



# P. U. H. A. NEWSLETTER

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## PRESIDENT'S REPORT—MIKE FEATHERSTONE

Preparations are underway to commence the 2004/2005 dive harvest season. The management plan and licences should be available by the first week in August. There is some interest in stretching the season out to maintain a market presence. The south coast lottery is completed and discussions are underway to pick an area in the south to open in August. The market at this time is not large, mostly local with limited exports. The critical point is to harvest quality and get the best returns. With this in mind the south coast fishermen are organizing pre-surveys to determine where to commence fishing. In the north the areas of Smith, Rivers and Fitz Hugh are open for the season on an ongoing basis. In September the West QCC Islands is scheduled to open, after the QCC experimental harvest scheduled for the end of August.

The survey season is underway with surveys already completed in Tofino and Port Hardy. In August surveys will be conducted in Campania and in the QCC Island study area. The Campania survey is comparing current and past known bed areas from harvest logs to determine why harvest log bed areas have been shrinking. PUHA has suggested that divers return to particular areas of known quality and do not spread out the efforts to find new beds as the known areas supply the area quota requirements. PUHA reminds all licence holders and operators to record all dive harvest spots, including areas of high urchin densities, which may not be harvested due to poor quality, on the harvest charts. At the end of August the QCC study areas survey will be completed and then followed up by an experimental harvest. Any vessels wishing to participate in the experimental harvest contact Ross at the PUHA office 604 524 0322.

The Urchin Market Development Board has completed a promotional and educational video for use to promote "Canadian Gold". The video was premiered at the semi-annual general meeting June and subsequently used at the Tokyo Seafood and Marine Technology Show in July. The video has been translated into Japanese as well as the brochure.

The outlook for the new season remains mixed. The market development plan has created positive leads in the European market and the feeling from the Tokyo show was positive regarding the Canadian product. There are at least 2 new processors planning to commence production this year. The Japanese economy continues to show improvement and the yen has remained steady. The unknown is the cheap production from Russia and Chile. The marketing goal is to differentiate our product from those products by emphasizing our better taste, sustainable fishing practices and high food safety standards. Good luck to all in the upcoming season!

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## 2004 Tokyo Seafood and Marine Technology Trade Show by the Canadian Sea Urchin Sector

Sponsored by the Pacific Urchin Harvesters Association, the West Coast Green Urchin Association, Paladin International Food Sales Ltd. and the Canadian Agriculture and Food International (CAFI) Funding Program.

### Itinerary Summary

A delegation from the Canadian Sea Urchin Consortium comprising Paddy Wong from the Urchin processing side, Bob Hegedus, Bob Reinstein, Chris Machat and Jim Dyck from the harvesting side along with Geoff Krause as the Project consultant, attended the Tokyo Seafood and Marine Technology Show between July 21- 24, 2004. We were picked up by Eisaku Endo from Maruki Company Ltd who delivered us to the Keio International Hotel by about 2230 hrs.

The following day we first made our way to the Tsukiji Central Market at 0400 hrs to view the uni auction and take a tour of the auction which was complete by about 0900. We met Sue Hahn, the Executive Vice President of Maruki Trading Inc.- a subsidiary company of Maruki Co. Inc. based in Los Angeles CA.. Ms. Hahn is responsible for purchasing of sea urchin products in the Americas. Yoshitomo Shimawaki of Chuo Gyorui Co. Ltd and Kunihoto Suruga of Tokyo Aircargo Co. Ltd. conducted a tour Tsukiji which started with the uni auction and included a walkthrough of the primary auction areas for a number of fresh, frozen and live products and of the adjacent primary wholesale distribution area. Two representatives from the Chilean Urchin Processors were likewise attending the Tokyo Seafood Show and joined our group.

After the Tsukiji tour was complete, we met with Akinori Sato, Section Manager of the Overseas Division for the Ni-chiyo Company, a manufacturer of bento lunch boxes, and proceeded to the city of Sagami-hara on the western outskirts of Tokyo by train for a tour of one of the company's bento factories. This tour involved a guided walk through the bento manufacturing facility and concluded with a lunch comprising a selection of some of the products produced at the plant. After making our way back to Tokyo we attended the last couple of hours of the second day of the seafood show before meeting with Kisaku and Kitano Endo, the President and managing Director of Maruki Co., at the Maruki plant. We were also provided with a tour of the Maruki re-packing facilities and given a fairly comprehensive overview of the contrasting regulatory requirements as regards the hygiene regimen at the re-packing and the bento manufacturing plants.

Saturday was given over to meetings with Maruki where various aspects of the uni market and supply situation were discussed.

### Synopsis of Findings

Low cost suppliers like Russia and Chile are currently driving the market and price competition is fierce in Japan for all seafood products, including uni. This in turn is transforming the supply chains for seafood in Japan so that some companies, like Maruki, are taking advantage of developments to buy directly from offshore suppliers to reduce their costs as opposed to continuing to use their traditional importers.

Maruki buys from Chile along with some minor amounts from Russia but these countries are basically mining their urchin resources and the sustainability of their fisheries remains dubious at best. In the case of Russia, fishing effort is growing in new areas on Sakhalin Island and the adjacent coastline of the mainland even as the Kuriles are being depleted. Similarly, in Chile the fishermen are using bigger boats as packers because the fishing grounds are some distance away from the centralized processing plants and they are still moving away further as the closer beds are fully cleaned out and not able to recover. In both cases, this sort of fishing is generally referred to as a serial depletion scenario but both countries have large coastlines with urchin stocks and so are likely to remain in the business for some time yet.

In both cases however, more remote fishing operations are compromising their product quality because it is usually not processed for some time after harvest (even when the plants are not backed up) and/or seeing increased costs. Transport times on the packers were reported to extend up to about 8 - 10 hours by the Chilean rep's at the meeting, in contrast to the 3-4 day periods generally bandied about by the Canadian rumour mill, but it is impossible to judge the accuracy of either claim. Fishermen in Chile use small (18-24') skiffs and use hose gear to fish the urchin beds, picking all sizes with little regard for sizes or recoveries. The fishermen make camp on shore each night and keep moving along the coast as the beds are fished down. The urchin fishery is an Olympic style fishery so many vessels, up to 5,000 boats, will be active in any given area when it is open. Recoveries were not discussed. There are currently about 10,000 divers picking about 2,000 MT of roe in Chile each year. It is interesting to note that about 40% of these divers cannot swim and depend upon their wetsuits and breathing apparatus to provide buoyancy etc.

The transport times to Japan also affect the product form, particularly from Chile, as fresh deliveries are difficult because of the delays involved. The majority of product from Chile is processed and shipped frozen. We did not receive any information on the product form from Russia but it is worth noting that the majority of the production from the Kuriles is shipped live

to processors in Hokkaido and that the processing capacity in Russia is limited at this time. Developing the local processing capacity, including the required grading and packing skills, for fisheries undertaken in Russia at some distance from Japan may take some time so the live shipments may continue even though the distances from the Sakhalin area are much larger.

Canadian product is generally acknowledged as safe and good tasting but the reactions of the folks watching the promotional video and examining the brochures to the Environmentally Sustainable and Responsible (ESR) components of the Canadian industry campaign were hard to read. The Japanese are naturally reserved, almost to the point of being shy at the booth when we approached them, and their responses as to the importance of ESR as a feature helping them with the purchasing decisions were generally noncommittal. Questions directed to Maruki employees and management as to the potential of the campaign to promote sales likewise failed to elicit definitive pros or cons other than a general unease that the campaign might be used by Canadian firms to increase the price to the Japanese buyers and thereby render the product less competitive.

It is generally acknowledged that successful marketing campaigns are characterized by the full participation of all actors in the supply chain, in this case including the Canadian fishermen and processors and a representative Japanese buyer, Maruki Co. Ltd., and retailers involved in the distribution and sales of the product in Japan. This trip was successful although it appears that we still have some work to do to bring our Japanese partners on board in this campaign and will have to continue probing to determine the most likely Japanese consumer responses. The Japanese consumer is apparently focussing more price competition as the primary consideration in their buying decisions, as it is in an increasing proportion of consumers in all developed nations, and indications that a campaign based on the ESR character of the Canadian fishery to successfully reposition the Canadian uni as a superior product are thus far inconclusive.

In short it may be unrealistic to expect any price increases in the near term if we are to maintain or increase our market share in Japan. Once the marketing campaign has more time to develop and take hold this may change but the best way to increase unit revenues to the Canadian industry at this point would seem to revolve around continuing to focus on maximizing product quality and recoveries. Paladin estimates that its breakeven point for processing good quality RSU roe is at least 5% or better - processing urchins at recoveries below this is just not economic. Increasing the average recovery provides a proportional increase in the increase in volume of product available for sale and therefore of its value even as all the costs involved remain the same.

The way things in the industry apparently operate now, these benefits might be retained as a windfall by the processor and not passed along to the harvesters. This of course reduces the incentives to the fishermen to focus on higher recoveries, other than that it virtually ensures an ongoing market for their catch, but at this point it is required to compensate the processors for those times when the recoveries do not reach the breakeven for them. This would seem to be an area that fishermen and processors could work together, possibly by developing a mechanism to compensate fishermen for the extra effort and costs of focusing on better quality product as defined by recovery + other quality parameters. Assuming the recoveries of each load are tracked, a method to fairly distribute additional profits associated with higher recoveries, and possibly assess penalties for loads with lower recoveries should be within reach. Controversial for sure - but still something that should be achievable without any change in the prices paid by Japanese buyers.

This trip was very informative and the generosity of Maruki and the people working for the company exceeded at least my expectations. Working with buyers in this way and involving them as much as possible in the program will likely be a critical element in the more general success of the marketing, branding and differentiation of Canadian uni from other sources.

## D. & D. PACIFIC REPORT

### Review of 2003/04 Season

1. All licences (110) were designated and registered with D&D. 2 licenses to date are delinquent in payment of the PUHA fees.
2. Fourteen licences had a remaining quota over 10,000 pounds compared to nine last season.
3. Forty licences to date are still missing harvest data or charts compared to fifteen last season. DFO has indicated this is an area of concern and will be monitoring this closely next season.
4. South Coast remaining quota is 92,071 lbs. (SE 6,066 lb. / SW 86,005 lb.) compared to last season 148,265 lbs. (SE 17,551 lb. / SW 130,714 lb.).
5. North Coast remaining quota is 652,782 lb. with the majority of that in the central coast.
6. Area of discussion was the lay over time prior to the QCI opening and ways to prevent small amounts of remaining quota.
7. D&D are researching the practical use of utilizing satellite technology and they're tracking capabilities to augment the OGM and allow more flexibility with openings.

### **Harvest Charts**

DFO Shellfish Data Unit has announced that they will be seeking assistance from C&P officers in cleaning up the consistent late chart/data delivery from vessel masters and licence owners who have a history of incomplete information. DFO has recognized that there is a trend in certain vessel masters that consistently have missing information from year to year within the green and red sea urchin as well as the sea cucumber fisheries. The vessel masters will receive notices from DFO, and also the licence holder who is rarely on the vessel. The rule within the conditions of licence states delivery within 28 days of the fishing event. DFO has also stated (last year) that any late charts received after the close of the fishery (annually) will require "out of season" payment for digitization of your harvest site(s). DFO has expressed that this is the only way to deal with the amount of outstanding charts outside of an annual budget. D&D asked for any other methods to assist in recovering the late information, and the reply was simply that DFO will charge vessel masters and licence holders for breach of their conditions of licence.

### **Dockside Monitoring Company Certification - ISO 9000 Standards**

All companies that are currently involved or are seeking to be involved in any dockside monitoring program must be certified as a company by DFO. This requires all companies to comply with ISO9000 standards that will be regulated by the CGSB (Canadian General Standards Board). It was first implemented on the East Coast in 2002 to address major problems with conflict of interest.

Example: Brother validating sisters' landings. This problem on the east coast has not been prevalent to our knowledge in the pacific region.

All companies were notified mid Feb and are to comply by July or they will not be recognized as a listed company certified by DFO. Therefore, no longer able to participate in any Dockside Monitoring Programs (DMP). DFO held a one-day workshop for those parties interested, about 9 companies were represented and to our knowledge only three have complied so far. ISO9000 standards are amongst the most demanding international standards set by the ISO (International Standards Organization). These standards are used worldwide in various industries for the purpose of quality control. At the moment it is anticipated that this will impact the companies involved by increasing the paperwork and administration by approx. 30%. It will most likely be necessary to hire an individual just to deal with the added workload and cost of the annual internal and external audits performed by the CGSB from Ottawa to retain a current listing and company certification status.

As a result of the CGSB's introduction to the fishery - **No logbooks utilized last season by fishers will be allowed in future seasons**. A number series for each season will be limited and no other number series will be accepted. Once a vessel registers, a logbook will be issued. Under this process, a vessel cannot hail to fish until they have registered, and acquired a new logbook prior to their fishing trip.

## SURVEY REPORT—DIMITRI TZOTZOX

This summer has shaped up to be a busy one in terms of surveys. The Tofino study sites were surveyed in June, and as usual, lots of urchins were measured. Another survey (part of the assessment framework) was just completed near Port Hardy, and went very well. Thanks to the crew of the King Clam for their hard work. Next on the slate is a similar survey in area 6-10, at Campania Island. The Twin Starrs will be working that survey. Soon after that one is completed, the Price Island study sites will be surveyed alongside with the Kitsoo Fisheries Program, followed immediately by the Louise Island study site survey and experimental harvest. As in the past years, the Haida Fisheries Program will be helping with the Lousie Island survey

