAA developed state funding allocations based on revenues generated by that state's permit holders.
 - Fishermen who land in MA but are a resident of another state should be eligible through their home state's program.



DMF's Considerations in Strawman Eligibility

- Qualify sector as a whole.
- Require activity from March – July during any of last 3-years (2017 – 2019).
- Minimum activity threshold for eligibility at \$15,000 during any of last 3-years.
- Focus on activity as a whole and not fishery specific landings.
- Scaling payments based on permit specific revenue.
- Potential to tier down payment based on receipt of other relief funds.
- Potential to cap maximum number of payments to a single entity.



Commercial Fisheries Data Source

- Use of SAFIS Dealer Data
 - Dealers electronically report all transactions with commercial fishermen on a weekly basis.
 - Data include landing date, fisherman name, vessel, species, quantity, price per unit of measure, landing port.
 - Data are held strictly confidential and only released in aggregate.
- Gapfilling metrics to replace null or 0 reported prices with species/market/grade/unit averages (normal practice when assessing annual value)

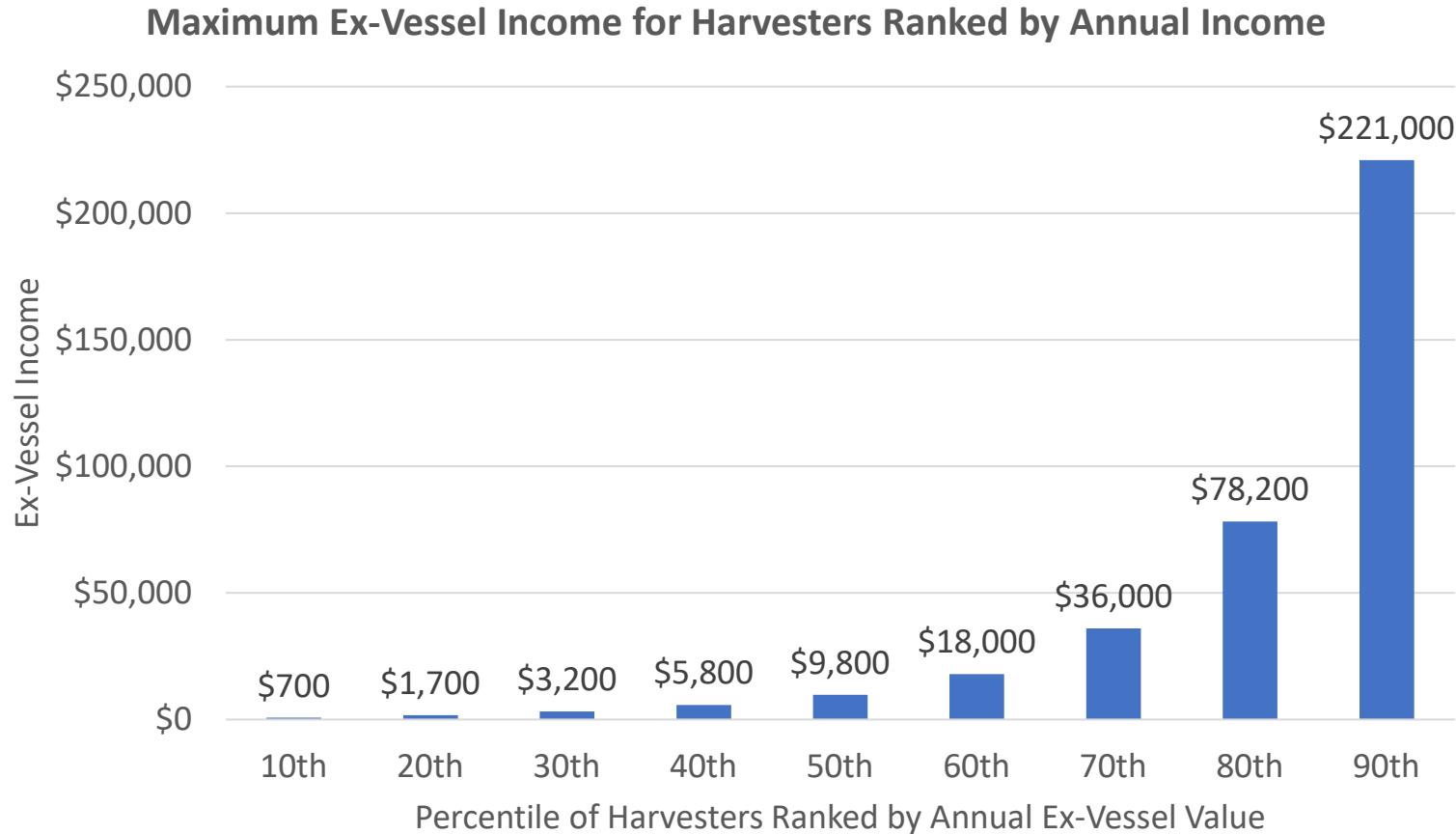


Commercial Query and Caveats

- Pulled highest estimated annual ex-vessel value of the previous 3 years (2017-2019) by permit holder.
 - Wild harvest only.
 - Includes shellfish captains.
 - Does not contain offshore surf clam/ocean quahog landings.
- Query contains 3,638 total harvesters.
- Contains MA-resident permit holders only.
- Does not include sales from retail boat permit.
- Records with unknown permit were excluded.
- Dealer data may attribute landings to wrong permit number.



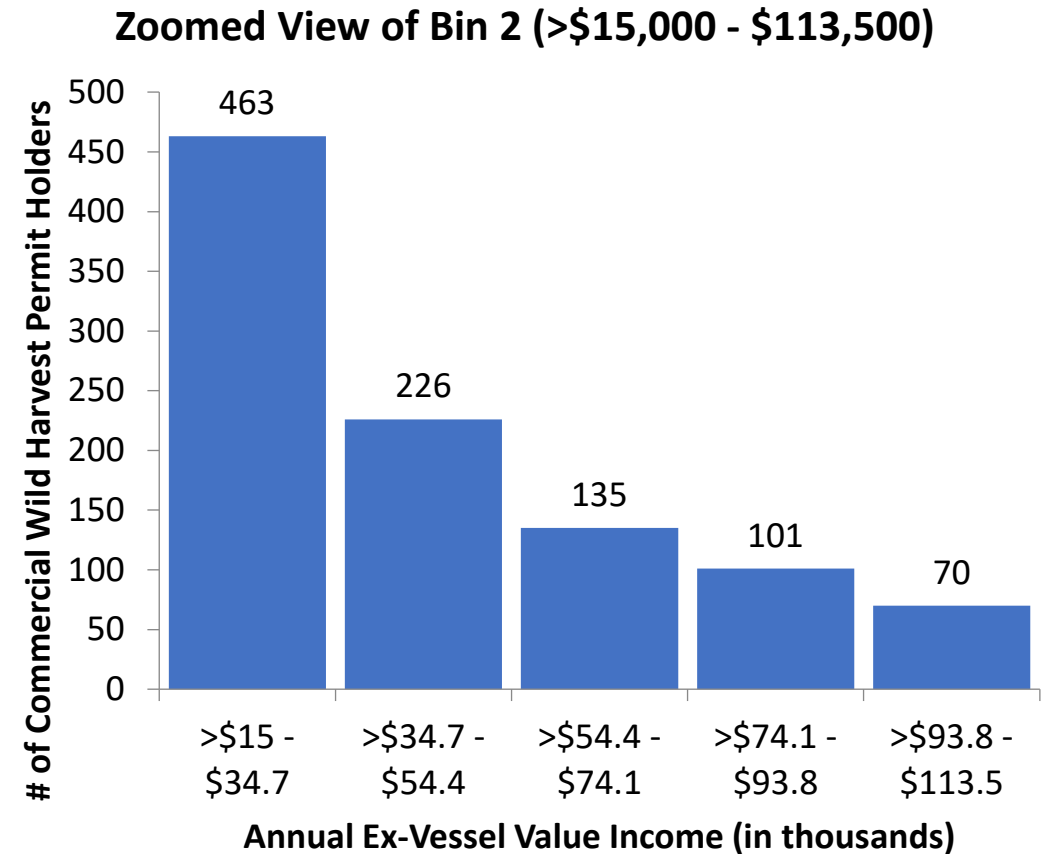
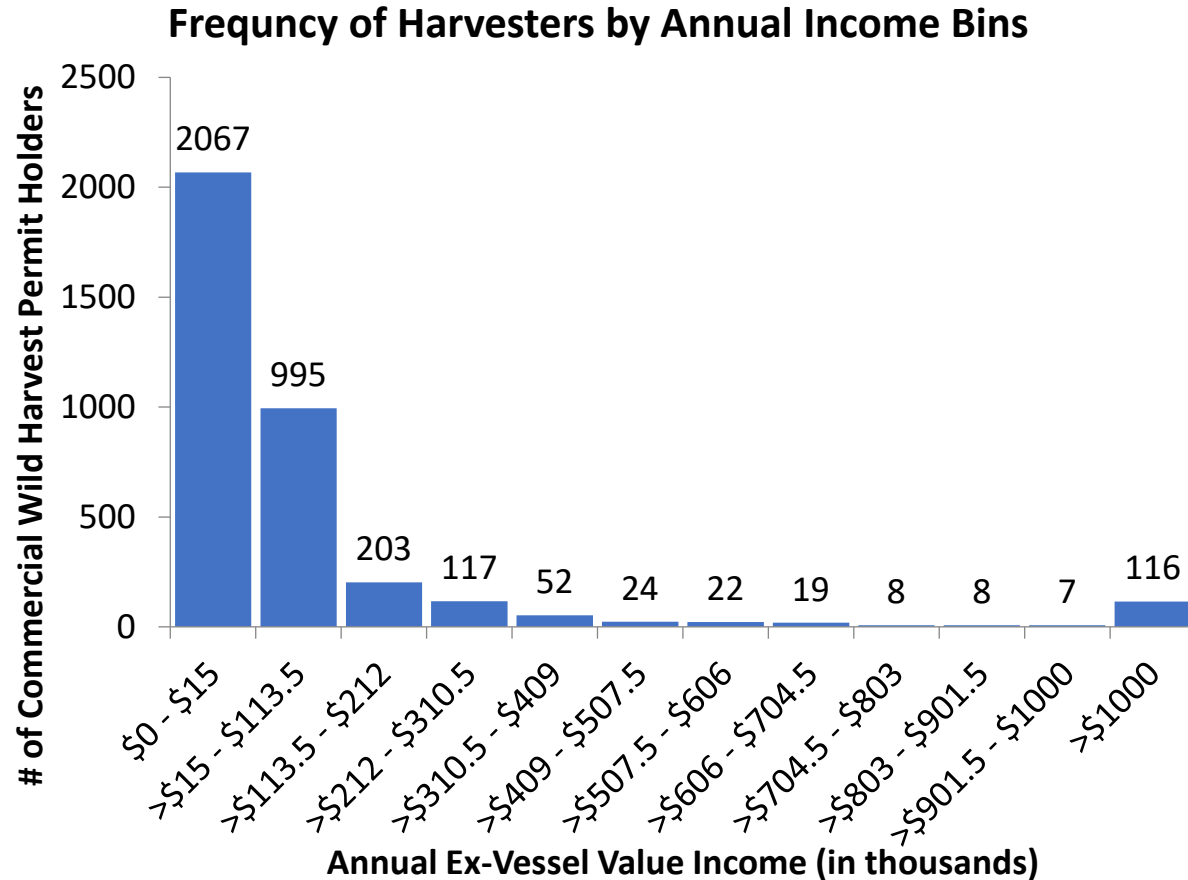
Minimum Eligibility



- Each bin includes 364 harvesters
- Note that the 100th percentile is not displayed. The maximum income in that bin is >\$8 million.
- Most permit holders bring in < \$10,000 per year
- 75% bring in < \$51,000 per year
- **\$15,000 per year suggested to be set as the Minimum Eligibility**



Distribution of Income



Preferred Tier Approach

Tier	Count of Harvesters	Min Value	Max Value	Estimated Payment Per Permit
0	2067	\$1	\$15,000	\$0
1	392	\$15,000	\$30,550	\$3,011
2	393	\$30,550	\$67,330	\$6,021
3	393	\$67,330	\$197,000	\$9,032
4	393	\$197,000	\$8,000,000	\$12,042

Tiering Methods:

- 1) Remove anyone earning less than \$15,000 (tier 0).
- 2) Place harvesters into quartiles based on annual ex-vessel income.
- 3) Estimated payments are based on the projected Commercial Sector allocation of \$11,828,404.

Estimated Payment Per Permit Methods:

- 1) Basic concept: T1= 1 share, T2 = 2 shares, T3= 3 shares, etc.
- 2) Calculate the total number of shares (count of harvesters in tier 1 + (count of harvesters in tier 2)*2 + (count of harvesters in tier 3)*3 + (count of harvesters in tier 4)*4
- 3) Divide sector allocation by total number of shares to calculate amount in a single share.
- 4) Calculate an individual payment for each tier; tier 1 = 1 share, 2 = 2 shares, 3= 3 shares, 4 = 4 shares

Why is this approach preferred?

- 1) Conceptually simple.
- 2) Estimated payments do not exceed 35% of tier's minimum value.
- 3) Graduated payment based on total annualized revenue.
- 4) Attempts to balance relative loss against total loss.



Alternative Tiers (Adjusted for Distribution)

Scenario 2 Methods

- Estimated payments are based on the projected commercial sector allocation of \$11,828,404.
- All permit holders with revenues >\$200,000 are in a single tier.
- Remaining tiers consist of permit holders with revenues between \$15,000 and \$200,000
- Same basic pay concept as the preferred alternative (i.e., T2 payout = T1 payout x 2; T3 payout = T1 payout x 3).

SCENARIO 2A (total shares: 3212)				
Tier	Count of Harvesters	Min Value	Max Value	Estimated Payment Per Permit
0	2067	\$1	\$15,000	\$0
1	831	\$15,000	\$76,667	\$3,683
2	229	\$76,667	\$138,333	\$7,365
3	121	\$138,333	\$200,000	\$11,048
4	390	\$200,000	\$8,000,000	\$14,730

Scenario 2A – Create three equal valued tiers with remaining difference $[(\$200,000 - \$15,000)/3 = \$61,666]$ / Tier 1 through Tier 3 then consist of \$61,666 value ranges between \$15,000 and \$200,000.

PREFERRED (total shares: 3929)				
Tier/Quartile	Count of Harvesters	Min Value	Max Value	Estimated Payment Per Permit
0	2067	\$1	\$15,000	\$0
1	392	\$15,000	\$30,550	\$3,011
2	393	\$30,550	\$67,330	\$6,021
3	393	\$67,330	\$197,000	\$9,032
4	393	\$197,000	\$8,000,000	\$12,042

SCENARIO 2B (total shares: 2,701)				
Tier	Count of Harvesters	Min Value	Max Value	Estimated Payment Per Permit
0	2067	\$1	\$15,000	\$0
1	831	\$15,000	\$76,667	\$4,379
2	350	\$76,667	\$200,000	\$8,759
3	390	\$200,000	\$8,000,000	\$13,138

Scenario 2B – Use Scenario 2A tiering method, but combine the Tiers 2 and 3 from Scenario 2A (i.e., \$76,668 – \$200,000) into a single \$123,332 value range tier (i.e., \$61,666 x 2) .



Other Considerations

- Is there a preferred approach among the strawmen presented?
- Are there other approaches that need to be considered?
- Should other eligibility criteria be considered?
- Should payments be scaled down to a lesser tier if other pandemic relief has been taken?
- Should permit holders be eligible for payouts for work in multiple sectors. Examples:
 - Aquaculturists who are wild harvesters.
 - Charter boat captains who fish commercially.
 - Seafood dealers who also own commercial vessels.
- Should maximum payment to any single entity be capped by sector? Be capped overall?
- Other thoughts/comments/concerns.....

