



P.U.H.A. NEWSLETTER

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President's Report —MIKE FEATHERSTONE



Everything seems stacked up against the sea urchin industry these days. There were huge landings from the Kuriles in December which broke the market and there was no demand for Canadian sea urchin. In the past processors could count on December production to support the season's profitability. For the vessels which opted to work through the Christmas holidays poor weather did not allow many fishing opportunities.

Given the market conditions and the continuing trends one of the major processors has all but completely shut down, another processor notified it's vessels not to go fishing just as the crews were returning to the grounds in January.

In terms of statistics you can see the numbers in the D&D report. Landings are 50% lower over the same period compared to 2004/2005. Presently only 39 vessels are active at this point in the season compared to 47 last year. Generally prices are lower however at least 1 company is reporting high prices for good quality and recovery.

The philosophy behind the high prices for good quality and recovery reflects a belief that the generic pricing strategy of the past number of years has contributed to the current situation. The incentive for fishermen to pursue the best sea urchin has been removed by companies paying only pennies more for much better product. Fishermen don't feel the reward is worth the effort. This underlying feeling is predominating throughout the industry.

How can the trend be reversed? PUHA continues to work on better handling techniques, international marketing and harvest management. The current situation is a wake up call for everyone. The methods of the past are not working and there has to be major changes on all fronts.

In early March, PUHA, in cooperation with Ag-Food Canada, will host a Sea Urchin Summit including licence holders, processors, regional and national DFO representatives, regional and national AAFC representatives, representatives of the BC Seafood Alliance, representatives from the Province of B.C., independent scientists and other industry stakeholders to follow up on recommendations from last year's Benchmark report.

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Emergency Medical Certificate

1. As of 2007 every person operating a commercial vessel MUST have some sort of Master License. Even boats from zero to 5 tons must have a certificated operator. The fishing fleet has been given some time to get the licenses. Boats under 60 tons but over, I believe 45 tons must get the license by 2008. Boats under 15 ton have until I believe 2012.
2. Everybody on the boat MUST have a MED A1 or MED A3 depending where they operate. For the most part crew members will be OK with a MED A3 (1 day theory course) unless they are off the west coast in which case they need the MED A1. (3 day course)
3. If the Master/skipper is going to renew his license soon, all fishing master licenses now expire after 5 years and must be renewed, he/she will need a Simulated Electronic Navigation Limited (SEN Ltd) RADAR course when they come to renew. This is 4 days.
4. We will offer a full slate of courses for FM4 at Malaspina College in Nanaimo for the Geoduck and Urchin Fleet starting May 8th and running through June 1st. I believe this is the off season. Courses will be 6 days/week except June 21st which is Victoria Day. If there is sufficient demand we will also run one in the Lower Mainland.
5. There are some new certificates available – 150 ton Master certificate which I think will be the certificate of choice for anything over 100 tons as it not restricted to fishing vessels.
MEA now offer the Master Limited certificate (to 60 gross tons) as an additional certificate at NO charge to all people taking the Fishing master 4 course. This allows them, if they pass the orals, to operate none fishing vessels to 60 gross tons.

We have a full FM4 program scheduled in Campbell River on Jan 29th to February 20th and another scheduled for the Lower Mainland from February 20th to March 6th if you have anyone who may be interested. We are rather short of bodies this year and need three or four more to run.

Captain Bob Kitching

President's Report—continued

The major findings and recommendations of the benchmarking report dealt with Russian IUU fishing situation. Continuing market limitations are making it ever more difficult for industry to fully fund all of the current science, management and operational responsibilities and discussions to expedite Electronic Vessel Monitoring with consequent declines in the role of the On-Grounds Monitor (OGM) and other possible cutbacks on the survey and other scientific program costs are required. Potential improvements to competitiveness are possible through handling improvements and optimization of the transport and logistical coordination to minimize the costs inherent in avoidable quality declines. The summit will focus on the challenges and recommendations of the benchmarking report and how industry and government can work together to improve the competitiveness of the Canadian sea urchin industry.

D. & D. Report

—DON CHRISTIAN

This season has caught many unprepared for what was to come. There were some indications at the beginning of the season that this was going to be another tough year but they did not prepare industry participants for what is currently unfolding. Most buyers would not commit to taking on any new vessels and some even reduced the number of vessels they bought from compared to last season. This is a definite trend that seems to be continuing as just recently several vessels were notified by their buyer that they no longer will be buying for the indefinite future. The numbers back this up as in previous seasons (2004/05 & 2005/06) there were a total of 77 and 72 licences active at this point in time of season, whereas currently there are only 49. This combined with a record year of unpredictable and exceptionally poor weather has certainly impacted industry hard, not to mention the on going implications of the fishery in Russia.

North Coast

The north had an exceptionally slow start just one landing out of Smiths Inlet for the month of September. By October a small fleet was active in Calamity Bay area and the plan was to work the way up the outside of Banks Island. However, as most are aware weather conditions were not favourable and the first of several ongoing modifications to the schedule were made. Instead of the fleet working from south to north they moved north right to Larsen Harbour and worked south until they reached Kingkown Inlet. Where at this point in time (early November) more bad weather forced the fleet to deviate from the schedule and move again. En-route to Outside Stephens & Tree Nob, the Hankin & Beaver areas were opened early in attempts to keep production rolling.

Comments from fishers about seeing an improvement in overall roe quality were received right from the start in the north coast, which is one of the few positives of the season. Once Hankin & Beaver were completed the fleet continued to Outside Stephens & Tree Nob and worked their way south to the Estevan Group with few if any variations to the schedule. The OGM and D&D had exercised a substantial amount of flexibility throughout season to try and work around weather conditions and as it turned out the month of November was the only month where harvest rates equaled those of previous seasons.

By mid December weather had pinned the fleet in for a lengthy stretch, moral was low and things started to fall apart. A last minute decision was made by PUHA to move the fleet to areas closer to Rupert in attempts to alleviate some of the logistical problems primarily the packing distance so as to attract more vessels to stay over the holidays. D&D managed to get several areas open with the assistance of the new DFO manager in a very short period of time that is usually unheard of as it is standard procedure with DFO to take a minimum of two business days to process any opening requests. The openings for Inside Stephens, Kelp Pass, Tree Nob, South/North Dundas, Nares Islets & Melville Island were all opened the following day of the request. Unfortunately, it was still too little too late as the next break in the weather, most gave up and headed home for Christmas leaving a small fleet to continue over the holidays. Most fishers had had enough of the weather and just kept going right past the new areas open and went straight to Rupert even though it was a favourable day for fishing.

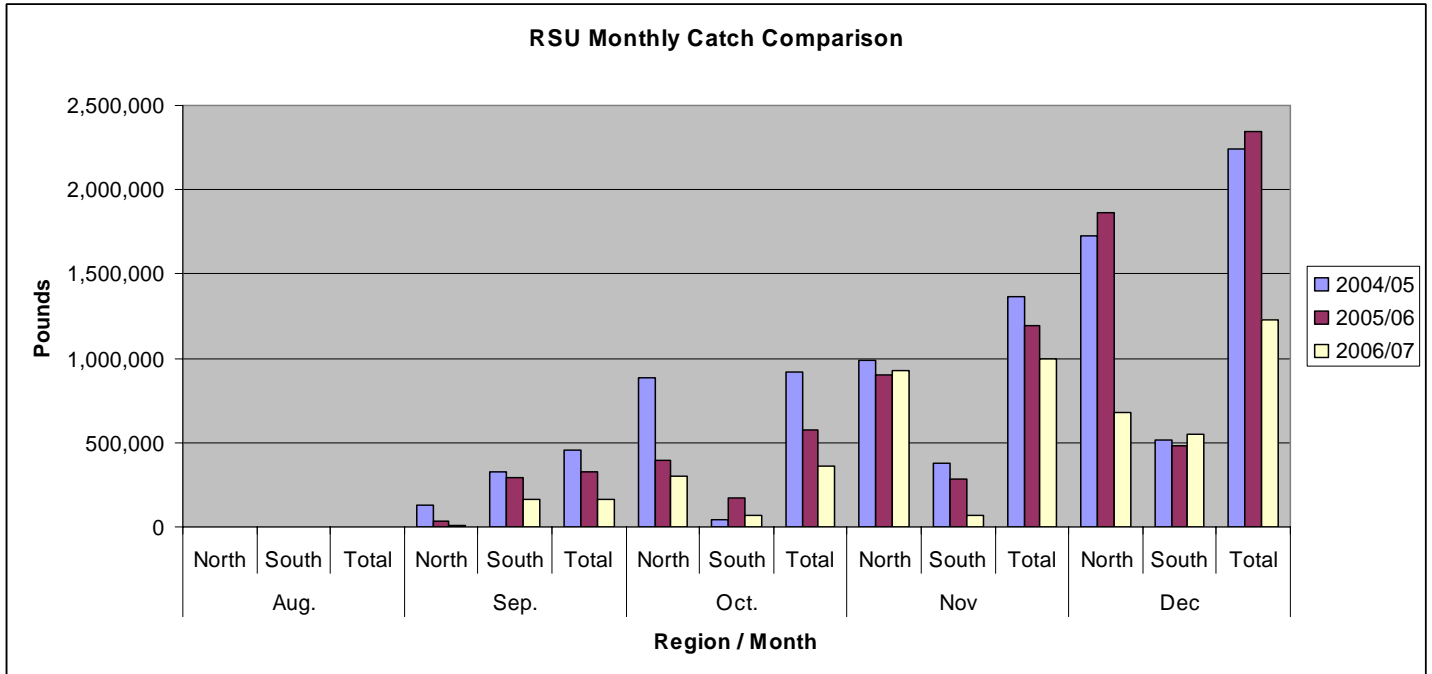
Needless to say, things didn't really get going over the holidays either, four vessels gave it a strong effort and stuck it out but the last straw was the uncertainty of the packer that was on for the holidays and was threatening not to come out for such few boats. As I write this, the fleet has just recently re-mobilized and is fishing today in the north (Jan.08), an exceptionally long period where historically it never shuts down over the holidays.

South Coast

The south got off to a slow start to the season as well, but this was expected as the traditional areas of harvest in Tofino were closed due to pressure on DFO from the native community. Harvest rates in the south were below average for September, October and November and didn't really get going until December. However, this may be linked to the lack of production coming from the north.

Generally the harvest rate in the south is not affected as much by weather and market conditions but this season impacts are visible. Traditionally 75% to 85% of the quota is out by this time every season but currently it is sitting at 56%. The south is experiencing logistical problems with the inability to organize the offloading for multiple areas. The offloader that usually handles the entire south coast is no longer available, leaving fishers at times to organize equipment and personnel themselves as there just isn't any interest from outside parties to pick-up the slack and provide offloading services. Presently, offloads can take up to 1,200 pounds an hour to validate, this is a drastic change to previous season where 9,000 to 10,000 pounds an hour was the norm. The offloading difficulties and issues have certainly affected the fishers by restricting them as to where and when they can fish. This, combined with the current state of the industry has certainly not helped

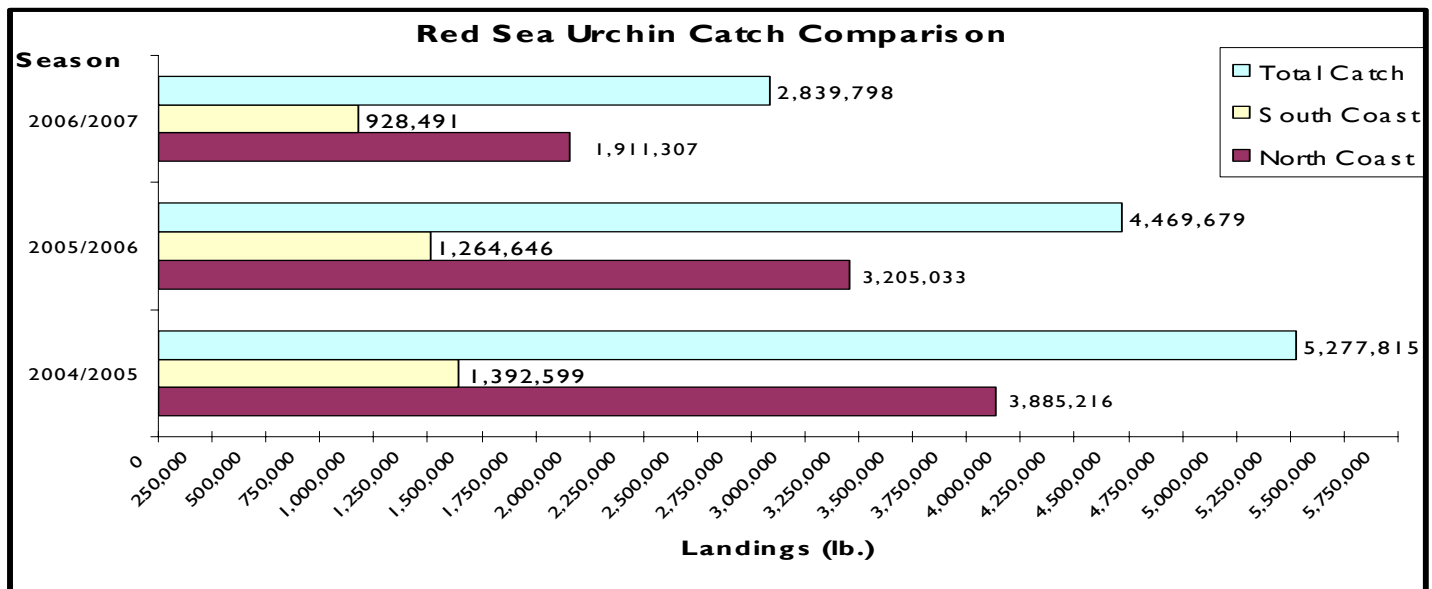
	Aug.			Sep.			Oct.			Nov			Dec		
	North	South	Total	North	South	Total	North	South	Total	North	South	Total	North	South	Total
2004/05	0	0	0	125,828	327,967	453,795	881,529	40,153	921,682	987,815	376,998	1,364,813	1,730,464	514,958	2,245,422
2005/06	0	0	0	31,390	293,600	324,990	397,419	175,541	572,960	905,292	285,526	1,190,818	1,861,985	479,222	2,341,207
2006/07	0	0	0	4,344	159,737	164,081	298,136	66,501	364,637	929,785	67,070	996,855	679,042	549,297	1,228,339



Red Sea Urchin Catch Comparison To Date

Landing Period: Aug. to Jan. for each season

Season	North Coast	% Quota Taken	# Lic.	South Coast	% Quota Taken	# Lic.	Total Catch	% Quota Taken	Total # Lic.
2004/2005	3,885,216	43%	60	1,392,599	84%	17	5,277,815	49%	77
2005/2006	3,205,033	35%	55	1,264,646	76%	17	4,469,679	41%	72
2006/2007	1,911,307	21%	33	928,491	56%	16	2,839,798	26%	49



Marketing—GEOFF KRAUSE

The headwinds facing the industry have been pretty unforgiving this year, what with the tough weather, limited buyer interest and heavy production in the Russian IUU fishing all combining to produce some real pain. It may not quite be a perfect storm but I expect that it feels that way to more than just a few of the guys trying to make a living in this fishery. It is probably too soon to say the worst has passed, this is after all only the second week of the New Year and there is still lots of time for that Murphy guy to kick up some more dirt, but hopefully everybody can dig in together and keep doing their best without getting discouraged or simply pointing at others as causing the problem(s). There is no denying the game is getting tougher, but ultimately the only real alternatives are to deal with the challenge or admit defeat and bail.

A key question to ask is how can we expect anyone else to believe in us and what we produce if we do not believe in ourselves. But that alone is not enough, they (as in Japanese consumers) also need to know why they should believe in us and there is only one group which can provide that- us. Demonstrating the grit to produce superior products is one thing but then they also need to see the story and make the connection. As Canadians, we tend to be pretty low key and sometimes almost fade into the background so while folks intent on stroking us might say the world needs more of Canada, in other parts of the world they just say 'huh- why?'. This weakness is handicapping many of Canada's exports, including in the Japanese seafood market, particularly when we compete with nations that have either strong cost advantages, like Russia, China, Chile and North Korea, or jurisdictions that have a differentiated and unique identity, like say California. Price is a major factor in all cases but California commands higher prestige because it has such a renowned positive image, a mythology that is largely of its own making and under its control. Canada, by contrast, has a positive image more by default because we are by nature low key and have reluctant to really take control of our own PR.

The Federal government has recognized that if we cannot put forth a compelling image of ourselves we will continue to underwhelm in world markets. The whole idea behind the Brand Canada initiative is for Canadians, and Canadian producers, to take control of our image so we are seen as representing a unique, bold and admirable vision for the future that consumers around the world want to support. It is a new world and the old way of doing things is simply not working any more. It is not likely to change back anytime in the near future and that is why the CAFI marketing program, the Brand Canada Initiative and the tools they provide are important.

So now that little justification is done with, what have we been doing you might ask. Well, at an Urchin marketing meeting just before Christmas we discussed a number of things including updates on how things are going this year. D&D has provided a good summary on this in this issue of the newsletter so I won't bore you with another, less informed take on it.

Urchin Summit

We also discussed staging an Urchin Summit in the first or second week of March where various options for moving forwards can be discussed, if not thrashed out. The Summit is a follow-up to last year's Benchmarking Report and is intended to bring together a range of industry and government reps to figure out who can do what to get costs down, get a better handle on market trends- including the continuing IUU fishing in the Kuriles, go over program objectives and options and try to find a more workable way forward. The summit will be funded by Agri-Food Canada as long as it is held prior to March 31, 2007.

An upcoming trip to Japan timed to coincide with the Marine and Seafood Show in Osaka on February 21- 22, 2007 also came up. The annual trips to Japan are an important part of the PUHA/WCGUA CAFI program and including Osaka on the itinerary is expected to provide market intel and perhaps

bring to light some additional opportunities. A couple of days in Tokyo on one side or the other of the trip will allow renewal of established friendships there and perhaps get us some insights into what is going on and how we might better cooperate with our Japanese buyers to find some remedies. It is also worth reiterating that each member on these trips basically covers their own costs with all counting as qualified expenses on the CAFI budget

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Transport and Packing

There was also some discussion on the need for extra coordination to better optimize the use of the transport resources. It appears that there are still a few problems with packers equitably sharing loads. It is hard to find fault with the argument that 50:50 or 60:40 is a pretty fair split while 80:20 or even 90:10 isn't. The problems are worse and the unfair splits even harder to understand with larger loads- longer delays in getting the dive boats unloaded, an almost inherent increase in damage to the product, more resentment and less team-work as an industry when it is every man for himself. It's the old quandary of either hanging together to succeed or hanging apart to fail individually.

Getting the product to the plants in the best possible condition has to be the priority and there was general agreement that excess damage should attract claims. Unfortunately this brings the focus back to assigning blame which has not proved particularly constructive. In summary, the point remains that everybody must work together- coordination and collaboration on getting the product to the plants are key to getting the results required. This requires transparency, fairness and, perhaps unfortunately, consequences for a lack of cooperation. Margins are simply too small at this point to permit unnecessary damage and losses through carelessness, inattention to detail and/or deliberate neglect.

Processors have also requested a proposal from the packers on the pricing and operating guidelines they will follow. This may include a 5 - 10% price discount for immediate payment (perhaps within 7 days of invoice issuance/delivery) and will continue to require full payment of packing/unloading/transport invoices within 30 days as a condition for continuing access to the packing/unloading/transport system. The processors will then prepare a counter-proposal which will include definitions and penalty provisions for excessive damage on loads.

Temperature Profiling

We did not actually get around to discussing the latest round on the temperature profiling but in summary a total of 18 loggers were sent out in mid November of which a total of 11-12 have been recovered. All of the plants however now know what to look for so disappearances should decline. The grounds monitored over this go-around were only a short distance from Prince Rupert so the differences between the various loads were pretty minimal. Still the priority right now is getting the transfers worked out and the temperature data coming in so that we can dependably coordinate the quality data. There is still no agreement on having Q/A staff at the plants take digital pictures of uni samples from monitored loads using the reference strips. More complete load monitoring and with coordinated quality results will become more important later in the season as the packing distances increase, particularly as the spawning season gets closer