Red Grouper Commercial Quota Retention for 2027

Abbreviated Framework Action under the Fishery Management Plan for the Reef Fish Resources of the Gulf

Including Regulatory Impact Review and Regulatory Flexibility Analysis

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CHAPTER 1. INTRODUCTION

1.1 Background

A 2025 stock assessment for Gulf of America (Gulf) red grouper found the stock was healthy (SEDAR 88 2025). Based on its review of that assessment, the Gulf Council's (Council) Scientific and Statistical Committee determined that the stock was not overfished or undergoing overfishing and recommended increases to the overfishing limit and acceptable biological catch relative to the current harvest limits. In January 2026, the Council approved for National Marine Fisheries Service (NMFS) review and implementation substantial increases to the red grouper catch limits in Amendment 62 to the Fishery Management Plan for the Reef Fish Fishery of the Gulf (Reef Fish FMP) (GFMC 2026).

In anticipation of the substantial quota increase in Amendment 62 and the desire to improve opportunity for participants to enter the Grouper-Tilefish Individual Fishing Quota (IFQ) program and reduce bycatch, the Council is developing Amendment 63 to the Reef Fish FMP (Red Grouper Commercial Quota Pool Under the Grouper/Tilefish Individual Fishing Quota Program), which would establish a pilot program for setting aside a portion of the increase in red grouper commercial quota for a quota pool. The allocation from the quota pool would be distributed on an annual basis and would be non-transferable. Amendment 63 considers the set-aside amounts, the eligibility criteria for participation in the quota pool, and the percentages of quota to be distributed to shareholders and non-shareholders along with the method through which distribution would occur. Amendment 63 is intended to be a three-year pilot program from 2027 to 2029, using the substantial increase in red grouper quota as an opportunity to test a new mechanism to distribute allocation with the intention to improve opportunities for participation in the Grouper-Tilefish IFQ program and reduce bycatch and discards of IFQ species.

The anticipated timeline for approval and implementation of Amendment 63 would not allow NMFS to implement the proposed quota pool until after the annual distribution of allocation to the red grouper IFQ shareholders on January 1, 2027. This framework action would provide the Regional Administrator the authority to withhold up to a maximum of 612,000 lbs of the red grouper commercial quota in anticipation of the implementation of Amendment 63 in 2027. If Amendment 63 is disapproved by the Secretary of Commerce or not implemented by July 1, 2027, the withheld portion of the commercial quota that would be distributed to the IFQ shareholders.

Amendment 62, which includes environmental assessment, regulatory impact review, and regulatory flexibility analysis, analyzes the impacts of the reasonable range of alternatives that would increase the red grouper catch limits. The purpose of Amendment 63 is to establish a pilot red grouper IFQ quota pool to enhance economic profitability and reduce discards by improving access to red grouper annual allocation by fishermen engaged in the commercial harvest of red grouper and provide new opportunities for obtaining red grouper annual allocation. The quota pool would not change the total commercial quota established in Amendment 62 but would distribute a portion of the quota based on the criteria selected in Amendment 63. Amendment 63, which includes environmental assessment, regulatory impact review, and regulatory

flexibility analysis, analyzes the impacts of alternatives that would make a percentage of the commercial quota available to the quota pool. This framework action would allow Amendment 63, if approved, to be implemented in 2027.

1.2 Purpose and Need

The purpose of this framework action is to withhold a percentage of the 2027 commercial quota of red grouper equivalent to the portion of the commercial quota proposed for the quota pool in Amendment 63.

The need for this framework action is to allow NMFS to implement Amendment 63, if approved, in the 2027 fishing year. NMFS annually distributes the red grouper commercial quota around January 1 for that fishing year. For Amendment 63 to be implemented in 2027, NMFS would have to withhold the percentage of the quota on January 1 that would be necessary to establish the quota pool.

1.3 Management Options

Option 1 – No action: Distribute 100% of the 2027 red grouper commercial quota to red grouper IFQ account shareholders on January 1, 2027.

Option 2: Provide the NMFS Regional Administrator the authority to withhold the percentage of the red grouper commercial quota necessary to implement Amendment 63 during the 2027 fishing year. If Amendment 63 is not implemented by July 1, 2027, the withheld quota would be distributed to shareholders.

Discussion

Based on expected timeline for review and implementation, Amendment 63, if approved by NMFS, is expected to be implemented after January 1, 2027. However, the commercial shareholders in the Grouper-Tilefish IFQ program receive annual allocation on January 1 of each year. Under **Option 1**, the pilot quota pool would either have to be implemented before the first of the year or be delayed by a year. **Option 2** would authorize the Regional Administrator to withhold a portion of the commercial quota during the distribution of annual allocation to IFQ shareholders at the beginning of 2027, which would allow for the implementation of Amendment 63 during the 2027 fishing year. Table 1 shows the amount of allocation available to the quota pool under the alternatives and options considered in Amendment 63.

Table 1.3.1 Total commercial quota and amount of quota available dependent upon options selected in Action 1, Alternative 2 and Alternative 3 in Amendment 63.

Quota Pool Year	Red Grouper Commercial Quota	Quota Increase above 2.79 mp	Red Grouper Quota in the Pool (% of Quota Increase)			
			Option a: 15%	Option b: 20%	Option c: 25%	Option d: 30%
2027	4,830,000	2,040,000	306,000	408,000	510,000	612,000
2028	5,370,000	2,580,000	387,000	516,000	645,000	774,000
2029	5,370,000	2,580,000	387,000	516,000	645,000	774,000

Under **Option 2**, the Regional Administrator would be authorized to withhold the amount of commercial quota needed to implement the Council's preferred alternative in Amendment 63. The red grouper quota withheld would be redistributed to IFQ shareholders if a final rule implementing Amendment 63 if not effective by July 1, 2027.

CHAPTER 2. REGULATORY IMPACT REVIEW

2.1 Introduction

The National Marine Fisheries Service (NMFS) requires a Regulatory Impact Review (RIR) for all regulatory actions that are of public interest. The RIR does three things: 1) it provides a comprehensive review of the level and incidence of impacts associated with a proposed or final regulatory action; 2) it provides a review of the problems and policy objectives prompting the regulatory proposals and an evaluation of the major alternatives that could be used to solve the problem; and, 3) it ensures that the regulatory agency systematically and comprehensively considers all available alternatives so that the public welfare can be enhanced in the most efficient and cost-effective way. The RIR also serves as the basis for determining whether the regulations are a "significant regulatory action" under the criteria provided in Executive Order (E.O.) 12866. This RIR analyzes the impacts this action would be expected to have on the federal Gulf of America (Gulf) red grouper commercial fishery.

2.2 Problems and Objectives

The problems and objectives addressed by this action are discussed in Section 1.2.

2.3 Description of Fisheries

Any fishing vessel that harvests and sells any of the reef fish species managed under the Fishery Management Plan for the Reef Fish Fishery of the Gulf (Reef Fish FMP) from the Gulf exclusive economic zone (EEZ) must have a valid Gulf reef fish permit. As of July 8, 2021, there were 825 limited access valid or renewable reef fish permits (SERO Permits Database, May 2022). Note more recent permit information is currently unavailable. To harvest red grouper, a vessel permit must also be linked to an individual fishing quota (IFQ) account and possess sufficient allocation for this species. IFQ accounts can be opened, and valid permits can be linked to IFQ accounts at any time during the year. Eligible vessels can receive red grouper allocation from other IFQ participants. On average from 2020 through 2024, there were 671 IFQ accounts that held red grouper allocation and 68% of those held red grouper shares (NMFS 2025).

Although many fishing businesses only own one permitted vessel, some hold or own multiple permits and vessels. Detailed discussions on the business composition of IFQ participants are provided in the description of the economic environment sections of the 2019 Red Grouper Framework Action to modify annual catch limits (ACL) and annual catch targets (ACT) (GMFMC 2019), as well as Amendment 53 to the Reef Fish FMP (GMFMC 2021) and are incorporated herein by reference.

Commercial harvest of reef fish in the EEZ may only be sold to dealers with a federal dealer permit. As of December 21, 2021, there were 341 entities with a federal Gulf and South Atlantic Dealers (GSAD) permit (J. Dudley, NMFS SERO, pers. comm. 2022). To purchase IFQ species, including red grouper, dealers are also required to have a Gulf IFQ dealer endorsement. As of July 22, 2022, there were 166 eligible IFQ dealers; however, the total number of dealers can vary over the course of the year and from year to year.

Vessels, Landings, and Dockside Revenue

The information in Table 2.3.1. describes the landings and revenue for vessels that harvested red grouper each year from 2020 through 2024, including their revenue from other IFQ species, Gulf non-IFQ fisheries, and South Atlantic fisheries. From 2020 to 2024, the number of Gulf red grouper vessels fluctuated but showed an overall decline. Vessel participation decreased by 8% from 2020 to 2021 and continued to decline by about 5% in 2022. While there was an increase of around 5% in 2023, vessel participation in the commercial Gulf red grouper fishery declined again by 1% in 2024.

Revenue from landings of Gulf red grouper increased by 15% from 2020 to 2021 but declined by 7% in 2022. Revenue from landings of Gulf red grouper increased 11% in 2023 and recently decreased by less than 1% in 2024. Revenue from landings of other IFQ species by Gulf red grouper vessels increased by 16% in 2021 declined by 17% in 2023, and further by 18% in 2024, indicating a steady decline in recent years of revenue from landings of other IFQ species. Revenue from Gulf non-IFQ species decreased by 4% in 2021 and slightly further in 2022. Revenue from Gulf non-IFQ species increased by 18% in 2023, followed by a decline of over 16% in 2024. Thus, revenue from Gulf non-IFQ species fluctuated overall on average during this timeframe. Revenue from South Atlantic species showed large fluctuations from year-to-year changes. Revenue from South Atlantic species landings increased by 136% from 2020 to 2021 and further by 74% in 2022. However, revenue from South Atlantic species declined by over 50% in 2023 then increased by 68% in 2024. Average total ex-vessel revenue per vessel increased by a 23% from 2020 to 2021, and by 2% again in 2022. However, average total ex-vessel revenue per vessel has declined since, with consecutive declines of approximately 9% in 2023 and 10% in 2024. Although not shown in the table, the maximum annual value of all landings by a single Gulf red grouper vessel from 2020 through 2023 was approximately $1.24 million (2024 dollars[1]) in 2022.

Table 2.3.1. Landings, in pounds gutted weight (lb gw), and revenue for vessels harvesting red grouper species (2024 dollars).

Year	# of Vessels	Red grouper landings lb gw	Red grouper ex-vessel revenue	Other IFQ species ex-vessel revenue	Gulf Non-IFQ species ex-vessel revenue	South Atlantic all species ex-vessel revenue	Average ex-vessel revenue per vessel
2020	351	2,259,579	$13,571,298	$23,367,265	$5,525,958	$206,040	$121,569
2021	323	2,640,318	$15,535,713	$27,092,660	$5,323,849	$486,164	$149,964
2022	306	2,270,991	$14,479,587	$26,326,506	$5,297,679	$843,496	$153,422
2023	320	2,497,118	$16,012,728	$21,835,892	$6,248,546	$416,004	$139,104
2024	318	2,527,088	$15,893,495	$17,883,189	$5,225,094	$696,518	$124,837
Average	**324**	**2,439,019**	**$15,098,564**	**$23,301,102**	**$5,524,225**	**$529,644**	**$137,779**

Source: NMFS SERO IFQ database (accessed 5/1/2024) and Southeast Fisheries Science Center (SEFSC) Socioeconomic Panel (January 2025 version).

[1] Dollar values have been adjusted for inflation using the U.S. Bureau of Economic Analysis Gross domestic product implicit price deflator series (A191RD3A086NBEA). Accessed 07/15/2025.

IFQ Share Transfer, IFQ Allocation Transfer, and Ex-vessel Prices

Price information is important for evaluating the performance of a catch share program. Theoretically, allocation prices should reflect the expected annual profit from harvesting one unit of quota, whereas share prices should reflect the net present value of the expected profit from harvesting one unit of quota in the long run. Dockside or ex-vessel price is the price the vessel receives at the first sale of harvest. Average share transfer[2] prices increased from 2021 through 2023, with a notable increase from 2021 to 2022. Allocation transfer prices generally increased as well, but ex-vessels prices fluctuated from year to year (Table 2.3.2). Ex-vessel price increased on average by less than a percent each year over this period; the average allocation transfer price increased on average by 41%; and the average share price increased by 38% in each year.

Table 2.3.2. Average red grouper share transfer, allocation transfer, and ex-vessel prices per pound-gutted weight in 2024 dollars.

Year	Share Transfer	Allocation Transfer	Ex-Vessel
2020	$7.33	$0.56	$6.04
2021	$7.28	$0.74	$5.95
2022	$19.83	$1.71	$6.37
2023	$18.72	$1.82	$6.44
2024	$15.94	$1.71	$6.30
Average	**$13.82**	**$1.31**	**$6.22**

Source: NMFS (2025)

Liese (2023) provides estimates of economic returns such as annual vessel-level estimates of costs (as a percentage of revenue) and net revenue from operations for vessels for vessels that harvested red grouper during 2020-2024[3]. Estimates of producer surplus (PS) can be calculated from the cost information contained in Liese (2023) in conjunction with estimates of annual revenue from the SERO IFQ database and the SEFSC Social Science Research Group Socioeconomic Panel. PS is total annual revenue minus variable costs, including the costs for fuel, other supplies, and hired crew, as well as the opportunity cost of an owner's time as captain. Net revenue from operations, which most closely represents economic profits to the owner(s), is total annual revenue minus variable and fixed costs, including the costs for fuel, other supplies, hired crew, vessel repair and maintenance, insurance, and overhead, as well as the opportunity cost of an owner's time as captain and the vessel's depreciation. According to Liese (2023), PS for commercial vessels that harvested Gulf red grouper was approximately 47.6% of their annual gross revenue, on average, from 2014 through 2018. Net revenue from operations was 28.1% of their annual gross revenue, on average, during this period. Applying these percentages to the results provided in Table 2.3.1 would result in an estimated per vessel average annual PS of $ $65,583 (2024 dollars) and an average annual net revenue from operations of $38,716 per year. Liese (2023) also provides annual trip-level estimates of costs (as a percentage of trip revenue)

[2] Share transfer price refers to the price paid to purchase a share percentage that equates to one pound of red grouper allocation at the time the transfer occurs (NMFS 2025).

[3] This report is available at: https://repository.library.noaa.gov/view/noaa/56480.

and trip net revenue for vessels that harvested snappers and groupers in the South Atlantic. According to Liese (2023), labor, including both hired and owner's time, consumed 37.1% of trip revenue and fuel and supplies consumed 19.5%, leaving a trip net revenue margin of 43.4%, on average, from 2014 through 2018.

Dealers

The information in Table 2.3.3 illustrates the purchasing activities of dealers that bought Gulf red grouper landed from vessels during 2020 through 2024. From 2020-2024 dealer participation declined by an average of 5% each year in the Gulf red grouper IFQ program. On average, purchases of IFQ species accounted for 41% of dealer's revenue during this period, with red grouper specifically accounting for 13% of total revenue. While the total value of red grouper purchases fluctuated annually, the total value of red grouper purchases in 2024 increased by 27% relative to 2020. Additionally, the average annual value of all dealer purchases increased from 2020 through 2023 before declining slightly in 2024. Although not included in the table, the maximum annual value of all purchases made by a single dealer between 2020 and 2024 was approximately $16.1 million (in 2024 dollars) in 2022.

Table 2.3.3. Purchase statistics for dealers that bought red grouper (2024 dollars).

Year	Number of Dealers	Red Grouper Purchases	Other IFQ Purchases	Gulf Non-IFQ Purchases	South Atlantic Purchases	Average total purchases per dealer
2020	121	$15,019,504	$36,841,420	$44,647,281	$22,048,188	$979,805
2021	102	$16,462,022	$38,203,116	$55,073,442	$24,665,534	$1,317,687
2022	105	$18,744,744	$39,298,680	$59,021,599	$27,631,320	$1,378,060
2023	98	$15,864,054	$38,658,752	$52,115,020	$29,536,980	$1,389,539
2024	97	$16,080,594	$31,904,811	$45,090,788	$26,284,615	$1,230,524
Average	**105**	**$16,434,184**	**$36,981,356**	**$51,189,626**	**$26,033,327**	**$1,259,123**

Source: SEFSC Fishing Communities Web Query Tool (Version Jan 14, 2026, Years: 2000-2024).

Imports

Imports of foreign seafood products compete within the domestic seafood market, and in the U.S., imports dominate many segments of that market. Imports also tend to be price setters (products that are able to set prices in a market, due to the influence of having a majority of market share). Seafood imports can have downstream effects on the local fish market. At the harvest level, imports can affect ex-vessel prices fishermen receive for landings. As substitutes to domestic production, imports tend to cushion the adverse economic effects on consumers resulting from a reduction in domestic landings. Imports that directly compete with domestic reef fish, including red grouper, are described in this section.

Groupers

According to NMFS' foreign trade data,[4] grouper are not exported. Imports of fresh and frozen grouper products, which also directly compete with domestic harvest of Gulf reef fish species, are described in this section. As shown in Table 2.3.4, imports of fresh grouper products peaked in 2023. Total value of fresh grouper imports has been increasing in recent years and averaged $63.0 million (2024 dollars) annually. The average price per pound (lb) product weight (pw) for fresh grouper products was $5.32 from 2020-2024. Although not shown in the table, these products primarily originated from Mexico, Brazil, and Panama from 2020-2024.

Table 2.3.4. Annual pounds and value of fresh grouper imports 2020-2024.

Year	Total Pounds (lbs.)	Total Value	Price per Pound ($/lbs.)
2020	10,449,994	$46,394,887	$4.43
2021	12,246,904	$65,449,667	$5.34
2022	11,700,388	$66,946,463	$5.72
2023	12,628,176	$68,236,890	$5.41
2024	11,995,196	$68,346,048	$5.70
Average	**11,804,132**	**$63,074,791**	**$5.32**

Source: NOAA Foreign Trade Query Tool, accessed 10/20/24.

As shown in Table 2.3.5, imports of frozen grouper products peaked at 2.2 million lb pw in 2021 and have been declining since. Total revenue from frozen grouper increased sharply from $1.7 to $5.8 million from 2020 to 2021, but also declined nearly as sharply in 2022 to $2.9 million. The average price per lb pw for frozen grouper products was $2.30 from 2020-2024. Although not shown in the table, imports of frozen grouper products primarily originated in Brazil, Suriname, and Indonesia from 2020-2024.

Table 2.3.5. Annual pounds and value of frozen grouper imports, 2020-2024.

Year	Total Pounds (lbs.)	Total Value	Price per Pound ($/lbs.)
2020	814,426	$1,718,333	$2.10
2021	2,190,003	$5,818,759	$2.66
2022	1,339,501	$2,942,717	$2.20
2023	1,154,097	$2,676,394	$2.31
2024	1,097,656	$2,459,846	$2.24
Average	**1,319,137**	**$3,123,210**	**$2.30**

Source: NOAA Foreign Trade Query Tool, accessed 08/18/24.

[4] https://www.fisheries.noaa.gov/foss/

Snappers

Imports of fresh and frozen snapper products, which directly compete with domestic harvest of Gulf reef fish species are described in this section. As shown in Table 1.6, imports of fresh snapper products were 32.4 million lb pw in 2020. They peaked at 36.0 million lb pw in 2021. Total revenue from snapper imports increased to a five-year high of $169 million in 2021 (2024 dollars). The average price per pound for fresh snapper products was $4.48 from 2020-2024 and prices varied over this period. Although not shown in the table, imports of fresh snapper products primarily originated in Mexico, Nicaragua, or Panama from 2020-2024.

Table 2.3.6. Annual pounds and value of fresh snapper imports, 2020-2024. All monetary estimates are in 2024$.

Year	Total Pounds (lbs.)	Total Value	Price per Pound ($/lbs.)
2020	32,394,316	$129,401,869	$3.99
2021	35,969,857	$169,002,918	$4.70
2022	32,180,318	$150,937,686	$4.69
2023	32,108,363	$142,592,355	$4.44
2024	30,474,645	$139,494,605	$4.58
Average	**32,625,500**	**$146,285,887**	**$4.48**

Source: NOAA Foreign Trade Query Tool, accessed 10/20/24.

As shown in Table 2.3.7, total revenue from imports of frozen snapper increased from $55.2 million (2024 dollars) in 2020 to a five-year high of $75.7 million in 2021 (2024 dollars) followed by a 40% decrease through 2023. The average price per pound for frozen snapper products was $3.86, with a notable decrease from 2022 to 2023. Although not shown in the table, imports of frozen snapper product primarily originated in Brazil or Suriname, from 2020-2024.

Table 2.3.7. Annual pounds and value of frozen snapper imports, 2020-2024.

Year	Total Pounds (lbs.)	Total Value	Price per Pound ($/lbs.)
2020	15,873,809	$55,208,728	$3.48
2021	18,224,848	$75,715,262	$4.15
2022	16,941,442	$70,812,484	$4.18
2023	11,701,409	$42,501,474	$3.64
2024	14,836,601	$57,206,691	$3.86
Average	**15,515,622**	**$60,288,928**	**$3.86**

Source: NOAA Foreign Trade Query Tool, accessed 10/20/24.

Business Activity

The commercial harvest and subsequent sales and consumption of fish generates business activity as fishermen expend funds to harvest the fish and consumers spend money on goods and services, such as grouper purchased at a local fish market and served during restaurant visits. These expenditures spur additional business activity in the region(s) where the harvest and purchases are made, such as jobs in local fish markets, grocers, restaurants, and fishing supply establishments. In the absence of the availability of a given species for purchase, consumers would spend their money on substitute goods, such as other finfish or seafood products, and services, such as visits to different food service establishments. As a result, the analysis presented below represents a distributional analysis that only shows how economic impacts may be distributed through regional markets. It should not be interpreted to represent the impacts if these species are not available for harvest or purchase.

Economic impact models can be used to determine the sources of the impacts. Each impact can be broken down into direct, indirect, and induced economic impacts. "Direct" economic impacts are the results of the money initially spent in the study area (e.g., country, region, state, or community) by the fishery or industry being studied. This includes money spent to pay for labor, supplies, raw materials, and operating expenses. The direct economic impacts from the initial spending create additional activity in the local economy, i.e., "indirect" economic impacts. Indirect economic impacts are the results of business-to-business transactions indirectly caused by the direct impacts. For example, businesses initially benefiting from the direct impacts will subsequently increase spending at other local businesses. The indirect economic impact is a measure of this increase in business-to-business activity, excluding the initial round of spending which is included in the estimate of direct impacts. "Induced" economic impacts are the results of increased personal income caused by the direct and indirect economic impacts. For example, businesses experiencing increased revenue from the direct and indirect impacts will subsequently increase spending on labor by hiring more employees, increasing work hours, raising salaries/wage rates, etc. In turn, households will increase spending at local businesses. The induced impact is a measure of this increase in household-to-business activity.

Estimates of the U.S. average annual business activity associated with the commercial harvest of all Gulf reef fish species were derived using the model developed for and applied in NMFS (2024a)[5] and are provided in Table 2.3.8. Specifically, these impact estimates reflect the expected impacts from average annual gross revenues generated by landings of red grouper IFQ species from 2020 through 2024. This business activity is characterized as jobs (full- and part-time equivalents), income impacts (wages, salaries, and self-employed income), value-added impacts (the difference between the value of goods or services and the cost of materials, supplies, and labor across the supply chain), and output impacts (gross business sales). Income impacts should not be added to output (sales) impacts because this would result in double counting.

[5] A detailed description of the input/output model is provided in NMFS (2011).

The results provided here should be interpreted with caution. The results are based on average relationships developed through the analysis of many fishing operations that harvest many different species.

Table 2.3.8. Average annual business activity (2020 through 2024) associated with the commercial harvest of red grouper in the Gulf. All monetary estimates are in thousands of 2024 dollars.

Harvesters	Direct	Indirect	Induced	Total
Employment impacts	284	44	58	387
Income impacts	$8,152	$1,513	$3,660	$13,325
Total value-added impacts	$8,689	$5,449	$6,262	$20,400
Output Impacts	$15,099	$12,284	$12,156	$39,539
Primary dealers/processors	**Direct**	**Indirect**	**Induced**	**Total**
Employment impacts	59	24	41	124
Income impacts	$2,660	$2,451	$2,318	$7,429
Total value-added impacts	$2,835	$3,128	$4,365	$10,328
Output impacts	$8,561	$6,448	$8,532	$23,541
Secondary wholesalers/ distributors	**Direct**	**Indirect**	**Induced**	**Total**
Employment impacts	27	6	27	60
Income impacts	$1,585	$471	$1,667	$3,722
Total value-added impacts	$1,689	$790	$2,847	$5,326
Output impacts	$4,244	$1,547	$5,536	$11,328
Grocers	**Direct**	**Indirect**	**Induced**	**Total**
Employment impacts	118	13	26	157
Income impacts	$3,260	$1,083	$1,636	$5,979
Total value-added impacts	$3,474	$1,745	$2,770	$7,989
Output impacts	$5,571	$2,834	$5,438	$13,843
Restaurants	**Direct**	**Indirect**	**Induced**	**Total**
Employment impacts	733	49	120	901
Income impacts	$13,075	$3,966	$7,490	$24,530
Total value-added impacts	$13,938	$7,088	$12,619	$33,645
Output impacts	$25,485	$11,092	$24,901	$61,479
Harvesters and seafood industry	**Direct**	**Indirect**	**Induced**	**Total**
Employment impacts	1,221	136	272	1,629
Income impacts	$28,731	$9,485	$16,770	$54,986
Total value-added impacts	$30,626	$18,201	$28,862	$77,689
Output impacts	$58,960	$34,207	$56,563	$149,730

2.4 Impacts of Management Measures

The following discussion analyzes the expected economic effects and impacts of the proposed option (**Option b**) relative to the No Action option (**Option a**). On January 1, 2027, **Option b** would withhold from IFQ shareholders between 306,000 lbs and 612,000 lbs of red grouper for up to a maximum duration of six months. Expressed as a percentage of the commercial red grouper quota, amounts that could be withheld range from 6.335% to 12.670% of the commercial red grouper quota. The amount to withhold would be determined by the Gulf Council's (Council) preferred alternative in Amendment 63 to the Reef Fish FMP (Action 1).

Because all pounds of red grouper withheld would be distributed to IFQ accounts at the latest on July 1, 2027, no economic effects would be expected to result from a decrease in red grouper quota available to the commercial sector. However, negative economic effects borne by a limited number of shareholders, may result from the delay in the distribution of red grouper annual allocation. Table 2.4.1 provides yearly commercial red grouper landings expressed as percentages of the red grouper quota, i.e., the commercial red grouper quota utilization rate.

Table 2.4.1. Annual commercial red grouper landings in percentages of the commercial red grouper quota (2010-2024).

Year	Landings (% Quota)
2010	51%
2011	91%
2012	97%
2013	83%
2014	98%
2015	84%
2016	60%
2017	43%
2018	31%
2019	70%
2020	79%
2021	96%
2022	87%
2023	91%
2024	91%
Average 2020-2024	89%

Source: 2024 Grouper/Tilefish IFQ Report (2024 Update)

A 2020-2024 average annual red grouper quota utilization rate of 89% indicates that, on average 11% of the red grouper quota remains unharvested at the end of each year. It follows that much more than 11% of the red grouper quota remains available at the 6-month mark. In addition, quota utilization rates have markedly decreased following sizeable quota increases. For example, following a 2.06 million pound increase in the commercial red grouper quota in 2016,

the quota utilization rate dropped from 60% in 2016 to 43% in 2017 (NMFS 2025). Because Amendment 62 to the Reef Fish FMP would increase the red grouper quota by 2.04 million pounds in 2027, a comparable decline in the quota utilization rate should be expected. These observations suggest that withholding quota for up to six months would not result in economic effects due to delayed red grouper harvesting. However, for shareholders who plan to harvest their red grouper annual allocation as soon as they receive it, withholding quota would result in small adverse economic effects due to the delay. These effects would be determined by the difference between the nominal ex-vessel value and the net present value of the harvest if realized six months later. For example, using a seven percent (7%) annual discount rate, which is equivalent to a 3.44% semi-annual discount rate, a nominal ex-vessel value of $100,000 on January 1 corresponds to a net present value of $99,657 if delayed by six months or a loss of $343. A similar argument can be made for those who plan to sell their annual allocation upon reception on January 1. Although neither the economic benefits of implementing the quota pool in 2027 rather than 2028, nor the economic costs of delaying the distribution of a portion of the commercial red grouper quota by up to six months can be quantified at this time, economic losses due to delays in quota distribution are expected to be small relative to the economic benefits expected to result from the opportunity to establish a quota pool in a timely manner in 2027.

2.5 Public and Private Costs of Regulations

The preparation, implementation, enforcement, and monitoring of this or any federal action involves the expenditure of public and private resources, which can be expressed as costs associated with the regulations. Costs to the private sector and program-related administrative costs to NMFS, if any, are discussed under the impacts of management measures (Section 2.4). Public costs associated with the development of this framework action, including Gulf Council costs of document preparation, meetings, public hearings, and information dissemination, as well as NMFS administrative costs of document preparation, meetings and review, are treated as sunk costs and excluded from this analysis per Office of Management and Budget (OMB) guidance. Council and NMFS administrative costs directly attributable to the development of this framework action and the rulemaking process would be incurred prior to the effective date of the final rule implementing this framework action.

Additionally, this analysis does not include any additional law enforcement costs. Any enforcement duties associated with this action would be expected to be covered under routine enforcement costs rather than an expenditure of new funds.

2.6 Net Benefits of the Regulatory Action

It is important to specify the time period being considered when evaluating benefits and costs. According to the OMB's Circular A-4,[6] "The stream of annualized estimates should begin in the year in which the final rule will begin to have effects, even if the rule does not take effect immediately.…The time frame for your analysis should cover a period long enough to encompass all the important benefits and costs likely to result from the rule."

[6] See https://www.whitehouse.gov/wp-content/uploads/2025/08/CircularA-4.pdf

For current purposes, the reasonably "foreseeable future" is considered to be one year (2027). The reason that this analysis uses a one-year timeframe is based on the nature of this action, which withholds a portion of the red grouper commercial quota for at most 6 months. Economic losses due to quota distribution delays are expected to be small relative to the economic benefits expected to result from the opportunity to establish a quota pool in a timely manner in 2027. Based on this information, this regulatory action is expected to increase net economic benefits to the Nation.

2.7 Determination of Significant Regulatory Action

Pursuant to E.O. 12866, a regulation is considered a "significant regulatory action" if it is likely to result in: 1) an annual effect of $100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or state, local, territorial, or tribal governments or communities; 2) create a serious inconsistency or otherwise interfere with an action taken or planned by another agency; 3) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights or obligations of recipients thereof; or 4) raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in this executive order (E.O).

This action could withhold a maximum of 612,000 lbs of red grouper annual allocation for up to six months. The value of this maximum amount to be withheld is well below the $100 million threshold. Therefore, losses expected to result from the delayed distribution of a fraction of this amount are also well below the threshold. Based on this information, annual economic effects from this action are not expected to meet or exceed the $100 million threshold. Thus, this action has been determined to not be economically significant for the purposes of E.O. 12866.

CHAPTER 3. INITIAL REGULATORY FLEXIBILITY ANALYSIS

TO BE COMPLETED

CHAPTER 4. REFERENCES

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