

October 17, 2019

Northwest Atlantic Marine Alliance (NAMA) Statement on Divestiture of the Codfather's Assets



Two years ago, we [applauded the conviction and sentencing](#) of Carlos “Codfather” Rafael for seafood fraud and tax evasion, but warned about the risk that his assets would be sold to another seafood mogul or big corporation, leading to yet another single player controlling too much of the seafood supply chain and thus jeopardizing the integrity of the seafood economy and marine ecosystem. We recommended that the National Oceanic and Atmospheric Administration (NOAA) seize all of Mr. Rafael’s boats and permits, and reallocate his fishing quota to a diverse range of fishermen across the New England region, excluding any individuals or entities that control an excessive share (2% or greater) of quota for any groundfish species.

NOAA filed a civil action against Mr. Rafael in January 2018, seeking revocation of all of his fishing and dealer permits, in addition to significant fines and a lifetime ban on commercial fishing. At that time, we [encouraged the agency](#) to keep the pressure on Mr. Rafael instead of making a lenient deal. Now we are disappointed to say that NOAA has failed the public by quietly negotiating a deal with Mr. Rafael that will serve him financially at the expense of fishermen who followed the rules and fish stocks that were both [harmed by his violations](#).

The federal government agency reached a settlement with Mr. Rafael this summer which requires him to sell all of his boats and permits by December 31, 2020, pay \$3 million in fines and permanently cease commercial fishing. This essentially allows the Codfather to make a fortune while serving prison time, and handoff his empire to other big players in the industry, or even worse – outside investors – that are waiting in the wings.

While NOAA has the authority to review and approve each transaction before it becomes final, the agency has provided scant information to the public on the criteria that it is using to evaluate proposed deals. There have already been instances where scallop vessels and permits were sold to undisclosed buyers at prices that have been withheld from the public. Far from “a fitting end to this case” as NOAA Fisheries Assistant Administrator, Chris Oliver, described it, NOAA has given Mr. Rafael the latitude to sell his fleet and permits to the highest bidder in proceedings that are taking place behind closed doors.

According to recent reports, the likely buyer of the Codfather’s groundfish fleet and permits is Blue Harvest Fisheries, a wholly-owned subsidiary of private equity firm, Bregal Partners. Bregal Partners is the U.S. arm of Bregal Investments, a global private equity firm owned by a German-Dutch family.

Bregal Partners, which is currently valued at over \$1 billion, saw an investment opportunity in U.S. fisheries and formed Blue Harvest Fisheries in 2015. Blue Harvest has since been gobbling up scallop and groundfish fleets and seafood processors on the East coast. The company acquired Peabody Corporation and its eight scallop vessels based in Virginia; Harbor Blue and its seven scallop trawlers mostly based out of New Bedford, Massachusetts; Hygrade Ocean Products, a seafood processor and distributor based in New Bedford; and Canadian seafood company High Liner Foods' scallop business and processing facility in New Bedford.

In late 2018, Blue Harvest purchased Atlantic Trawlers Fishing, a groundfish supply company, formerly owned by Jim Odlin, that manages a fleet of five large fishing vessels in Portland, Maine. With at least five major acquisitions under its belt, Blue Harvest prides itself on being a vertically integrated seafood company. The company already controls approximately 3-5% percent of the total groundfish quota in New England, including some higher percentages for species such as cod, haddock, pollock and redfish.

Hundreds of fishermen and community members fought against privatization of fisheries through the Catch Share system that has resulted in this scenario. Across the country, the Catch Share system has converted our fisheries from a public resource to a fish-stock market where privately owned shares can be bought, leased and traded. Public information showing which individuals and entities have fishing privileges has morphed into "proprietary data" that is no longer available to the public. Without proper safeguards in place, it was inevitable that a handful of corporations would take over our fisheries, putting independent fishermen out of business, and marine ecosystems and fish stocks at risk. Catch Shares thus paved the way for the Codfather, seafood processors and Wall Street investors to control the fishing industry.

Given that Mr. Rafael holds around 15% of groundfish quota in the region by some estimates, the future of the New England groundfish fishery will be determined by Mr. Rafael's negotiations with potential buyers. Unlike traditional fishermen who have an incentive to be stewards of the ocean because their livelihoods depend on it, big corporations and investors will maximize profits at all costs.

We are calling for NOAA to publicly disclose all the criteria that it is using to evaluate proposed deals, and to publicize all final sales, including the names of buyers and the amounts paid. We are also urging NOAA to act in the best interests of the public and our fisheries when reviewing proposed transactions, and seize the final opportunity to prevent Wall Street investors from controlling fisheries access indefinitely.

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