



NEEL INAMDAR &
FUTURE
of **FISH**

WEBINAR

Building a Sustainable Value Chain for New England Groundfish

Finance Needs and Opportunities for Investment



Our Presenters



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Project Goals

- Assess the New England groundfish fishery's constraints, specifically since implementation of sector management
- Explore current financing available and the unmet finance needs of fishers and portside businesses
- Identify financial and industry players working on solutions
- Uncover funding opportunities (grant, debt, equity) that promise economic and conservation success



Webinar Roadmap

Focus: Role of grants in launching or supporting initiatives that can catalyze sustainable business opportunities

Outline:

- State of the fishery and overview of sector management
- Current challenges and system constraints
- Opportunities ripe for philanthropic investment
- Q&A



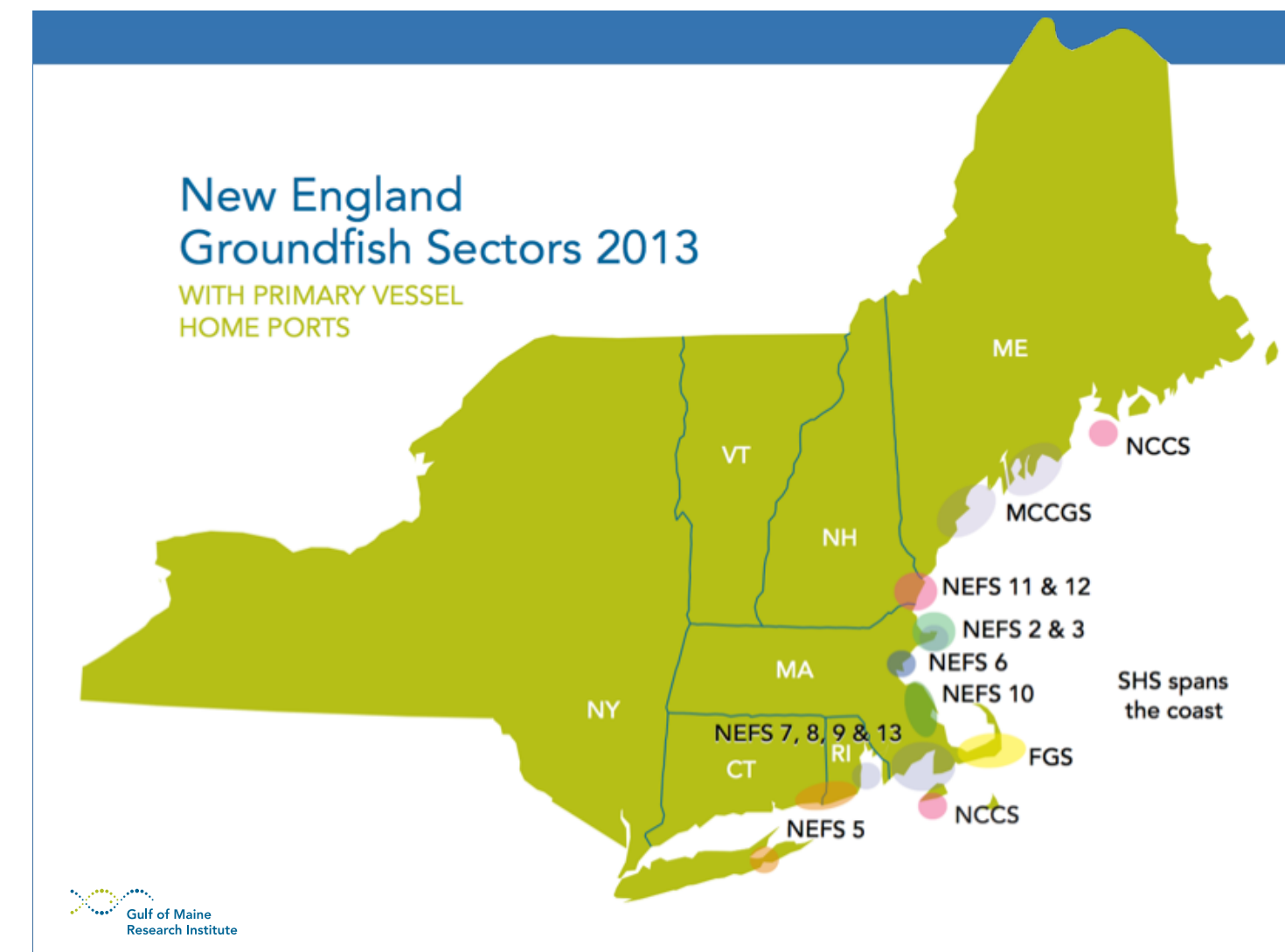
Fishery Background

- 14 species of fish that school together
- Decades of decline
- Multiple policies attempting to curtail overfishing
- 2010: sector management introduced species-by-species quotas
- 2012: fishery declared a disaster and quotas slashed severely



About Sectors

- Self-organized cooperatives of permit holders
- Most sectors are 501(c)(3). Some do marketing, gear testing, or serve as permit banks
- Permits have attached quota
- Annual quota for sector = sum of members' quota
- Quota can be traded or leased among permit holders
- Sectors are responsible for ensuring group quota is not exceeded for each species



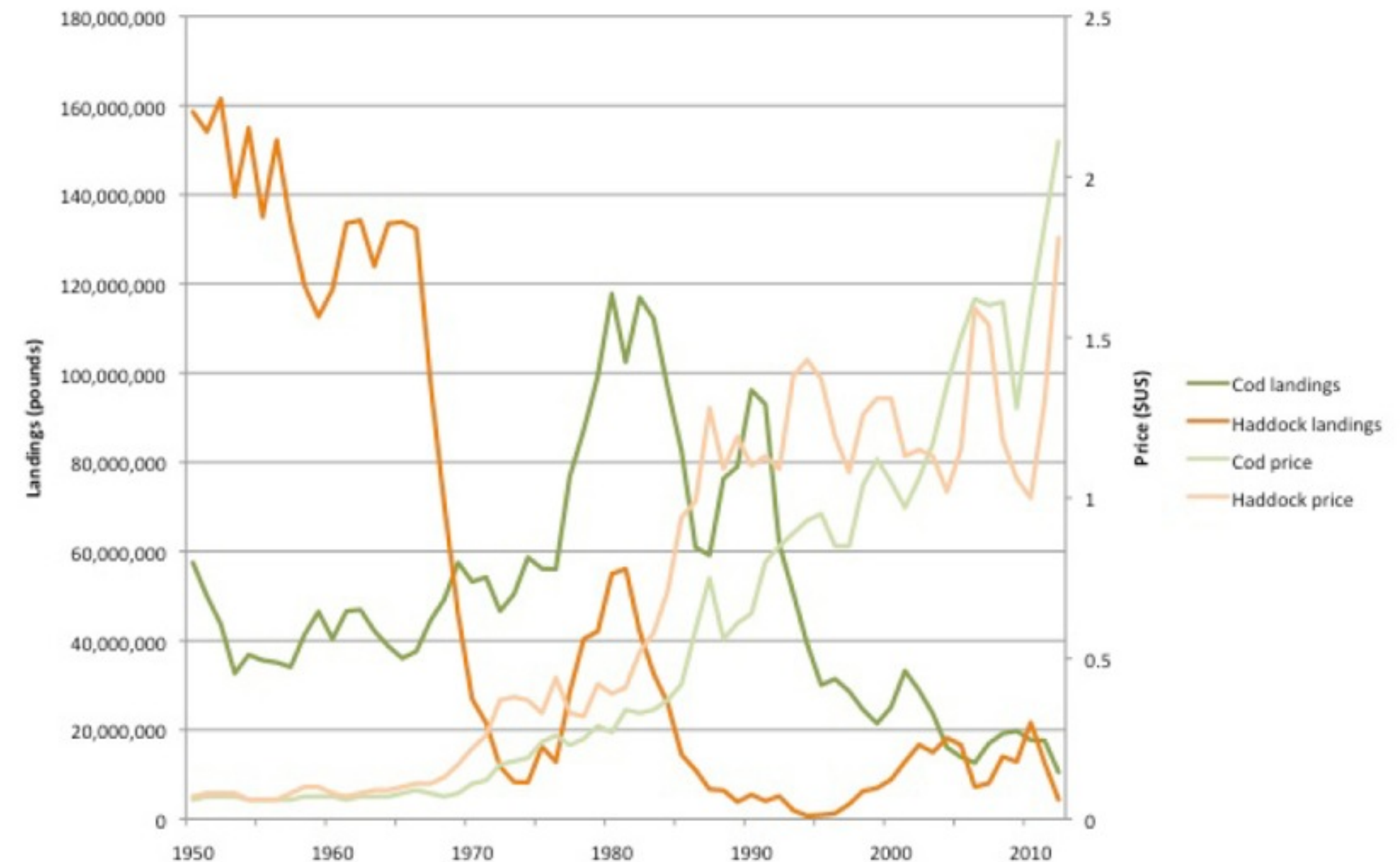
Industry Challenges

Fishing Challenges // Capital Challenges //
Market Challenges

Fishing Challenges

- Fish scarcity
- Inadequate quota
- Leasing quota
- “Choke” species
- New business strategies
- Aging fleet
- Survival of the most entrepreneurial

Figure 1.1. Atlantic cod and haddock landings and prices, 1950–2012.



Source: NOAA n.d.a.

Capital Challenges

- Very difficult to acquire additional permits
- Debt from previous vessel or permit purchases
- Financing of new permits and/or using permits as collateral is constrained:
 - Opacity in quota lease market
 - Lack of permit transfer information
 - No third-party verification

Market Challenges

- Variable annual catch limits
- Unpredictable volume and timing of landings
- Fluctuating dock prices
- Inconsistent product quality
- Competition from imports
- Inadequate processing capacity





Negative Feedback Loop



Key Takeaways from Industry Challenges

- Uncertainty paralyzes the value chain
- Fishers' perspective: Sector management isn't popular, but it's not the worst option
- Shifting mindsets is challenging
- Product differentiation is key
- Permits not typically considered legitimate collateral
- Numerous loan options available, but general uncertainty a key barrier; very few equity opportunities currently
- Philanthropic capital remains key need



Intervention Opportunities

Summary

1. Improve stock assessment methodology (grant)
2. Promote transparent permit transfer and quota leasing mechanisms (grant)
3. Recapitalize permit banks (grant or debt)
4. Help fishers diversify (grant, debt, limited equity)
5. Improve gear and fish handling, and reinvest in vessels (grant, debt)
6. Support market development and differentiation (grant, followed by debt, possibly equity)
7. Facilitate forward contracting marketplaces (grant followed by debt, equity)
8. Build business ecosystems (grant followed by debt, equity)

Summary



Intervention Opportunities

1. Improve stock assessment methodology.
2. Promote transparent permit transfer and quota leasing mechanisms.
3. Recapitalize permit banks.
4. Help fishers diversify.
5. Improve gear and fish handling, and reinvest in vessels.
6. Support market development and differentiation.
7. Facilitate forward contracting marketplaces.
8. Build business ecosystems.

For Grant Makers

1. Transparent permit transfers and quota leasing
2. Fisher diversification and capital investment
3. Product differentiation and business ecosystems

For Grant Makers

Transparent permit transfers and quota leasing

Grant-based Opportunities

- Facilitate the establishment of a permit registry that records ownership, liens, and transfer history
- Support development and piloting of a transparent quota lease market

Potential Impact

- Financial institutions willing to invest more in the fishery
- Fishers have better access to capital
- Fishers able to plan quota leases and manage businesses more efficiently

For Grant Makers

Fisher diversification and capital investment

Grant-based Opportunities

- Support for initiatives focused on helping fishers to diversify
- Appropriately structured finance risk-mitigation mechanisms (e.g., irrevocable letters of credit, loan guarantees, loan loss reserve provisions, insurance options)
- Low-interest working capital, bridge loans, lines of credit, refinancing, debt restructuring

Potential Impact

- More consistent income for fishers, less stress, and improved local economies
- Increased fuel efficiency, species selectivity (less bycatch, less waste), higher fish quality
- Financial sustainability and improved market competitiveness

For Grant Makers

Product differentiation and business ecosystems

Grant-based Opportunities

- Support and scale market development and product branding efforts of CSFs, NGOs, SMEs, or sectors
- Support capital improvements or increased capacity for port-based businesses
- Support for designing a collaboration among players within the business ecosystem

Potential Impact

- Better prices for fishers, increased local landings, revitalized infrastructure, competitive advantage over imports
- Power through partnerships
- More ecologically sound fishing practices, traceability, increased conservation

Conclusions

Conclusions

- Despite complexity and diversity of challenges, success stories indicate opportunities for improvement
- Multiple simultaneous interventions are necessary for driving change
- Opportunities outlined require further refinement and piloting with stakeholders
- Grant support needed to move initiatives from proof-of-concept to self-sustaining business models
- Collaboration among players is required



Acknowledgements

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Fishers, sector managers, port-based businesses, NGOs, government officials, scientists

Financial institution and permit bank representatives

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Thank You





LET A RIDE

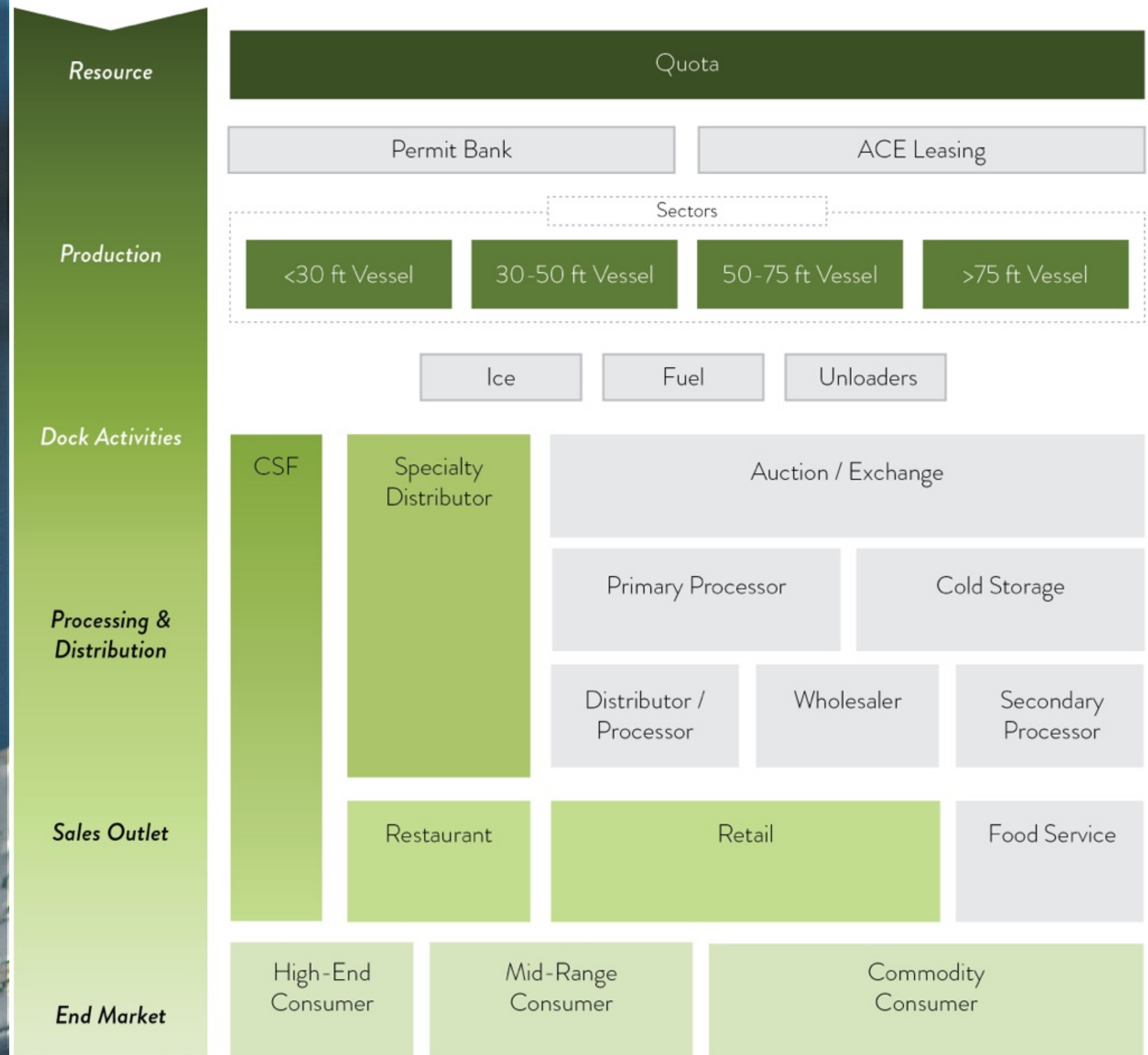
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Figure 2.1. New England groundfish industry value chain.

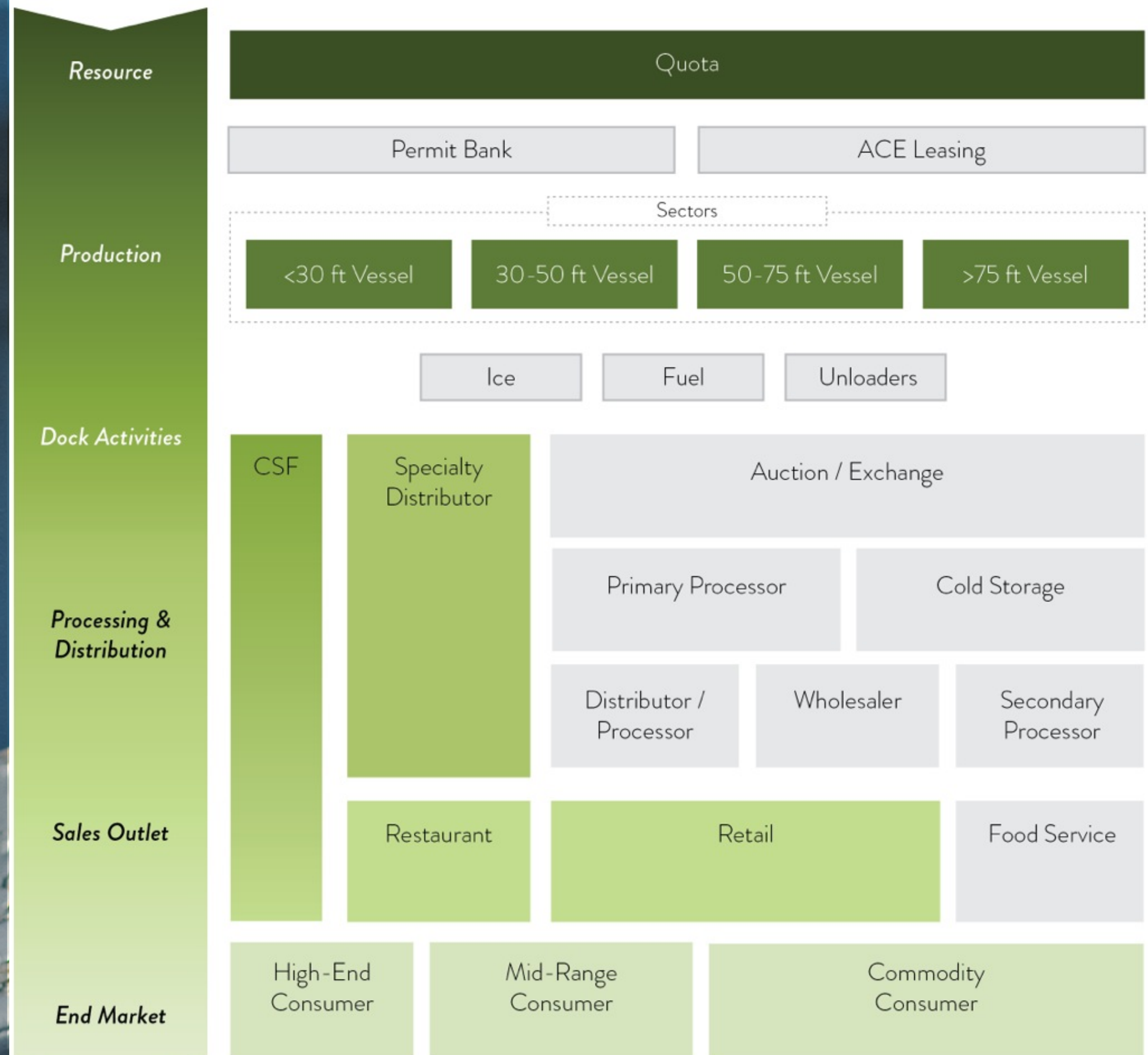




Snapshot Value Chain Analysis

- ~ 90% of groundfish moves through commodity market
- ~ 2% moves through CSFs
- Shorter value chains involve more balanced power distribution among players, higher prices for fishers
- Shifting mid-chain players to fee-for-service business models could result in more equitable margins
- When demand dictates supply, there is better planning, less waste, less uncertainty

Figure 2.1. New England groundfish industry value chain.



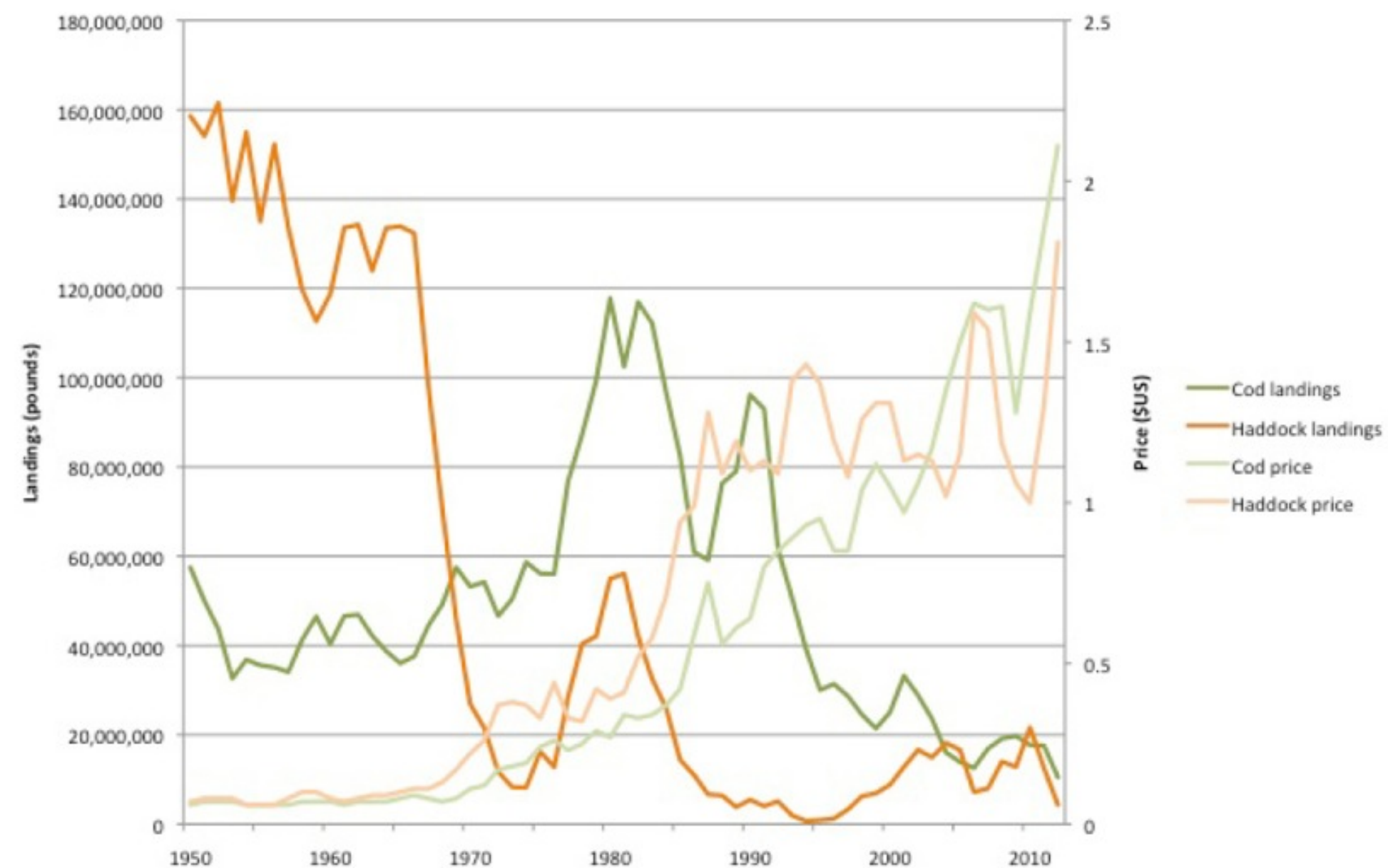
Research Methodology

- In-person and phone interviews with fishers, sector managers, portside businesses, government, and NGOs working within the fishery
- Phone and in-person interviews with 25 representatives from financial services institutions and permit banks
- Study findings captured in report, which was shaped and refined by Steering Committee as well as via feedback from key interviewees

Sustainability Challenges

- Warming water temperatures
- Expiration of certain inshore regulations
- Forage fish scarcity
- Lack of onboard monitoring
- Inaccurate stock assessments

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Source: NOAA n.d.a.