

# A market oriented management (MOM) model of straddling pelagic stocks

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## Management of straddling pelagic stocks

- The problem
  - Ownership uncertainty & disputes
  - Catch competition overshadows the value adding potential
- Proposed solutions
  - The UN Law of the Sea consensus (1995): Regional Fisheries Management Organizations (RFMOs)
  - BUT: Significant implementation barriers
    - Number of players, new players
- How to organize a constructive value adding creation and allocation process?

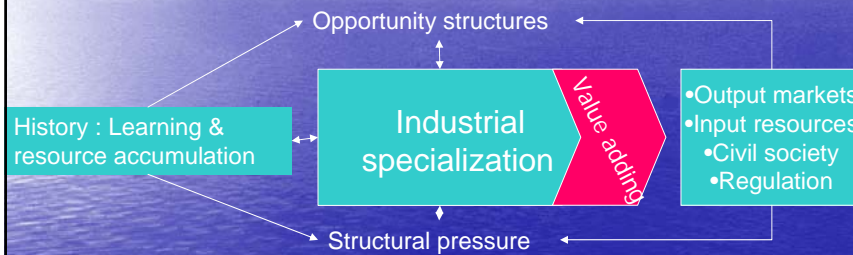
## Pelagic value adding of Landings 2009 in Norway and Iceland

		Total Norway	Total Iceland
Herring	MT	1 070 438	331 200
	NOK/kg	2,5	1,9
Mackerel	MT	121 229	162 334
	NOK/kg	7,9	1,7
Capelin	MT	232 569	15 090
	NOK/kg	1,6	2,4
Blue whiting	MT	225 996	120 197
	NOK/kg	1,4	1,2
SUM Pelagic	MT	1 650 232	628 821
	NOK/kg	2,6	1,7

## Icelandic losses = Consumer losses

Icelandic landing values with Norwegian prices	
	Mill NOK
Herring	+204
Mackerel	+1 013
Capelin	-12
Blue whiting	+20
SUM mill NOK	+1 225
SUM mill €	+153

# Factors influencing value adding

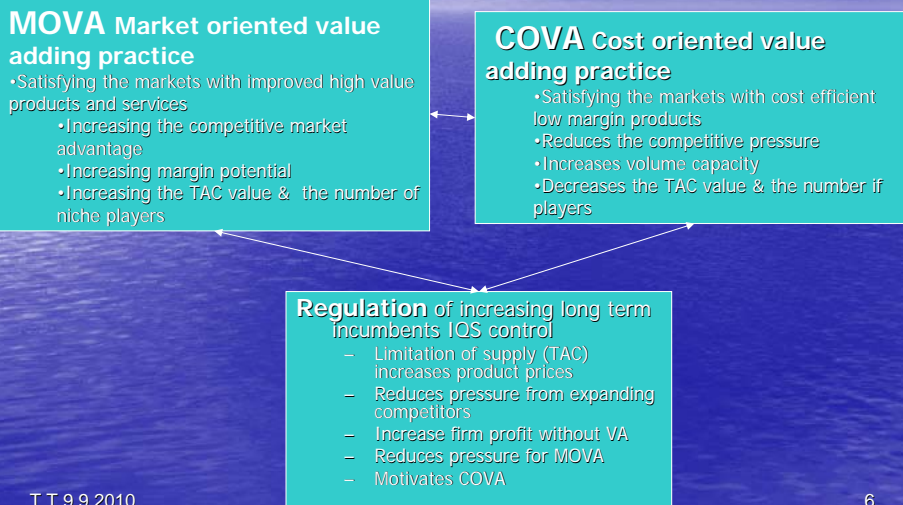


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5

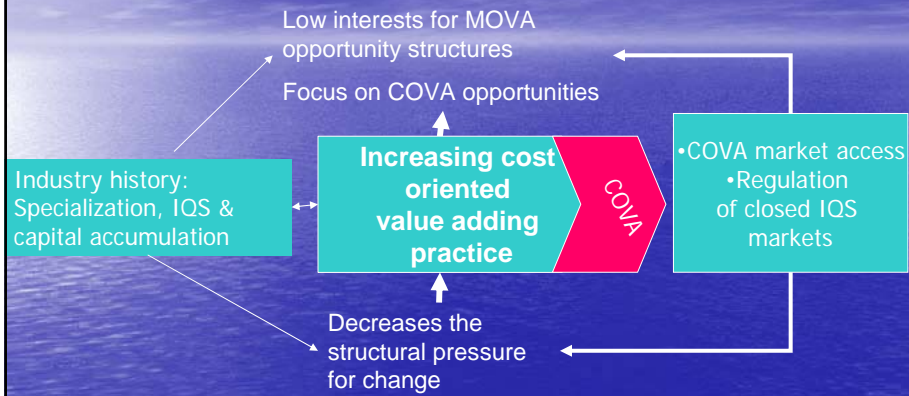
# Regulation influence of value adding (VA) practices in fisheries



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## Factors influencing COVA



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7

## Conflicting interests

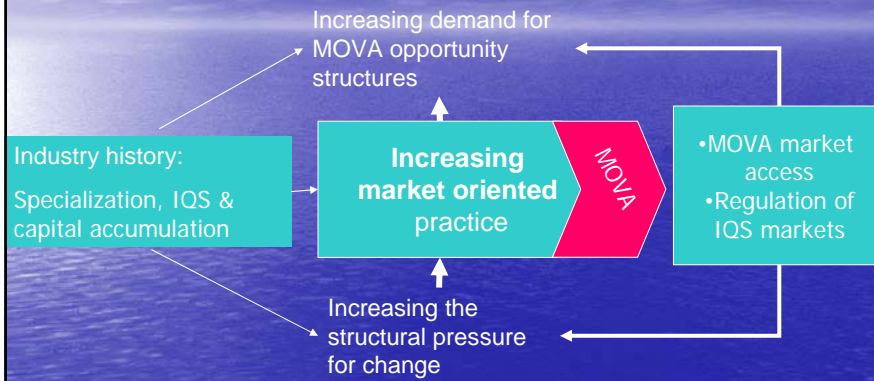
- A few IQS protected COVA fishing companies may
  - get high profit from low value products high volume catches (fish meal)
  - without maximizing the TAC values (by producing high value consumer products)
- COVA interests of incumbents firms become the 'national' interests in international quota negotiations
  - Mixed governmental and industrial negotiation teams, difficult to separate interests
- COVA interests and practices dominate > gain political protection against new entrants or expanding firm > reinforced barriers to MOVA

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8

## Factors influencing MOVA



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9

## Motivation of MOVA?

- MOVA de-motivated by
  - The more profit generated from resource & value chain control without MOVA
  - Catch regulations creating barriers against value adding practices
    - Limits choice of fish size & condition, catch areas, landing area, season
  - IQS Allocation after the catch history
    - Increases the relative resource control for IQS holders
    - Competitive advantage and monopoly power for initial entrants
- MOVA motivated by
  - Creating competitive market structure pressure and opportunities
  - Organized markets of individual quotas and landings
    - Iceland: Whitefish auction
    - Norway: Pelagic auction

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10

## The MOM model solution

- The MOM model

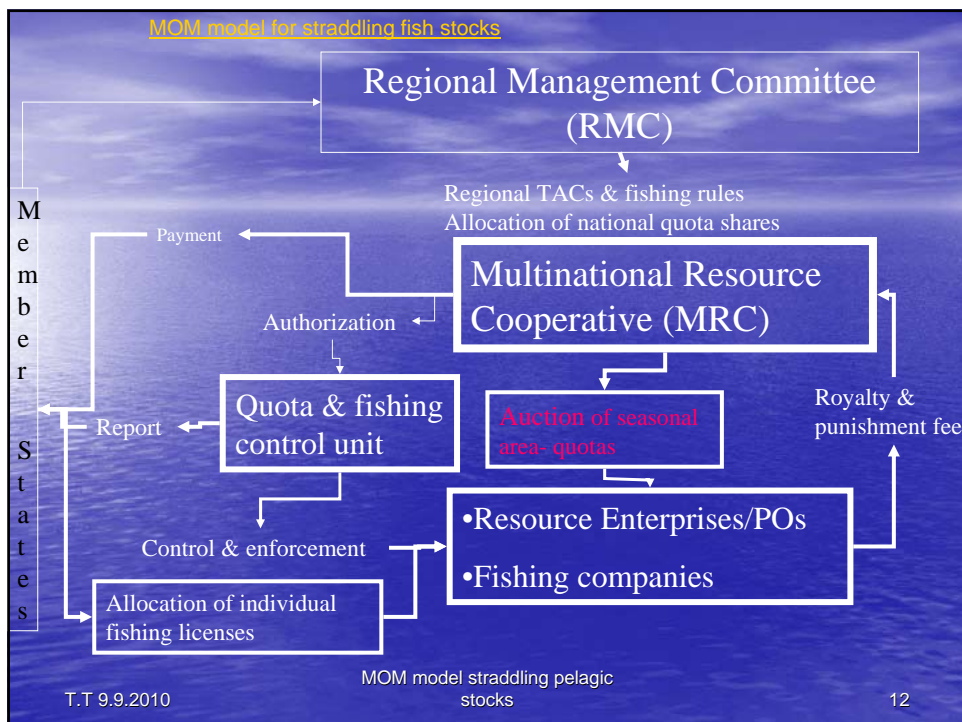
An institutional framework for resource management decision making process

1. Separates value adding seeking interests of the State & fishing firms
2. Cognisance of needs for
  - Long term sustainability
  - Efficient & effective management of TAC
3. Incentives for MOVA business behaviour

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11



## Multinational Resource Cooperative

- A non profit fish business organization
- Organizes quota auctions
  - Collects resource rent for member nations
    - According to catch area
  - Finances research, monitoring, control & enforcement
- Volume-based Auction fees encourage MOVA per catch unit (increase unit values)

## National allocation

- Licenses as pre qualification for bidding on quantities similar with national TACs
- Where No TAC agreed: catch in international waters similar to last year's catch share

## Conclusions

- Strong need for better management models for straddling stocks
  - Many stocks in biological & economic crisis, more likely...
- The Stakeholder State roles are
  - TAC Negotiation through RMC
  - Allocation of fishing rights to companies participating in the auction on equal conditions

## Conclusions MOM key advantages

- Manage Value (rent) instead of tonnage via Multinational Resource Company (MRC)
- Separates rent-seeking interests of States & firms
  - Fishing firms free to operate independent of EEZs
  - Time, species & area limited quotas purchased in auctions
  - MRC empowered & enabled to manage total TAC, collect rent, control & enforcement