

PUHA

PACIFIC URCHIN HARVESTERS
ASSOCIATION



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PRESIDENT'S REPORT —MIKE FEATHERSTONE

This season's landings are currently on par with those of 2006, and nearly double the landings at this time last season. This is a good sign however we are only approaching the halfway point of the season - so there is a lot of fishing left in the year. Since November the weather has been the biggest factor slowing the fishery and fishing areas and quality may become more challenging as more quotas are completed. The QCC fishery will be very important this year as there is a total of 2 million lbs available on the Islands.

The market has been steady, especially in the run up to the Holiday Season, however there are elections next week and this may slow the market. There are reports of divergent markets with some demand for frozen product. There are currently 3 fleets with separate packers and transportation systems operating in the north coast. This has been a challenge as the current protocols only allow for 2 separate areas to be open, so the fleets have to cooperate on the opening of the areas. Refer to D&D review of the protocol in their report.

The interest from China continues to grow, which was evident at the China Fisheries and Seafood Exposition, held in early November in Dalian. Visitors were steady and loved the product. You can check out the tastymonials clip on PUHA FaceBook page and read Geoff's report in the newsletter and the full report on the website. A debrief of the China show was held in the middle of December and the PUHA directors and processors are meeting just before Christmas to review and plan follow up's.

On the trade front, commencing January 1, 2013, the harvest vessel name will be required on the Export Certificate for China. The product can be batched and in that case just 1 vessel from the group will be required to be named.

With respect to Japan, Free Trade negotiations have started. For reference, Japan is Canada's 3rd largest seafood export market, behind USA and China.

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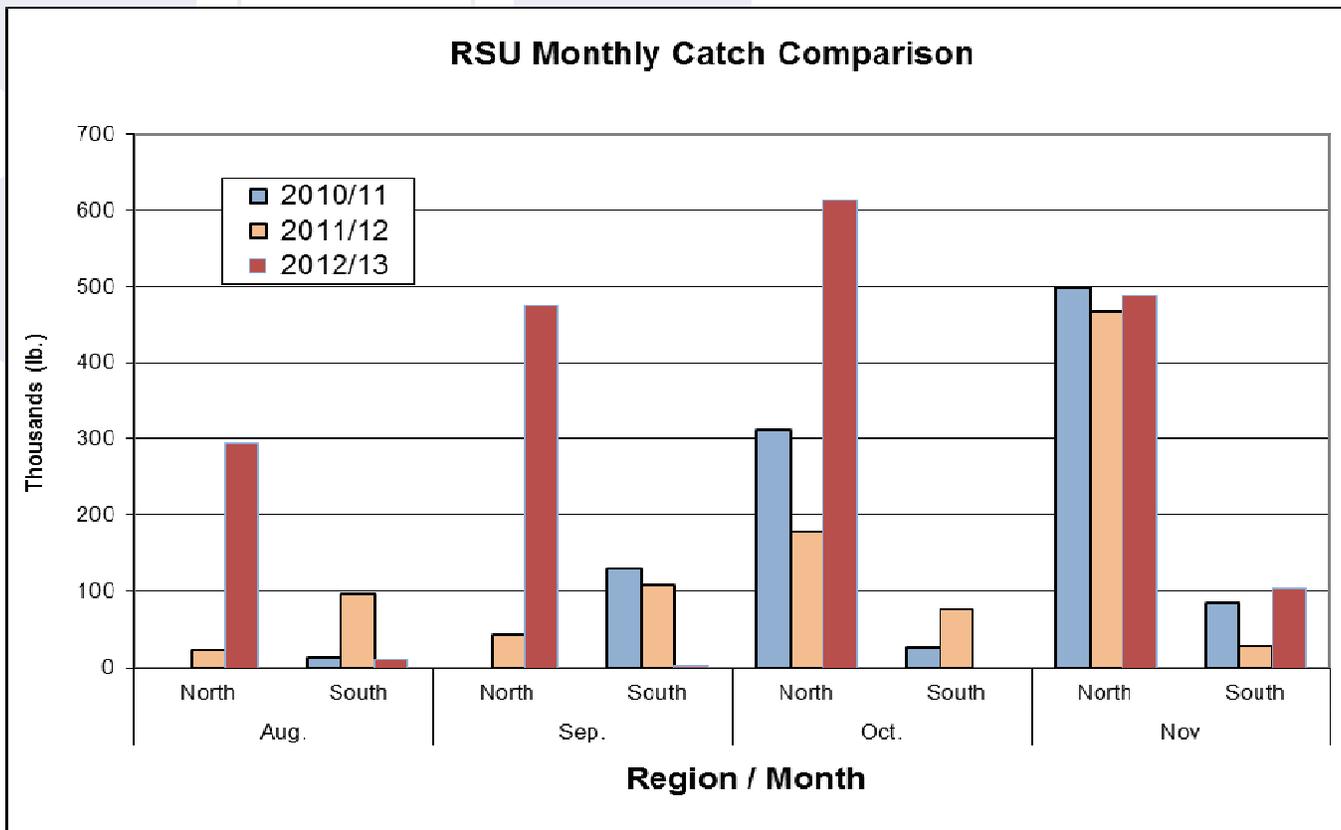
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D. & D. Pacific



The 2012-2013 RSU season is active and shows strong performance that is comparable to the 2005-2006 season harvest levels (*see chart below*). The south coast trend in fishing shows a reduction in harvest levels which is primarily due to the quality in the south coast (*source: buyers*) at the beginning of the season, and it shows for the first time that October had **no** landings by south coast vessels. Result, an increased focus on the north coast by the buyers had vessels busy during the last four months.

The north coast has 20 vessels active since August 1st, and the south coast has seen 8 vessels active in the same time period. In total, 37 ZC (26N & 11S) licenses have been active since the start of the season.

Currently, the north coast fleets are active in the Principe and Estevan areas. It is anticipated that fishing will move to the west side of Aristazabal Island after the above areas are completed.

The south coast is now becoming more active in the Port McNeill and Campbell River areas. A scheduled opening of three “reserved” quota areas will open December 15th:

- 12D-Port McNeill,
- 13A-Kelsey Bay Proper and,
- 13B-Campbell River South.

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It is particularly important to the sea urchin industry as exports to Japan comprise over 80% of Canadian sea urchin exports. Currently there is a 7% - 10% tariff on sea urchin products. Eliminating the tariff should increase the demand.

PUHA has worked closely with the BC Seafood Alliance (BCSA) following up on amendments to wording of Bill C35 with respect to the use of fish Provisions in the Bill. In Ottawa last week, Government representatives provided assurances that the wording would be amended and that supportive regulations would be undertaken. Part of the delay at this time is the Minister suffered a heart attack and has not returned to work. A follow up meeting with BCSA members is planned before Christmas and in all likelihood we will be asking all our members to write or call their MP's in support of these important amendments.

Commencing January 1, 2013 the DFO will commence providing licensing on line. After March 30th, the licence office will be closed and licences will only be issued on line. At this point it is uncertain how the new system will work. It is strongly recommended that any pending licence issues should be handled before the New Year and particularly before April 1, 2013. All licence holders should have received correspondence by mail detailing the changes.

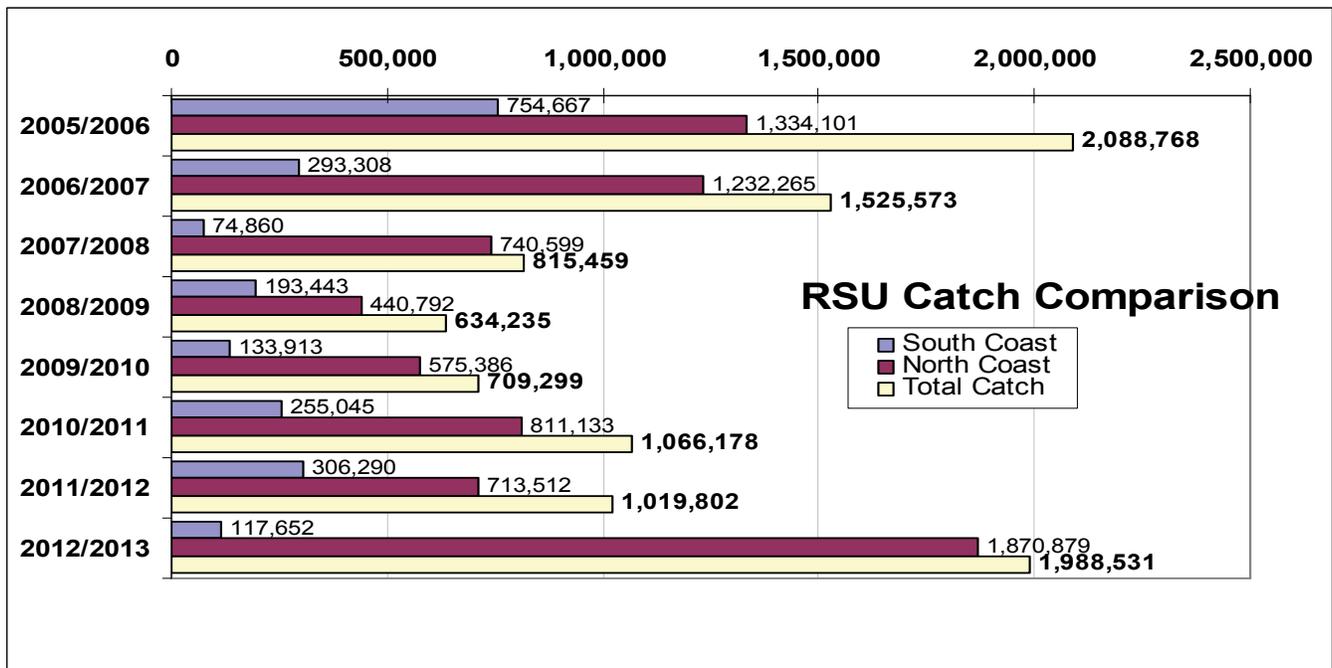
There have been some challenges with Fisheries Management this season. It seems we need to remind some fishermen that proper protocols have to be followed at all times. We currently have a 2 fleet system where 2 separate areas can be open in the North Coast and these areas can contain adjacent RU fishing areas. The goal is always to facilitate fishing opportunities. Weather, quality, geographic location and fishermen preference can all be discussed when selecting fishing areas. Generally 2 business days are required to get a new area open. Fishermen who do not follow proper protocol, hailing or VMS requirements or good communication with the on grounds coordinators and D&D place our current fisheries management in jeopardy. Please review the protocol in the D&D report and we urge all licence holders, vessel operators and processors to encourage all divers and deckhands to follow the protocol.

The science and research activities are in limbo after March 30 due to the uncertainty of funding. PUHA has some reserve funds to support surveys this season and will continue to work closely with DFO with respect to funding options. There may be some funding opportunities once the use of fish provisions has been clarified. Dan Leus is completing the survey report for the Tree Knob group which includes alternative survey methods which could be beneficial to the industry in terms of efficiencies.

WE WISH EVERYONE A MERRY CHRISTMAS AND A
SAFE AND SUCCESSFUL NEW YEAR!



D. & D. PACIFIC—CONTIUED



North Coast fishing protocol was established by PUHA and DFO to accommodate the lack of an independent on-grounds monitor due to the financial strain PUHA is facing during the economic downturn of the fishery. A Vessel Monitoring System (VMS) pilot program was initiated last season and continues this season as a pilot, but this does not change the protocol. Problems have occurred recently with vessels deviating from the protocol, and all vessels are reminded to follow the protocol as it has not changed for years and will not change in-season due to the VMS pilot. The VMS pilot does not alter the protocol established.

If vessels continue to “test” DFO on the protocol, D&D has been advised that the program will be reduced to one area open at a time for the fleet(s) and they (*the vessels*) will have to wait for another opening. Hopefully this will not occur as PUHA is contacting the vessels and their buyers involved in the issue to rectify the problem. D&D is confident that PUHA can resolve this issue “in-house” so as not to have DFO resolve it. D&D has no access to the VMS system at this time.

Attached is the protocol established in 2007 after the loss of the on-grounds monitor.

The DFO licence unit is changing. D&D had a briefing session with DFO last week on what to expect. In short, the licence unit will be online only. A help desk will be created, but fishers will be able to pay and print online for PCFL as well as commercial licenses for all fisheries. The grey area will be in renewing the licenses and especially the re-designation aspect of the commercial licence. Not sure how the later will work, but first reports by DFO is “not to leave designations to the last minute”.

At present, in the red sea urchin fishery, the timeframe for licence activation, PUHA registration, D&D notification, logbook & chart delivery and actual fishing seems to be done all on the same day. This will not be an option after January of 2013. It is required that all “red tape” be dealt with prior to leaving the dock.

Vessel Monitoring System

A Vessel Monitoring System (VMS) pilot in the north coast was initiated for the 2011/12 season, and will continue for the 2012/13 season.

Each north coast fleet must have at least one vessel equipped with a functioning VMS with a signal verified by DFO or all areas will be closed.

The vessel(s) equipped with the VMS must be a working fishing vessel engaged in red sea urchin fishing (i.e. not a liveaboard). Vessels equipped with the VMS must check with DFO for clearance that the system is operational prior to commencing fishing activity or qualifying as an approved VMS vessel.

The VMS must stay on for the entire red sea urchin season or until the vessel terminates fishing for the remainder of the season.

If a fleet does not have at least one vessel with a DFO approved VMS, fishing activity will be suspended by closing the area.

Fishing Strategy & Quota Areas

A limit of two separate groups/fleets is permitted to operate within the north coast region at any time, with the exception of the following RU areas in the Central Coast, which are designated as Non-VMS areas: *RU55 Hakai Pass, RU56a Nalau Pass, RU56b Fitz Hugh Sound, RU57a Rivers Inlet, RU57b West Calvert Island, RU57c Grief Bay & RU58 Smith Inlet.*

A maximum of four quota areas can be opened for fishing per fleet, but are to be fished in a structured fashion. Whereas, the fleet is limited to fishing one area at a time unless approved by DFO, or in the event of co-ordinating clean-up of an area with limited quota.

Attempts will be made to complete each quota area before moving to a new area. However, in the event there is insufficient quota to make a full days harvest for the number of vessels active provisions will be made to designate a certain number of vessels to finish (clean-up) the area while the remainder of the fleet continues in another. Clean-up protocol involves organizing and informing fishers of the intensification the day/evening before the actual day of clean-up. This way everyone is informed and a game plan in place prior to the subsequent day. During clean-up the estimated or actual remaining quota will be divided equally between all vessels or designated for the clean-up. Each vessel will have a harvest limit imposed, and any overages of this limit will be tracked and reported to DFO.

In the event of fishing multiple quota areas is approved, all product caught in a quota area shall be landed or transhipped (delivered to a packer) prior to the commencement of fishing in a new quota area.

If weather or roe quality prevents further fishing in a quota area the fleet will be permitted to move to another area, as a group. Once fishing has been initiated in an area moving to a different area will not be permitted, NO SAME DAY CHANGES.

Requesting new areas. If further areas are requested outside of the four currently open this will require advance planning, and requires a minimum of 48 hours' notice for DFO to open (not including weekends and holidays).

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D. & D. PACIFIC—CONTIUED

On-Grounds Co-ordinator (OGC)

Each fleet is required to designate one vessel as the “On-Grounds Co-ordinator”. The OGCs will communicate with D&D at the beginning and end of each fishing day. Communication is essential at all times no matter how small the fleet. In the event there is not a designated OGC, and there is no communication with D&D, fishing activity will be suspended by closing the area. The OGC will be asked to relay the following information on a daily basis.

Confirm Fishing Activity & Vessels: Contact D&D on a daily basis to confirm fishing activity whether it is a fishing day or not. Also provide insight as to the general game plan or direction of the fleet. Keep in mind same day decisions to move to a new area will NOT BE PERMITTED – NO EXCEPTIONS.

Area Remaining Quotas: D&D will provide the OGC with the actual or estimated remaining quotas by area and go over possible fishing plans for potential clean-up/vessel limits. In the event that the remaining quota in an area to be fished is insufficient for a full day’s production, the remaining pounds will be divided equally amongst the fleet. The OGC will convey the vessel limit to the fleet. No same day area changes or new hails will be permitted during a harvest limit or clean-up – NO EXCEPTIONS

Catch Information: Inform packers to provide D&D with the total packer weight by quota area. It is the responsibility of the OGC and/or packer to ensure the packer weights are hailed to D&D in a timely manner.

Best fishes – D&D

Robert Wayne Antifave Nov. 19, 1960—October 20, 2012

The B. C. dive fishery has lost a long time friend with the death of Bob Antifave on October 20th during geoduck diving operation on the Hideaway II in Rennell Sound. Bob was well respected throughout the industry and will be greatly missed. An account has been set up in Lori Antifave’s name in support of the family through the emotional and financial hardship. Contributions can be made at any branch of the CIBC into the following account:

Account Name: Lori Antifave, Bank transit number 00740, Bank Account number 81-03194



The President and Executive of P. U. H.A. wish all members, divers, deckhands and their families a very Merry Christmas and all the best in 2013

MARKETING—GEOFF KRAUSE

Here we are- mid December and just through another set of storms here on the South Coast. Weather is a major factor from this time of the year through to spring which, when coupled with market limitations, can have a strong effect on the catch and shipments. According to monthly data from Japan Customs, last year we saw a drop from the 35 MT of product shipped to Japan in October to 26 MT in November, a recovery to about 65 MT in December followed by drops to between 20 to 30 MT each month in January- February before getting some better numbers showing up in March and April. The same sorts of random-ish fluctuations can be seen in previous years so it is probably pretty safe to say that success is likely to hinge again on the weather.

Our shipments to Japan this year seem to be on about the same track as last year although I think it is worth pointing out that shipments to Japan in the shoulder seasons (April - May and August - September) are looking more like they did in the good old days (dare I say 2000). It will be interesting to see how the core of the season develops this year but Japan will continue to take a majority of our production. They accounted for about 75% last year but this is down from the 82% in 2010 and the 92% recorded in 2009.

Even with just this, it seems reasonable to claim that our efforts to diversify our markets are bearing some fruit. We are seeing some success in Hong Kong which increased its imports of sea urchin roe almost 10 - fold last year to about 30.4 MT from 3.25 MT in 2010. Taiwan, which nearly doubled its imports to 11 MT from 6 MT over the same period, is also looking promising. Both are apparently still building as Hong Kong and Taiwan had imported 20.2 MT and 15.4 MT respectively to the end of September in 2012. Unfortunately it is not possible to get more detail than that for this season at this point.

China remains the great hope as a future seafood market because it is expanding so quickly and has so much potential simply by virtue of the population (1.3 B). Their reported seafood imports increased by 23% last year to USD 8.1 B and their tastes are becoming increasing sophisticated and cosmopolitan- they want basically the same things we do. It is a different culture though and it is still hard to pin down what is going on with our products in Hong Kong, Taiwan and China.

This includes a certain penchant for building some confusion into things as a matter of course. This includes for example, the often predominant use of gray channels through Hong Kong and possibly Taiwan importers have been using to get seafood into China. It may be that a portion of the increases reported above is actually ending up in China, offsetting the decline in exports to China from 9.1 MT in 2010 to the 1.7 MT recorded by Stats Canada in 2011. The numbers appear to be picking up again at least modestly this year, with 1.8 MT recorded to the end of September 2012 by StatsCan, but it is a bit early to jump to any real conclusions at this time.

This apparent (yet modest) uptick may reflect in part the crackdown that China rolled out earlier this year which has been having a dramatic impact on those routes and other paper-dodges used by importers to avoid tariffs. The upshot is that the additional scrutiny and effort is making the legitimate route(s) more attractive. This is generally preferred as a lower risk alternative by whoever is holding the bag as the product crosses the border as it is becoming ever less likely that a shipment will be forfeit. It should also allow for more accurate tracking of the imports if not the actual sales.

Our experience at the Hong Kong and the China seafood shows suggest that our product is drawing more attention, favour and interest there and that our customer base in China is growing. The traffic we have gotten at both shows has been growing year by year and people are increasingly on the prowl for the samples we give out. I believe we are still looking for the magic bullet (i.e. a dish that they simply cannot resist) that will lead to an explosion of demand there but in the meantime they appear to really and increasingly like our suggested combinations with smoked salmon, seaweed with wasabi and sweet onion with herb, etc.

I am still putting together observations I and the others on the trip collected at the China show in Dalian so will include more of them in the next newsletter. We have also received a pretty strong indication that now would be a good time to update our Long Term International Strategy and get the ball rolling for the next round of international marketing so I expect to be busy with that for the next while as well. I think things are looking up on the international economic and finance side and so hopeful that a better year for seafood can be had if the weather cooperates. of the actual sales