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## PRESIDENT'S REPORT —MIKE FEATHERSTONE

This season has gone well with increased market demand and increased landings. The fishing activity slowed in late May and into June due to spawning and quality issues, which are typical at this time of year. It is expected that fishing will start again in July to clean up most of the remaining 2014/2015 quota. If the continued strong interest is an indicator it looks like 2015/16 season will be even better.

After a conference call with fishermen in the spring PUHA provided a few recommendations for minor quota changes for next season. Some areas in the central coast have been hit by sea otters and the Haida Gwaii quotes are below recommended harvest levels, the recommendations reflected the active fishermen's observations.

The 2015/16 the last year of the 3 year management program. For 2016/17 more major quota changes can be recommended and there will also be a new area selection for North and South.

The West Coast Green Urchin Harvesters (WCGUHA) are working on their proposal to rejoin PUHA as requested and passed at the PUHA AGM in 2013. The proposal would close the WCGUHA and the green urchin affairs would be managed by PUHA. There will be separate steering committees for red and green and overarching issues will be jointly represented. Currently the majority of the board members are both red and green licence holders and an additional board member from the green harvesters will be elected to the board at the upcoming AGM. The details of the proposal were discussed at a recent conference call and Michael Callow has sent out the information for the green licence holders approval to move forward. If approved the full proposal will be ratified at the PUHA AGM. Currently PUHA represents all Green Urchin marketing efforts. As with red urchins there is an increased interest in the green sea urchins.

## D. & D. PACIFIC

### 2014-2015 RSU SEASON REVIEW TO DATE

#### **South Coast Fleet**

No activity except for public sales out of Steveston.

Last area fished was Deserters.

The back-up QMA's were opened to scout for urchins and quality. As of April, one fallback area was fished due to otter predation in other areas.

#### **North Coast Fleet**

Haida Qwaii QMAs opened and were active into May of 2015.

The total quota was not achieved on Haida Qwaii this season due to weather.

Weather was an issue for the West side only.

North Coast Fishing Protocol is being adhered to with minimal problems. Too many areas open at one time and lack of coordinator hails seems to be the primary issues plaguing the program.

After the Haida Gwaii openings, the fleet worked in central coast, and surveyed the lower North Coast into Smith Inlet.

Resulting quality in Smith and Rivers shut the fleet down.

A small group made many attempts to harvest from the Dundas group, but trucking seemed to be a factor.

June and July harvest will start next week out of Smith Inlet and the fleet will move north as they search for quality.

#### **Harvest Charts and Data**

The last harvest chart/data outstanding from the 2013-14 Season was finally handed in February, The cost associated with digitization of chart data seven months past the end of the season is proving costly to the program.

Efforts are continually being made to eliminate this breach of Conditions of Licence.

The 2014-15 Season, chart and missing data has vastly improved in timeline delivery.

Comments to the electronic charts handed out of CD made completing charts simple especially when one QMA is revisited over and over prior to completion.

Vessels Masters are now emailing their charts in. Great!

#### **Season Comparative**

Seasons of harvest have similar patterns and are driven by market demand. The last three seasons have similar characteristics, which show improvement to market demand and thus the fishery.

The table shows the total landings for the last nine seasons.

The table also shows the current season to date (June 2015).

Only 2% behind last season totals, The North Coast is expected to fish in late June and July and we expect the total to surpass last season numbers.

There have been a few changes and a few challenges of late that are likely to affect the status quo and on how things are accomplished in our and other parts of the world. Of course- that is not news to anyone in this day and age but hopefully I can provide a somewhat insightful take on some trends, risks and opportunities of interest. I have been watching the news on China, the US, Japan, Russia and Canada pretty intensively for the past few years trying to keep up with some of the trends with potential to affect market conditions and including both the demand side and alternate competing suppliers. In general the world of trade and business is ticking along as per normal but on a declining trend most everywhere except perhaps in the US. However, things are probably let's call it 'more interesting' than they were, say, a year ago.

There are some positives coming out of Japan but one problem there is that the Japanese Yen has depreciated to 124 ¥ to the USD, down from about 102 ¥ in the past year. It is now lower *vis a vis* the US dollar than at any point in at least the last 10 years. There are still about 99.5 ¥ to the Canadian dollar, making it worth about the same as a penny which is more or less the same level it has been since mid-2013, but commodities like uni are priced in USD.

Deflation remains a worry in the country despite the new round of quantitative easing, valued at ~ US\$670 B each year, and a continuing fiscal deficit of close to 6.6% of GDP. Taken in this context it seems that things are not working out quite as planned. There is reportedly increasing friction between Mr. Abe, the Prime Minister and Mr. Kuroda, the Governor of the Central bank as they have different ideas about what they should be trying next. The problem between them revolves around the national debt and what they should do about it. At 240% of GDP, it is the largest in the developed world and still breaking new ground. It is still growing because the country's fiscal deficit has yet to be effectively addressed and, because they have the world's fastest aging population, things are only going to get more complicated down the road.

In summary - Japan is still our main market, having taken some 323 MT of the 450 MT we shipped in 2014. This represented 72% of our product by volume and 73 % by value. These were actually declines from the 382 MT we shipped specifically to Japan in 2013 and the 478 MT shipped overall in 2013. Imports into Japan from all sources were down in volume terms: live urchins from Russia by about 1,000 MT and all pretty much due to a decline from the Kuriles, and processed by about 60 MT. Processed reds from the US declined by about 70 MT to 207 MT meaning there must have been an increase from another source but the overall decline suggests softening demand in Japan. This in turn reinforces the idea that pursuing other markets is a good idea.

Hong Kong and Taiwan are pretty much neck and neck for second place this past year as destinations for our uni. It looks like the tie is mainly due to an apparent hit we took in Hong Kong in the fall of last year which may have been due to the Occupy Central demonstrations that continued for some months. We will have to keep an eye on how things develop there though as it might be a bit unrealistic to attribute the apparent decline to any one event like that. Monthly sales were still off about 1MT in both January and February but we remain hopeful that we will see some recovery there this coming year. Taiwan on the other hand is looking solid and registered substantial gains year over year in 2014 and monthly for January- February 2015.

CONTINUED ON PAGE 4

## MARKETING—CONTINUED

The mainland part of China remains a major part of the picture even though we are starting there from a lower level. This could however change very quickly if we catch the right wave. There are some things to keep an eye on- economic growth there is apparently slowing even though the stock markets there are booming - unfortunately to the point of becoming frothy. Were a stock market bubble to develop and burst, consumer confidence and spending in China, especially on higher value items like seafood and other luxury goods, would be expected to take a pretty good hit. This would be on top of the ongoing anti-corruption campaign which is apparently still growing and taking down more high status networks and which is increasingly having cascading effects on spending, investment and deal making. Apparently more high rollers are worried about being caught up in it and losing everything in the process.

Some other recent trends in China, which unfortunately parallel those in Russia, are a bit worrying. These include a chilling of independent expression of opinion, tightening of censorship, new restrictions on Non-Governmental Organizations (NGO's), increased detention of investigative reporters, bloggers and even lawyers for human rights activists. One might note governments often look for external antagonists and/or enemies to divert popular attention from lousy conditions at home and that recent actions (e.g. asserting their "unique" 9 dash line- based claim to sovereignty of basically the whole of the South China Sea) are not exactly encouraging benevolent relations in the neighbourhood.

Perhaps the government is setting the stage for just such a distraction in case it is needed- like if the economic situation starts going sideways or too many of the top-down changes they are trying to push through to transform the country lead to unrest. Some of the more constructive changes moving through the system now include the anti-corruption campaign, reducing the powers and authority of officials, measures to curtail excessive local government debt, introducing property rights for farmers and changing the household registration system. However, these are expected to cause resentment for one or another group throughout the society and could conceivably start getting out of hand. China is a society borne of revolution, many revolutions actually over its multi-millennial history, and it knows well that this could lead to widespread chaos and dissolution of the ruling authority- again.

Hopefully cooler heads will prevail and things will remain peaceful so mutually amenable and beneficial outcomes have time to emerge. It remains, as I have quoted from Yogi Berra a number of times, really hard to make predictions especially about the future but the regime is essentially pragmatic so I feel some optimism is warranted, at least over the short to medium term. On an even more positive note, the Canadian dollar has lost about 14% of its value against the RMB over the past year which should make our products more competitive in that market.

Anyways- to get back to the main storyline here- the US market is apparently and reportedly continuing to build as the landings in California last year remained steady (-ish) at around 13 million pounds (5,900 MT). The stats on that are not out quite yet so that has yet to be confirmed but the guy(s) from down that way we talked to seemed pretty happy about how things were going. There is not a lot of room down there for imports from Canada at this point but if the economic recovery down there continues to gain traction, we may start seeing more interest, queries and opportunities without stepping on anyone else's grass. They are interested in working together with us and with the reds at least we have something that is an identifiably unique potential signature West Coast seafood. It makes sense on a number of levels to pursue that together. We have invites to get some fishermen to attend their annual barbeque in Santa Barbara in mid-July sometime and I will pass on more details when I get them.

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## MARKETING—CONTINUED

So what else has been going on you might ask? Locally we have the new Marine Planning Partnership (MaPP) proposals developed by coastal First Nations (FN) and the Province of BC with support from the Moore Foundation, the same that drove the establishment of the California Marine Protected Area (MPA) Network. A workshop on MPAs held in Vancouver in April basically found that MPAs are useful, and indeed needed, in jurisdictions with ineffective fisheries management but that they are a distraction in places like BC and the US where this is not the case. The Province had some representation there but about a week later they still proclaimed and adopted the MaPP plans. It remains to be seen what effects these are going to have on fishing but given the recent legal trends with regard to FN rights, and the effects MaPP is going to have on their expectations, I'd say it is something that industry is going to have to accommodate. Luckily, PUHA has a good reputation, works well and has good relationships with all sorts of groups along the coast so we should be able to work something out without too much trouble. I expect that there are also upsides that will reveal themselves with time as well.

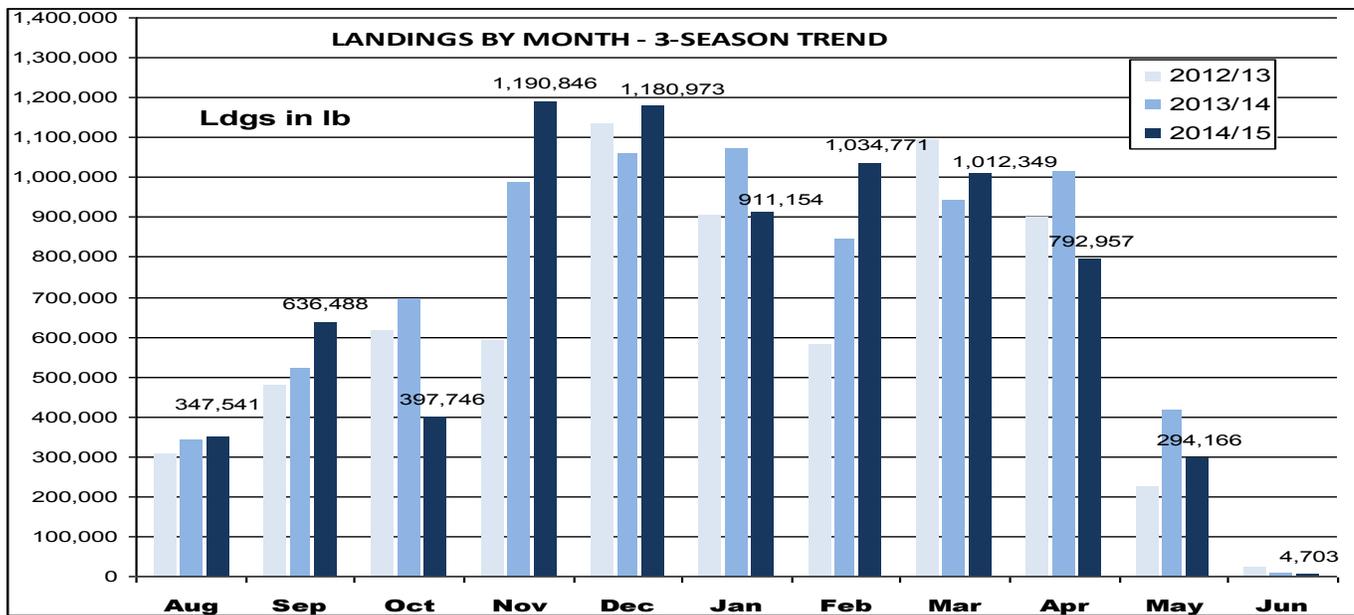
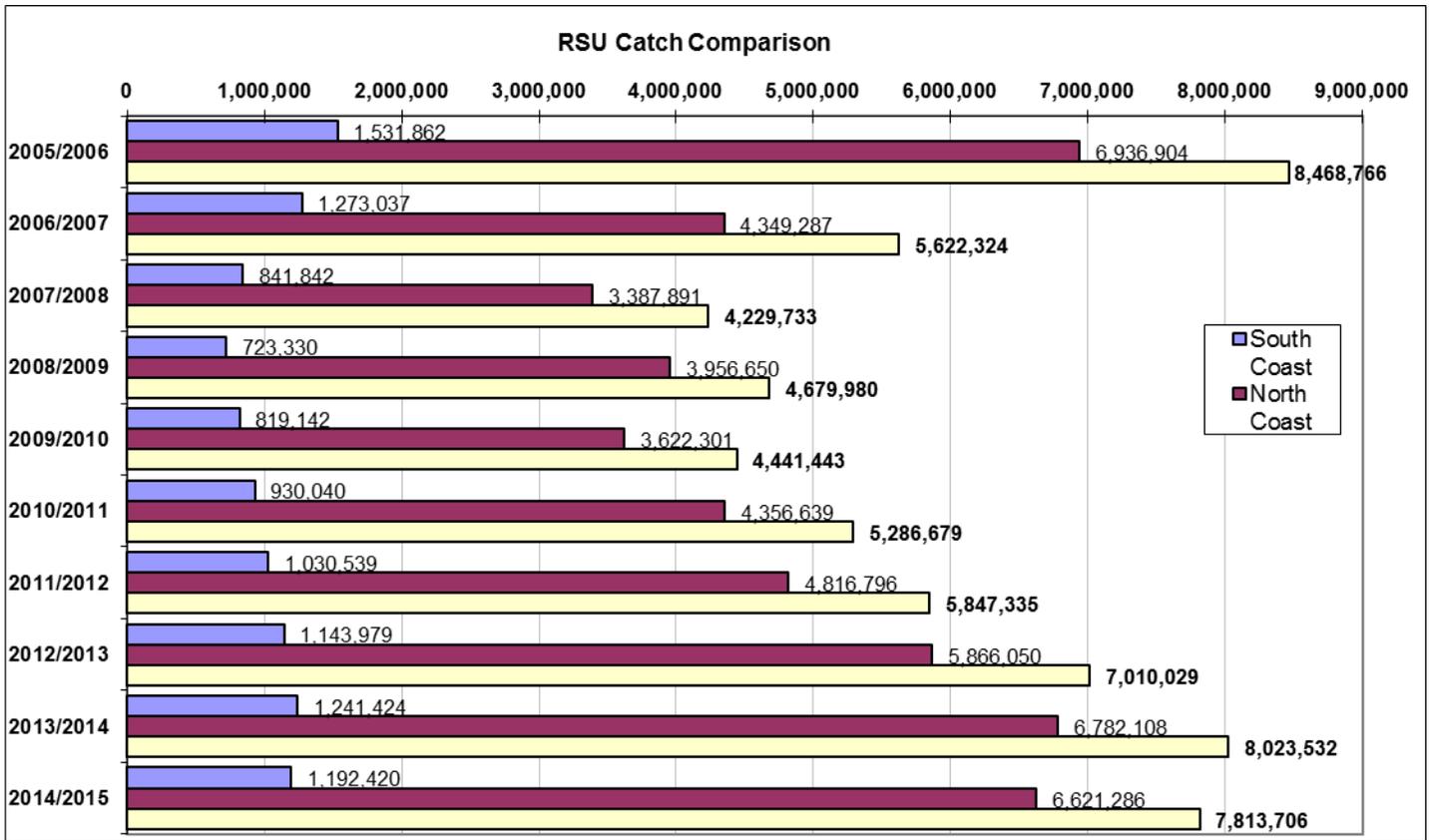
Coming up for the rest of the year- we have the Hong Kong show, the Seafood Expo Asia (SEA), in September and the China Fisheries and Seafood Expo in November. There is also some funding in the budget this year for a short side-trip to Japan on one of these trips. We may also be able to squeeze in another side trip as part of the program as well although careful planning will be needed to get the most out of it without going too far over budget. I expect we will know more and can talk more about that at the upcoming AGM in mid-August.

## D. & D. PACIFIC—CONTINUED

Red Sea Urchin Catch Comparison by Season

Season	North Coast	% Taken	South Coast	% Taken	Total Catch	% Taken
2005/2006	6,936,904	94%	1,531,862	92%	8,468,766	94%
2006/2007	4,349,287	48%	1,273,037	77%	5,622,324	53%
2007/2008	3,387,891	41%	841,842	56%	4,229,733	44%
2008/2009	3,956,650	48%	723,330	49%	4,679,980	48%
2009/2010	3,622,301	43%	819,142	52%	4,441,443	44%
2010/2011	4,356,639	51%	930,040	59%	5,286,679	52%
2011/2012	4,816,796	57%	1,030,539	64%	5,847,335	58%
2012/2013	5,866,050	70%	1,143,979	71%	7,010,029	70%
2013/2014	6,782,108	81%	1,241,424	77%	8,023,532	80%
2014/2015	6,621,286	79%	1,192,420	74%	7,813,706	78%

## D. & D. PACIFIC—CONTINUED



### 2015-16 Season

Looks like we will start again in the Banks Island area for August after the fleet works their way north from Smith Inlet fishing in June/July.

There was talk about harvesting from the west side of the Haida Gwaii, but that has never happened in previous years.

QMAs in the central coast have been reduced and transferred to the Haida Gwaii area in efforts to achieve the TAC of the RSU fishery and rest the areas affected by Otters.

South Coast will likely commence in the Port Hardy areas sometime in September.