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Fishing subsidies in the U.S. are larger and more harmful than previously thought.

SUBSIDIES TO U.S. FISHERIES

A SUMMARY OF NEW SCIENTIFIC ANALYSIS:

Sharp, R. and U.R. Sumaila. 2009. Quantification of U.S. marine fisheries subsidies. *North American Journal of Fisheries Management*.

THE UNITED NATIONS FOOD AND AGRICULTURE AGENCY (FAO) estimates that about 25 percent of the world's marine fish stocks are overexploited or depleted. One key reason is that there are too many fishing vessels trying to catch too few fish. Government support, or subsidies, to the fishing industry can promote overfishing by increasing fishing effort artificially and making fishing more profitable than it would be without subsidies. Yet, the specific details of how much some countries, including the United States, are subsidizing their fishing industries are still incomplete.

In a new paper, Renée Sharp and Dr. Rashid Sumaila present detailed information and analysis on the nature and extent of subsidies to the U.S. fishing industry. By evaluating data on both state and federal subsidies, they found that government support to the U. S. fishing industry averaged \$713 million per year, largely dominated by fuel subsidies. The authors' findings show that U.S. fisheries subsidies could be worth one-fifth of the value of the catch itself. More than half of these subsidies could increase fishing capacity by either decreasing fishing costs or increasing the price of fish artificially. Of those subsidies that could be assigned to a specific geographic region, at least half went to Alaska and the Western Pacific. This *Lenfest Ocean Program Research Series* report is a summary of the study's findings.

WHAT IS A SUBSIDY?

A fisheries subsidy is usually defined as direct or indirect financial support given by a government to its fishing sector. Some of this support can sustain fishing efforts artificially by making fishing more profitable than it would be without the subsidy. Here, direct subsidies are defined as payments to specific recipients, such as when the government gives grants to fishermen to buy new vessels. Indirect subsidies are transfers that do not have a specific recipient. These include financial transfers or policies, such as trade sanctions that benefit domestic fishing vessels over foreign competitors.

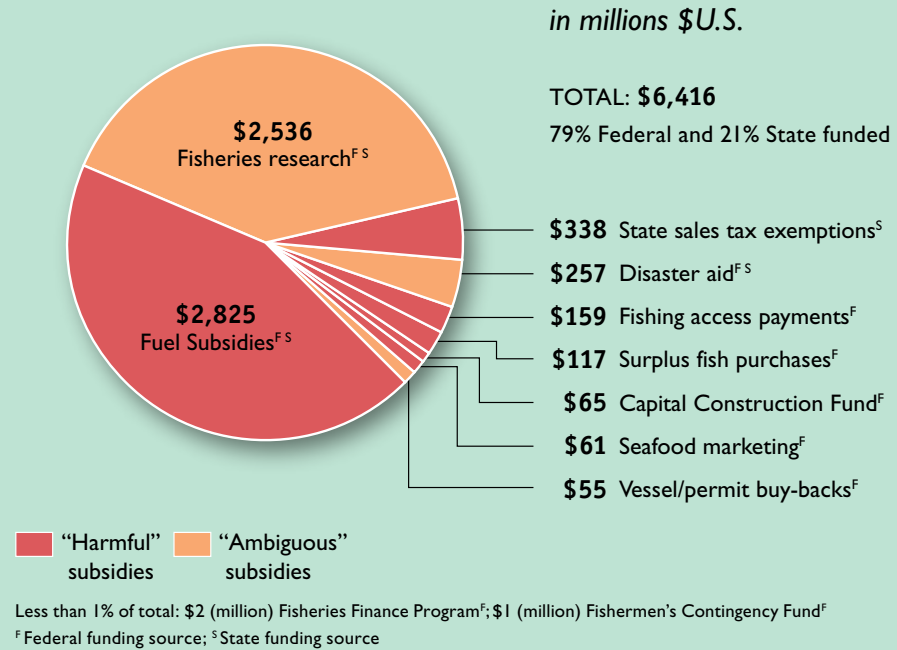


STUDY DETAILS

While earlier investigations have mostly focused on the multi-country or global level, Sharp and Sumaila offer one of the first comprehensive analyses of the value of specific subsidy programs in the U.S., including federal and state programs. The authors reviewed documents and databases obtained via public records request, World Trade Organization documents, previously conducted studies and the federal and state tax codes to estimate the value of U.S. federal and state government subsidy programs from 1996–2004. They analyzed these subsidies at a regional level and for certain species of fish.

The authors also classified each subsidy category according to whether they were likely to increase overcapacity or not using a modification of a classification scheme proposed in 2006 by Khan et al. According to Sharp and Sumaila, “harmful” subsidies are ones that increase overcapacity, “beneficial” subsidies enhance the growth of fish stocks and “ambiguous” subsidies could be considered either “harmful” or “beneficial” depending on the specific nature of the program (note—these categories are equivalent to “bad”, “good” and “ugly” in Khan et al. 2006).

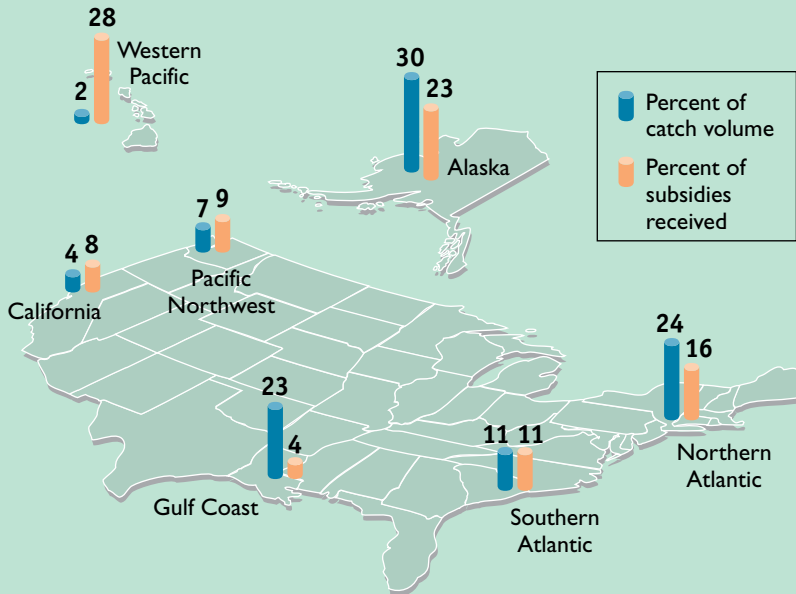
FIGURE 1: TOTAL U.S. FISHERIES SUBSIDIES, BY PROGRAM, 1996–2004



SUBSIDIES CATEGORIES

- **Federal and state fuel subsidies**—exemptions from federal and state fuel taxes and some state fuel sales taxes
- **State sales tax exemptions**—tax exemptions for fishing vessels, gear, repairs and supplies
- **Disaster aid**—usually direct payments to fishermen, fishing communities or fishing related businesses following natural or man made fisheries collapses
- **Fisheries research funding**—for non-aquaculture, non-monitoring marine fisheries research on fish utilization, fishery products, bycatch and conservation
- **Fishing access payments**—to South Pacific Island nations to obtain rights for U.S. tuna vessels to fish in their EEZs
- **Surplus removal**—US government purchases of surplus fish for national school lunch program and other federal nutrition programs
- **Capital Construction Fund**—federal program that effectively provides interest-free loans to use for fishing boat construction
- **Seafood marketing programs**—various state and federal marketing programs to increase seafood sales
- **Fishing vessel and fishing permit buyback programs**—designed to reduce fishing pressure
- **Fisheries Finance Program**—reduced-cost federal loans to build or rebuild vessels or shore-side fishing facilities for processing or distributing catch
- **Fishermen’s Contingency Fund**—federally administered payments to fishermen from the oil and gas industry to compensate for losses caused by oil and gas operations

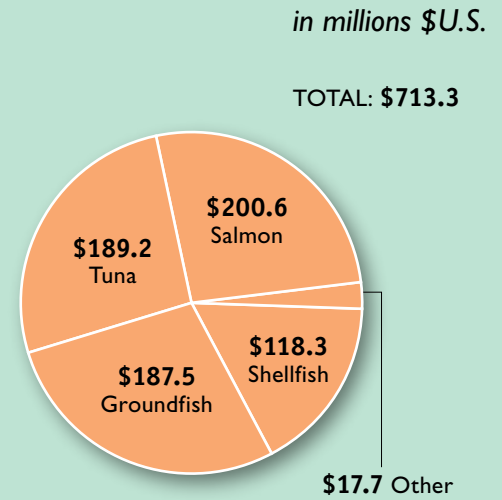
FIGURE 2: REGIONAL DISTRIBUTION OF U.S. FISHERIES SUBSIDIES, 1996–2004*



* This graphic represents the 28 percent of total subsidies that could be traced to a specific geographic area.

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FIGURE 3: FISH SPECIES DISTRIBUTION OF U.S. FISHERIES SUBSIDIES, 1996–2004*



* This graphic represents the 10 percent of total subsidies that could be traced to a specific fish species.

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RESULTS: SUBSIDIES TO THE UNITED STATES FISHING INDUSTRY ARE LARGER THAN PREVIOUSLY THOUGHT

This study found that, from 1996 to 2004, U.S. federal and state governments provided an estimated \$6.4 billion (U.S. 2007 dollars) in subsidies to the U.S. fishing industry—an average of \$713 million per year. Federal funding accounted for 79 percent of the total subsidies, with state funding making up only 21 percent of the total subsidies (Figure 1). State and federal fuel subsidies accounted for 44 percent of the total (Figure 1). Commercial fishermen are exempt from federal and state fuel taxes, which largely fund road construction and maintenance. Unlike land-based transportation, boat fuel is not taxed to support facilities and services used by boats, such as ports.

Fifty six percent of the government funds went to subsidies classified as “harmful” to fishery resources, which means that they are likely to increase overcapacity, and the remaining 44 percent went to subsidies that were “ambiguous” (see Figure 1). The authors concluded that fisheries research previously classified as “beneficial,” or “good” by Khan et al. 2006 had to be reclassified as “ambiguous” since some of the studies funded were geared towards increasing commercial exploitation of stocks.

Subsidies were also skewed towards certain regions in the U.S. (Figure 2). Twenty eight percent of the total subsidies could be assigned to a particular geographic area. The two regions that received the greatest share of that portion of the subsidies were the Western Pacific region (28 percent) and Alaska (23 percent).

Only a small fraction, 10 percent, of the total estimated subsidy amounts was clearly associated with particular fish species. However, of that amount, two species—salmon (28 percent) and tuna (27 percent)—accounted for the majority of the subsidy amounts (Figure 3). This disproportionate subsidy is striking because, while tuna receives a significant share of subsidy money, it ranks much lower in terms of either total pounds or total landed value of fish. Moreover, at least some of the tuna and salmon stocks receiving subsidies are currently being overfished according to the U.S. government.



SUBSIDIES ARE EVEN GREATER IF DIRECT AND INDIRECT EXPENDITURES ARE CONSIDERED

The authors combined their results with findings from previous research that focused on more indirect subsidies and found an even greater level of subsidies to the U.S. fishing industry. When the authors' estimate of an average \$713 million a year in subsidies to the U.S. fishing industry was added to previous estimates for fisheries management and services (a category not included in Sharp and Sumaila's study), annual government support for the United States fishing industry totaled \$1.83 billion per year (in 2007 dollars). This figure compares with the average total value of all U.S. commercial fish landings from 1994–2006 of \$3.46 billion.

A portion of this government support encourages unsustainably high fishing effort, which may lead to fisheries overexploitation. The authors suggest that eliminating these “harmful” subsidies could improve the health of fisheries in the United States.

Eliminating harmful subsidies could improve the health of fisheries in the U.S.

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About the Authors

RENÉE SHARP is a senior analyst with Environmental Working Group in Washington, DC.

RASHID SUMAILA is an associate professor and Director of the Fisheries Economics Research Unit at the University of British Columbia Fisheries Centre, Vancouver, British Columbia, Canada.

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