



# Effects of the Chignik Salmon Cooperative: What the Permit Holders Say

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By Gunnar Knapp  
and Lexi Hill

Three quarters of the permit holders fishing for salmon in Chignik are in their second season of an experiment: fishing cooperatively. By reducing the number of fishing boats, they hope to cut costs, improve quality, and keep their fishery profitable at a time when much of the Alaska salmon industry is in trouble.

Figure 1 summarizes how the Chignik fishery was structured in 2002. The Alaska Board of Fisheries gave the 100 permit holders the option of joining a co-op or fishing independently; 77 permit holders joined and 23 didn't. The Board allocated 69 percent of the catch to the co-op and 31 percent to independent permit holders, who fished in separate openings. The co-op paid 22 members to catch its allocation, and shared the remaining catch value with all of the co-op members, including those who didn't fish.

ISER is studying the effects of the Chignik co-op as part of our "Understanding Alaska" research on Alaska's salmon industry. As part of that study, in late 2002 we surveyed Chignik permit holders. As shown in Figure 2, most of those who joined the co-op said they were better off financially as a result of the management change, and almost all those who didn't join said they were worse off.

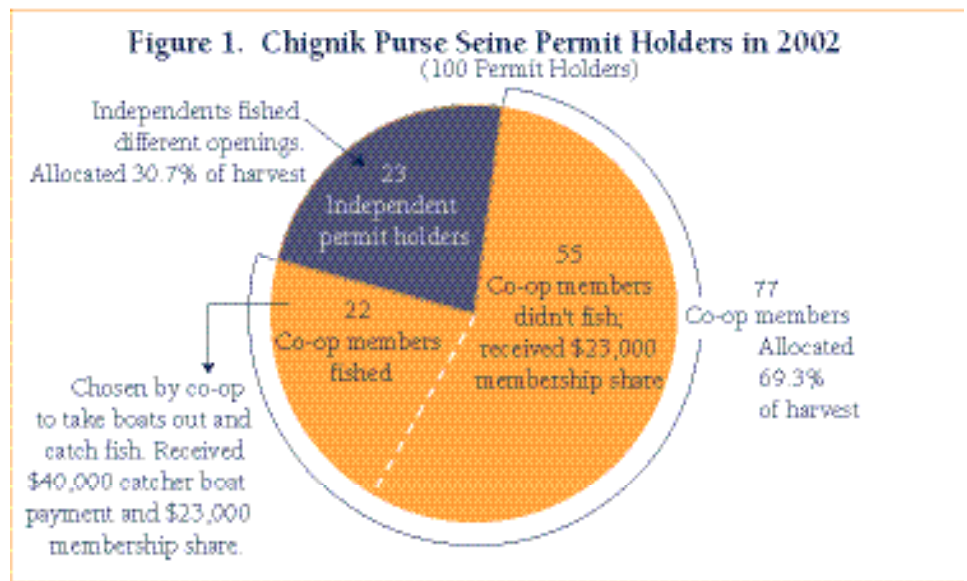
## AN IMPORTANT EXPERIMENT

The value to fishermen of the 2002 Alaska salmon harvest was \$141 million—less than one-third of the \$481 million average value of catches in the first half of the 1990s. Many factors contributed to this decline, including not only competition from farmed

salmon, but also lower sockeye salmon harvests, changes in consumer demand, and a worldwide economic slowdown.

These changes have created discussions throughout the salmon industry—among fishermen, processors, fishery managers, and government officials—about how to restore profitability to the salmon industry. Part of the discussion has been about options for "restructuring" the management of salmon fisheries to lower costs, increase value, or steer more of the benefits to Alaskans and their communities.

Several federally-managed fisheries, including halibut and Bering Sea pollock, have seen dramatic restructuring in recent years. But in Alaska's salmon fisheries, the Chignik cooperative is the first significant experiment in restructuring. Within the industry, many people are interested in learning how the co-op has worked, and whether it could be a model for changes in other salmon fisheries.



**Figure 2. How Did Having a Co-op in 2002 Affect You Financially?**



Understanding Alaska (UA) is a special series of ISER research studies examining Alaska economic development issues. The studies are funded by the University of Alaska Foundation. This is the first in a series of summaries reporting UA findings. Full reports and other UA products are on the project Web site—[www.alaskaneconomy.uaa.alaska.edu](http://www.alaskaneconomy.uaa.alaska.edu)

**Table 1. Number of Survey Responses**

|                              | Independent Permit Holders | Co-op Members Who Fished* | Co-op Members Who Didn't Fish |
|------------------------------|----------------------------|---------------------------|-------------------------------|
| Number of permit holders     | 23                         | 22                        | 55                            |
| Number of responses received | 20                         | 21                        | 48                            |
| Response rate (%)            | 87%                        | 95%                       | 87%                           |

\*Based on permit holders' responses about whether they had fished for the co-op.

**ESTABLISHMENT OF THE CO-OP**

In Chignik, as in many other Alaska salmon fisheries, there are more limited entry permits and boats than are needed to catch the fish. When prices and catch values were high permit holders had little interest in reducing the number of boats. But as sockeye prices and fishing profits declined during the 1990s, many Chignik permit holders argued they should pool their fishing effort to cut costs.

Not all Chignik permit holders wanted a co-op. Because some permit holders regularly catch more fish than others (the 13 highest-earning Chignik permit holders have typically caught three times as much fish per boat as the 40 lowest-earning permit holders), it was difficult to come up with a way of sharing costs and profits that would satisfy everyone. And some permit holders simply preferred to keep fishing the way they had been.

To make a co-op possible, supporters asked the Alaska Board of Fisheries to give separate allocations—to be fished at different times—to those permit holders who wished to form a co-op and to those who wished to fish independently. In January 2002 the board adopted regulations providing for a co-op to receive 0.9% of the total salmon harvest for each permit holder who joined.

The new Chignik regulations represent two significant innovations in Alaska salmon management, both of which have been intensely debated by Chignik permit holders and others in the industry. One innovation is having separate allocations and fishing times for different groups of permit holders who choose to fish in different ways—which has led to debate over whether the allocation between the groups is appropriate and fair.

The other innovation is fishing cooperatively: reducing costs by fishing fewer boats—which has led to debate over how to share costs and profits among those co-op members

who fish and those who don't. A fundamental issue is whether it is appropriate for individuals who don't fish—but who have invested in permits and are foregoing their right to fish those permits—to share in the benefits of Alaska salmon fisheries.

**ISER'S SURVEY**

To learn more about how permit holders felt about the changes in the Chignik salmon fishery, ISER surveyed Chignik permit holders in late 2002. The high response rate—89 of the 100 permit holders answered our survey questions—gives us confidence that the survey results reflect the views of Chignik permit holders in general. In the figures showing survey results, the percentages are of those who answered the question; some respondents didn't answer some questions. A copy of the full report, including permit holders' detailed comments about the co-op, are on ISER's Understanding Alaska project Web site at [www.alaskanconomy.uaa.alaska.edu](http://www.alaskanconomy.uaa.alaska.edu).

**VIEW OF MANAGEMENT CHANGES**

Co-op members and independent fishermen had almost directly opposite views of the management changes that made the co-op possible, as Figure 4 shows.

- Almost all the co-op members—95 percent of those who fished and 86 percent of those who didn't—felt very or somewhat positive about the management changes.
- About 83 percent of independent fishermen felt very or somewhat negative about the management changes.
- Only about 5 percent of the co-op members who fished, 14 percent of co-op members who didn't fish, and 17 percent of independents had mixed feelings.

**Figure 3. How Do You Feel About The Management Changes in 2002?**



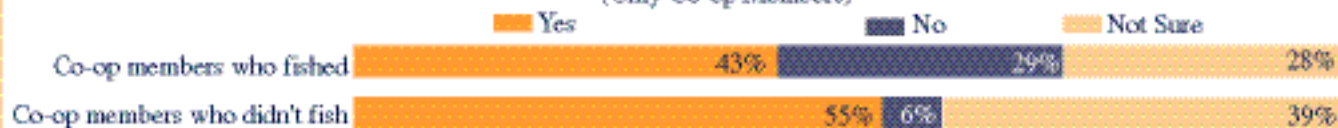
**Figure 4. Was The Co-op Managed Well?**

(Only Co-op Members)



**Figure 5. Were the Boats That Fished For The Co-op Paid Fairly?**

(Only Co-op Members)



**QUALITY OF CO-OP MANAGEMENT**

As Figure 4 shows, most of the co-op members thought the co-op was managed well in its first year. About 76 percent of the co-op members who fished and 85 percent of the members who didn't fish thought the co-op was managed well.

**PAYMENT FOR FISHING**

An issue for co-op members was the size of the additional payment for those who fished. As Figure 5 shows, permit holders who fished for the co-op were far more likely to say they weren't paid fairly. Several who wrote comments on the survey said that the payment wasn't enough to cover their crew costs or wear and tear on their boats.

**ENJOYMENT OF FISHING**

Most commercial fishermen say they think of fishing not just as a way to earn a dollar but also as a way of life they enjoy. So we asked Chignik permit holders—both the co-op members and the independents—how the establishment of the cooperative had affected their enjoyment of fishing (Figure 6).

- Half the co-op members who did fish said they enjoyed the more relaxed, less competitive atmosphere with fewer boats in the water. But nearly one quarter said they didn't enjoy it as much, and another one quarter weren't sure.

- Over 60 percent of the co-op members who didn't fish said they missed it. Still, almost 30 percent said they didn't.
- Among independent permit holders, 55 percent said the cooperative had reduced their enjoyment of fishing. But most of the rest said they still enjoyed fishing just as much.

**OTHER EFFECTS OF THE CO-OP**

Co-op members who fished:

- 100 percent thought the quality of the fish was better because of how the co-op fished.
- 95 percent thought the co-op did a good job marketing the fish.

*Co-op members who didn't fish:*

- 82 percent said that they would have fished if there hadn't been a co-op.
- 67 percent said that not fishing allowed them to earn money from other work.
- 89 percent thought the co-op did a good job marketing the fish.
- 33 percent said they would have hired Chignik-area residents as crew if there hadn't been a co-op.

*Independent permit holders:*

- 80 percent said they caught less fish this year than they would have caught if there had not been a co-op.

**Figure 6. How The Co-op Affected Enjoyment of Fishing**



- 50 percent thought they had more trouble finding and keeping crew than if there had not been a co-op.

- 32 percent reported missing one or more days of fishing due to breakdowns. (With fewer fishing days, missing a day of fishing mattered more than in earlier years.)

Many permit holders also wrote detailed comments explaining their answers and describing effects of the co-op that they liked or did not like.

## SUMMARY

The majority of Chignik permit holders—most of those who joined the co-op—clearly thought it was a success in its first year. They thought they were better off financially because of the co-op. They thought the co-op was managed well, improved fish quality, and did a good job marketing the fish. But a significant minority of Chignik permit holders—including almost all of those who did not join the co-op—had negative feelings about the co-op, and felt they were worse off financially because of the co-op.

The co-op affected not just the permit holders whom we surveyed but everyone involved in the Chignik fishery. The Alaska Department of Fish and Game faced the new task of allocating fish to separate co-op and independent fleets, but could work with the co-op to control daily salmon catches more precisely. Some Chignik salmon processors and tender operators were not able to do business with the co-op (which controlled more than two-thirds of the harvest) and felt very negatively affected.

How relevant is the Chignik co-op to other Alaska salmon fisheries? Organizing a co-op was probably easier in Chignik than it would be in most other areas. All Chignik sockeye salmon return to a single river, making it easier for a smaller fleet to catch the fish, and to allocate fish among different groups. Chignik also has a relatively small number of permit holders, many of whom know each other well. (As shown in Figure 7, more than two-thirds of both co-op members and independent fishermen said they were current or former year-round residents of the Chignik area.)

The experience of the first year of the Chignik co-op suggests that it is possible to restructure Alaska salmon fisheries in ways that reduce costs, improve quality, and make most permit holders better off financially. But restructuring is likely to be difficult and controversial. Change will not come easily.

## OTHER “UNDERSTANDING ALASKA” SALMON STUDIES

As world markets change and Alaska’s population grows, Alaskans face new challenges in managing our natural resources and balancing between different economic opportunities and the needs and goals of different user groups. We face similar issues and opportunities in managing our salmon resources as we do for many other Alaska resources. To understand these better, ISER is planning several other studies of Alaska salmon management as part of our “Understanding Alaska” project.

One study will review options for restructuring Alaska’s commercial salmon fisheries—not only co-ops but other potential approaches for increasing the economic benefits to Alaskans from our commercial salmon fisheries.

Another study will examine the allocation of Alaska’s salmon resources between commercial, sport and subsistence users—including biological, economic, social, political, and legal considerations—and potential new approaches for thinking about allocation and balancing between different resource uses.

For more information about these and other studies visit ISER’s Understanding Alaska project Web site—[www.alaskanconomy.uaa.alaska.edu](http://www.alaskanconomy.uaa.alaska.edu).

**Figure 7. What Share of Permit Holders are Current or Former Year-Round Chignik Residents?**

