PUHA

PACIFIC URCHIN HARVESTERS ASSOCIATION

March 5, 2015 Volume 16 Issue 1

PRESIDENT'S REPORT—MIKE FEATHERSTONE

The season has been progressing well with landings slightly higher than the last season. This in spite of October and January being slower due to vessels being involved in the sea cucmber fishery and of bad weather respectively.

The market demand has been good, but the prices to the fishermen have only increased slightly. Given the weak Canadian dollar we should expect a better price at some point. Our friends in California have told us that they have seen a bump in the prices recently. The one bright spot has been the lower fuel cost which has benefited the bottom line. However the increased market demand has been reflected in the increased lease costs for this season.

The Queen Charlotte fishery will open in the first week of March, tentatively March 4th, depending when the fleet can cross safely with favourable weather conditions. The plan is for the fleet to follow the established fishing pattern. Starting in Cumshewa and moving south to Lower 2 East and West and then move back to Queen Charlotte City with any clean up fishing on the way back up before going through the Skidegate Narrows to the West side.

The marketing program has received notice of funding approval for next year and Agri-Food Canada will hold a press conference in April to announce the funding and recognize our efforts and successes over the past few years. There has been a slight decrease in the demand from the China region this season possibly due to the slow economy and also the curtailing of Government spending on entertainment. Selling to China has challenges related to the health certificates required for the shipments and for the collection of invoices. There are many inquires for small orders but there is no established large distributor placing big orders as we see in the Japanese market. Japan does not require health certificates for seafood so doing business with Japan is more straight forward and consistent. The Japanese orders are up this season which may also be reflected in less product going to China.

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2014-2015 RSU SEASON REVIEW TO DATE

South Coast Fleet

Commenced in August.

The south coast has been active in every month this season. Some months show improvement in landings.

October landed 3 times the amount of the previous season.

January doubled landings compared to the previous season.

Other months' landings were minimal primarily due to increased north coast harvest activities.

Quality and quantity in south coast areas on average is good, The Port Hardy quota areas seem to be harvesting at deeper depths due to possible Otter predation.

East of Campbell River showed signs of poor quality during late December and into the New Year.

The west coast is active this February.

The back-up QMA's were opened to scout for urchins and quality. As of February, only one stretch of beach was surveyed (airport) with no urchins noticed – this is an area that had minimal biomass in the past. No one has looked at the other areas since the shutdown of the south coast due to the north producing 60 k/day.

North Coast Fleet

Commenced in August with higher landings compared to last season, and the same scenario for September.

Less than half was landed in October compared to the previous season, but many vessels were active in Sea Cucumbers.

November and December kicked into high gear and monthly landings again exceeded previous seasons.

Weather in January reduced landings by almost half. The south coast made up for the shortfall.

February – even though we still have 8 days left to land product, we have already reached last February's landings, and are expected to land another 200k by the end of the month.

Haida Qwaii QMA's will open and be active any time after March 04 2015. Not sure exactly *when* the fleet will start or even *where* they will start until the Weather decides.

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.

PUHA and D&D would like to thank the fleet coordinators who assist D&D in the fleet's adherence to the daily fishing protocol required to manage the fishery.

VMS will someday be required on every vessel.

Licence Activity: as of February 20, 2015

91 tabs registered with PUHA – 89 active.

51 north tabs registered.

40 south tabs registered.

Harvest Charts and Data

Just received the last chart/data outstanding from the 2013-14 Season in early February! This is seven months past the end of the season. Costly to the program to work on last season's stuff half way into this season. 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 of the charts.

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!

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MARKETING—GEOFF KRAUSE

According to Stats Canada, sales to our two largest markets, Japan and Hong Kong, declined in 2014 from 2013. The actual numbers came in at about $C 10.6 M, down 11% from $C 11.6 M and $C 1.7 M down about 30% from the $C 2.4 M for each market respectively. In terms of volumes, the decline to Japan was about 58.9 MT (~ 15%) , from 381.8 MT in 2013 to 322.8 MT in 2014. The average unit value was also down marginally from $C 46.51 to $C 46.13 per kg., in Exports of sea urchin to Hong Kong similarly declined by just over 10 MT (22%.) this year compared to last year. The price decline was less than that seen on Japan, falling less than two bits from $C 52.14 to $C 51.90 but sales are down by about $C 500 K

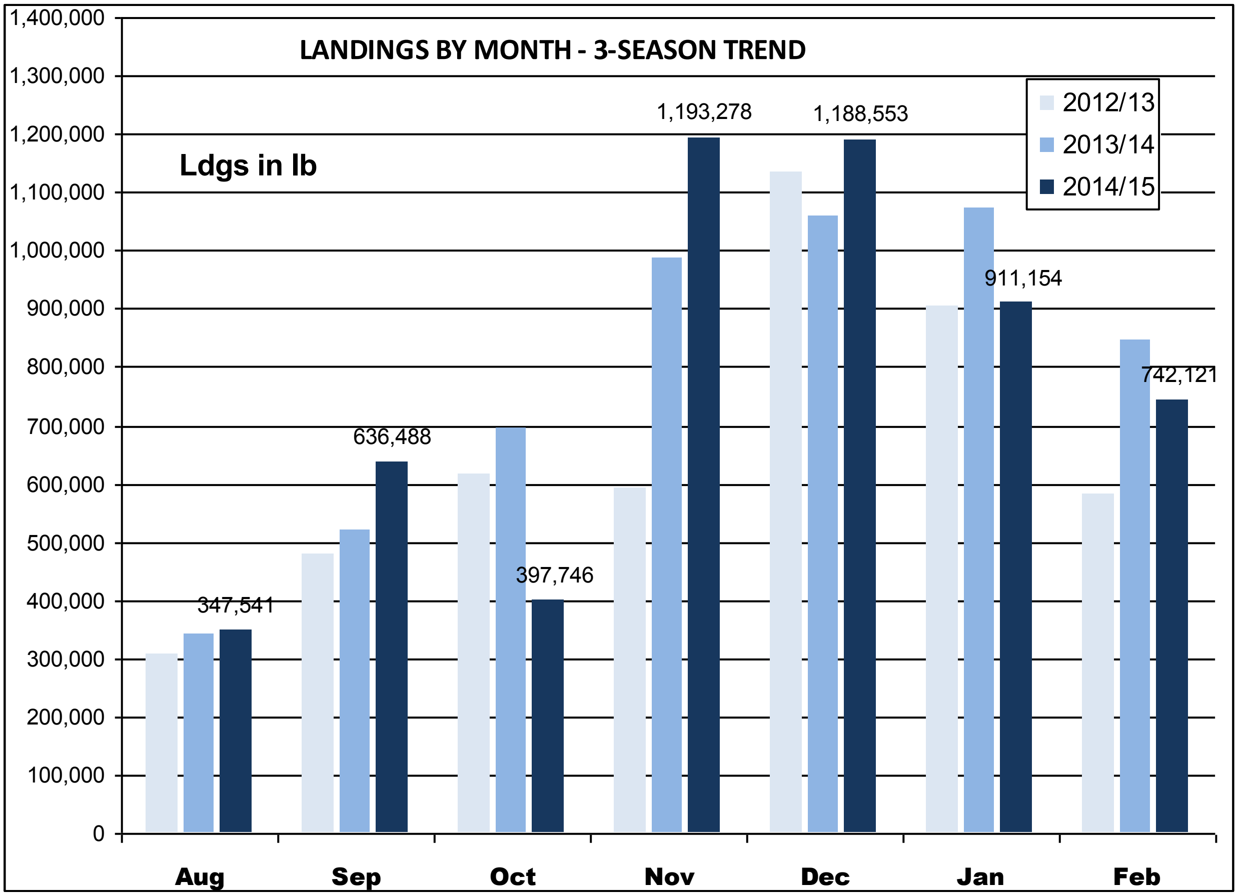
Taiwan is running neck and neck with Hong Kong as our second largest market as sales there increased by about 23% this past year to $C 1.63 M from $C 1.32 M in 2013. Sales in China increased by 6% to $C 598 K and remained in 4th place while South Korea, a country we just signed a Free Trade Agreement with, saw a surge from $C 24 K in 2013 to $C 166 K in 2014, an increase of some 684%. Macau experienced a similar increase (660%) as sales there rose from $C 13.2 K to $C 87.2 K. Considering all international markets, it looks like sales have declined by about $C 1M this year

I should just mention that it still looks to me that international trade of all sorts is a kind of game- the numbers just do not add up. Even when looking at numbers from two sources in Statistics Canada, there are very significant disagreements. When you throw in numbers from other countries it is almost impossible to figure out what is going on. Looking at the Japan Customs numbers for processed urchin products from Canada, for example, one sees an increase in volumes shipped of about 26 MT (to 306 MT from 280 MT vs the decline noted above from 382 MT to 323 MT from BC alone on the Stats Canada website) and a value increase of about $C 2 million even once the change in the currency exchange rate is worked in (as opposed to the decline noted in the Canadian stats).

There is no way to determine where the source of the difference is but apparently mis-invoicing is a trick used to move money into and out of countries for any variety of reasons. In short, to move money into a country traders can undervalue imports or overvalue exports while doing the opposite will have the effect of moving money out of the country. Governments too may have reasons and methods for keeping the trade numbers kind of opaque so as to avoid pressure from or provide opportunities to special interest groups at home or other companies or governments abroad. It is hard to say why or pinpoint who but the fact remains that we have what we have.

We started gathering data on the Russian production out of the Kuriles back in 2000 using the Japan Customs data as a consistent source. Imports of uni from all Russian sources in 2013 totalled 9,054 MT - these are full urchins landed live for processing in Japan much the same as greens are often shipped to Japan- about the same scale as the previous 4 years. One good thing we saw in the past year (2014) was a decline in shipments from Russia to 7,830 MT , the lowest volume since the year 2000. The same can be seen in landings/shipments from the Kuriles, generally understood to be IUU product, as the volume dropped about 1,000 MT to 6,012 MT, again the lowest number since the 3,285 MT recorded in the year 2000. Also of some interest is that their average price has increased from ¥500-550 per kg to ¥706 per kg in 2014 which may indicate there is not quite so much surplus production any more. It is unclear about where these are going but it is worth noting that they have been running about 100-150 MT lower each month since November and their prices were up on previous years for every month last year.

D. & D. PACIFIC—-CONTINUED



Overall, we are ahead of last year.

Season Comparative

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

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

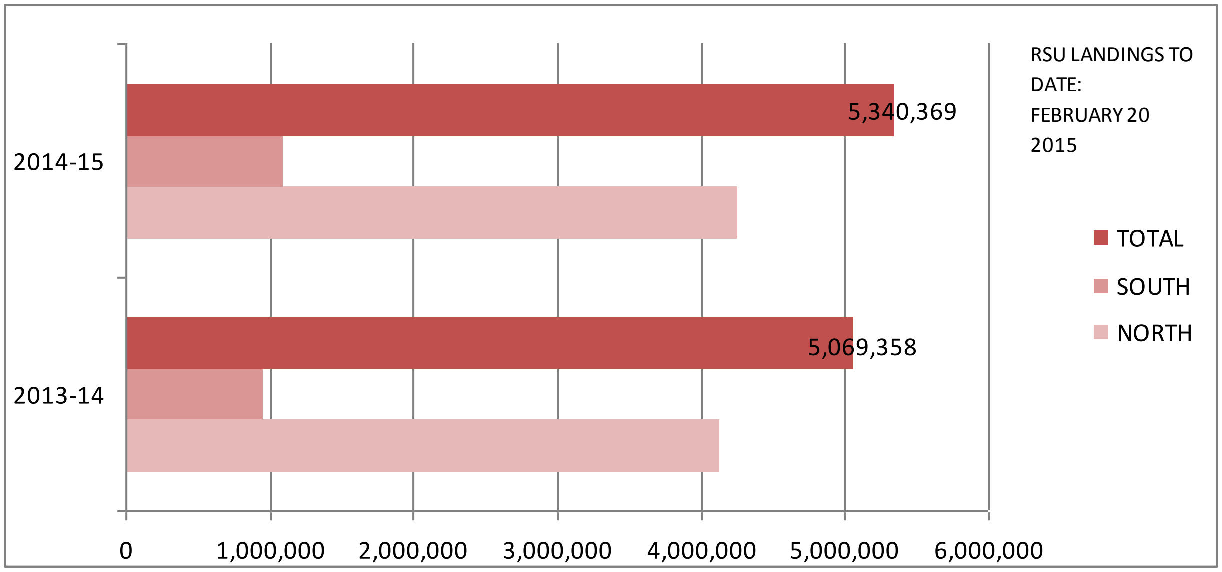
Red Sea Urchin Season Catch Comparison

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	6,474,547	77%	1,224,013	76%	7,698,560	77%
2014/2015	4,251,076	51%	1,089,293	68%	5,340,369	53%

D. & D. PACIFIC—CONTINUED

Season to Date

As of February 20, 2015, harvest rates in both South and North have exceeded last season landings to the same date.



Harvest - March to End of Season

South Coast

The West Coast will continue until it wraps up sometime in March.

The Port Hardy area and a bit around Campbell River will see some activity.

The Nanaimo quota area will be fished for commercial buyers and publics sales.

Public sales will continue out of Steveston. A few Public sales occurred in Campbell River also. Great effort by industry to get BC into eating UNI.

North Coast

Looks like the QMA's in Haida Gwaii will commence on or around the same time last year.

No mainland fishing will occur during the Haida Gwaii QMA openings as usual.

This will take the fleet into the month of April.

May to July fishing will primarily be in the Central QMA's and down to Smith Inlet.

MARKETING—CONTINUED

So you may now be wondering what we have been up to recently. We joined with the Pacific Sea Cucumber Harvesters Association in a joint exhibit at a booth at the 2014 China Fisheries and Seafood Exposition as a key part of our international marketing programs. The show took place in Qingdao China November 5, 6 and 7, 2014 and was attended by a delegation comprising sea urchin and sea cucumber executives, fishermen, processors and exporters, a videographer (Ron Ross) and yours truly as the project consultant.

This was our 6th year exhibiting at the CFSE and the 7th year we have attended. Visitor numbers to our booth were down from last year but overall things seemed to come off fairly well. We collected and catalogued business contact information for 71 visitors, down from 98 in 2013 but still respectable. We had good representation from processors, so much so that association representatives did not get many opportunities to actually meet with or join conversations with visitors- those were all taken care of by the processor reps. A trip report has been loaded onto the PUHA website and is available for all to see. As always, it is a summary of the events and findings developed over the course of the trip and of research undertaken in support of the marketing program over the year. Recent events and trends in China and including some views on cultural interactions in our globalizing world are discussed. I think it is all pretty interesting but am kind of biassed so am always looking for some honest and hopefully constructive feedback on what people think about it.

We also have a collaborative agreement with harvesters in California that I am hoping to put a little effort into tending this year. They are actually doing pretty well down that way from what I can tell from their landings stats. They have been maintaining fairly steady landings at about 12-13 million pounds each year since 2000 and they are seeing prices in the San Diego area of between US$ 0.85 - 1.00 per pound. A couple of the smaller ports are getting only half that but the guys in Santa Barbara are landing big loads from the Channel Islands for between $ 0.60 - 0.75 per pound.

More than 2/3 of the state's landings are sold domestically with only about 1/3 apparently heading over towards Asia. One of the things we are hoping to work with them on is live sales. It sopunds like it is starting to catch on - we heard a report from one fellow from Shanghai at the September Seafood Expo Asia in Hong Kong that they were getting live RSU from California and happy to pay US$ 13.50 per kg. as they were only suffering about 20% mortality as long as they are sold within a couple of days. We know there are special measures needed to produce this kind of quality but we also have a couple of guys who have been working on it for a while now and should be ready to go with some cross-shipping trials to the guys in California, assuming we can find shipping agents to get them there without beating the crap out of them.

Despite all this cheery news though, the guys in California are experiencing many of the same issues we are here in BC- growing sea otter populations, growing opposition to controlling them, increasing pressure for more Marine Protected Areas in some of their best remaining ground, ever increasing costs and constant pressure(s) on prices etc.. I am hoping to make a quick jump down there sometime this next month to discuss a few things with some of their key guys and to get the OK to get some fishermen from BC to their annual Bar-B-Q shindig in Santa Barbara (in July I believe). I'll let you know how it goes.