PUHA
PACIFIC URCHIN HARVESTERS ASSOCIATION

Canada

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RESIDENT’S REPORT

—MIKE FEATHERSTONE

The landings for this season have now passed the total landings for last year. This continues the trend of increasing market demand which we have seen over the past 6 years. The Chinese market continues to grow, as well as promising signs of increasing demand from Japan. The question is when will this increase demand be reflected in the price to the fishermen? All expenses for fishing have gone up substantially in the last 6 years, particularly fuel, which has tripled. Of course the Japanese want ”better quality and lower price” but the reality is prices to the fishermen need to increase to reflect the cost increases over the past 6 years.

With the increase in landings the new challenge facing the industry is, will the quota in the Central coast be available to catch or have the sea otters decimated the populations? Currently there are many Central coast areas which have quotas which have not been fished due to the market but it is uncertain if there is product remaining in the areas where the sea otters have inhabited. This spring fishermen will be visiting the Central areas and a more objective view of the current stock status should become clear. There are reports that Harvey Islands have been impacted as well as Grief Bay and lower Calvert Island.

In anticipation of the loss of fishing area to sea otters PUHA has suggested increasing the fishing effort in the Haida Gwaii area. This has been met with a very positive response from the Council of Haida Nations Fishing Program and the DFO managers. PUHA, HFP and DFO are discussing options and reviewing opportunities. PUHA is also planning surveys in the Haida Gwaii to verify the current stock status. We will also be seeking input from fishermen as to areas where the stocks are abundant in the Haida Gwaii and where sea otters have impacted fishing areas on the mainland coast. Fishermen are encouraged to pass on any stock information to any directors or to Ross at the PUHA office. A Quota planning session(or conference call) will be held in the near future to review the quotas and discuss the options.

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MARKETING — GEOFF KRAUSE

Things are going very well this year and it looks like utilization of the TAC is again improved over last year. This reflects, in part, recent changes in the fishing pattern which allowed an extended season and consequently greater access to exposed areas that were not fished for a number of years because winter weather precluded safe or comfortable operations. The market is coming back and a lot of growth has been occurring in Hong Kong, China and Taiwan as well as in Japan. Sales increased this year in all of our markets even though Japan's value and volume shares have dropped from around 91% in 2009 to 83% in 2010 to 72% today. The volume and value of sea urchin exports to Japan increased by 16% and 22% respectively to 237.1 MT and $C 11.0 Million in 2013 from 2012. Those to China, Hong Kong and Taiwan increased by 30% (from 6.5 MT to 8.4 MT) and 30.2% (from $C 312 K to $C 407 K), by 49% (from 29.3 MT to 44.8 MT) and 47% (from $C 1.59 M to $C 2.34 M) and by 12.6% (to 23.2 MT) and 19% (to $C 1.18M) respectively

In all of our markets, but perhaps in China and Hong Kong especially, we are getting better understanding of: the diversity, scale and distribution of different markets and possible rivalries between them; distribution networks and the competitive environment(s) within which they operate; and some of the factors affecting the use of the products in various places. Our continuing presence at the Hong Kong and China seafood shows has also brought growing attention to our exhibits from locals and from our exporters who see advantage in joining us.

We are also getting a better understanding of the pricing beyond the ex-vessel and local wholesale (FOB Vancouver) levels; the predominance of food service outlets and supermarkets as primary distribution end points; the effects of new government policies on demand for said businesses; and concerns affecting consumers. A short discussion on prices at various levels outlined the margins available to fishermen ($ C 20 - 32/kg), processors (~ $C 70-75/kg), wholesalers (~ $C 175/kg in Hong Kong), retailers (~$C 350-600/kg in Hong Kong note: smaller 25 g packs much pricier than 125 g packs) and food service retail (~ $C 690/kg based on HK$ 68.00 for a single 12.5 g piece). Ex-vessel prices have declined to about $0.50 - 0.60/lb from years past when they reached upwards of $1.00 - 1.25/lb but fishermen are making about the same or perhaps even a bit more money now because the lease prices have dropped from upwards of $25,000+ per licence to around $2,500.

Still, I am sure everyone noticed that there are some considerable margins out there which are very attractive. In this regard it is important to realize that the distribution of the prices also reflects the financial risks taken and disappointments experienced throughout the whole chain- harvesters, buyers through to consumers. I read a blurb on "Sustainability of a Brand: Strategies for Developing and Maintaining a Seafood Brand. (Seafood Expo - North America (aka- Boston Seafood Show)". To summarize: a brand is clear, concise and motivational. It is not just a logo on a package. Above all it is the promise that informs and assures buyers from whatever level they are coming from, processor, distributor, wholesaler, retailer or consumer, about what they will get when they purchase that brand. To be credible it must start with the fishermen - if that is not part of the equation the Brand does not have, nor can it have, any real substance to assert itself. It also means guys who don't care what they produce and pass on end up defining the whole sector at everyone else's cost. The alternative- building a conscious stewardship community extending from harvesters and processors right through to distributors, restaurateurs and consumers which is aware of and values sustainable fishing and high quality seafood production, will benefit every aspect of the experience all are part of and logically bring higher prices to the producers. Building a leadership culture targeting this goal into the harvest sector may sound unrealistically idealistic but - hey- someone's got to try. It may as well be us.

Anyways- we seem to be doing OK.. Data from the Japan Customs website extending back to

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PRESIDENT'S REPORT—-CONTINUED FROM PAGE 1

PUHA will conduct bio mass surveys in Haida Gwaii in August to provide science based stock assessment for the proposed west coast area quotas. Interested vessels should contact PUHA office or Dan Leus 250-756-7147.

Transport Canada is moving ahead with Regulatory reform for Fishing Vessel Safety Regulations. The proposed regulations will go to Parliamentary Gazette in the fall of 2014 and be adopted in early 2015. Vessels will have to start to comply to the new Regulations in 2016, and be complaint within the following years dependant on size and risk (larger vessels/higher risk fisheries first). There will be stability tests required for all fishing vessels under the new Regulations. PUHA will try and post the new Regs on our website.

WC B has agreed to consider the use of dive computers for Seafood Harvesting. PUHA met with Pat Olsen at the recent Fish Safe meeting and provided a letter of support for the use of dive computers. Letters of support were also provided by the UHA and Dive Safe International. Tim Joys has written a letter to the Canadian Navy representative's soliciting the latest status on dive computer use by the Canadian Navy. Any divers who have other supporting information for the use of dive computers are encouraged to send the information to PUHA. Representatives will be meeting to discuss the process and options in May. This is a very positive step forward and we will keep all our members updated as the information develops.

Don't forgot the AGM will be held in AUGUST, watch for the notification and please join us.

D. & D. PACIFIC

2013-2014 RSU HARVEST ACTIVITIES

The **South Coast** was slow to start, but stayed ahead of the previous season's numbers slightly until November. Harvest activities picked up in November and through to mid-January when historically, at the end of January, the market conditions soften before Chinese New Year. Reduced fishing effort noticed in February, but picked up again in March prior to the Haida Gwaii Quota areas opening up in the north.

The **North Coast** started immediately, and increased steadily up to thirty ZC tabs by January. The fishing groups have moved to Haida Gwaii and fished the entire quota area(s) with good effort and not too much down time compared to previous visits. It must be noted that PUHA has not fished ALL quota areas for over 6 years. Currently, Harvest activities are wrapping up on the west side of Haida Gwaii and everyone is getting ready to start clean-up of the mainland quotas.

North Coast Coordinators – PUHA and D&D would like to thank the fleet coordinators who assisted D&D in the fleet's adherence to the daily fishing protocol required to manage the fishery.

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FISH SAFE HAS ADDED NEW DATES* FOR THE MARINE BASIC FIRST AID COURSE - REGISTER TODAY!

Upcoming Fish Safe Programs
Open to all BC Commercial Fishermen
(Masters, Crew, and Vessel Owners)

***Marine Basic First Aid May 22 - 23, 2014**
Richmond Fish Safe Office (18 Spaces left)

Fish Safe Stability Course May 20 – 23, 2014
Richmond Fish Safe Office (12 Spaces left)

Safe on the Wheel (SVOP) June 10 – 13, 2014
Richmond Fish Safe Office (12 Spaces left)

Restricted Operators Marine (ROCM) June 9, 2014
Richmond Fish Safe Office (10 Spaces left)

Safest Catch (Safety Management System & MED A3) 1 Day Workshop **(FREE)**

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FISH SAFE COURSES—-CONTINUED

How to Register? . . . . IT'S EASY!

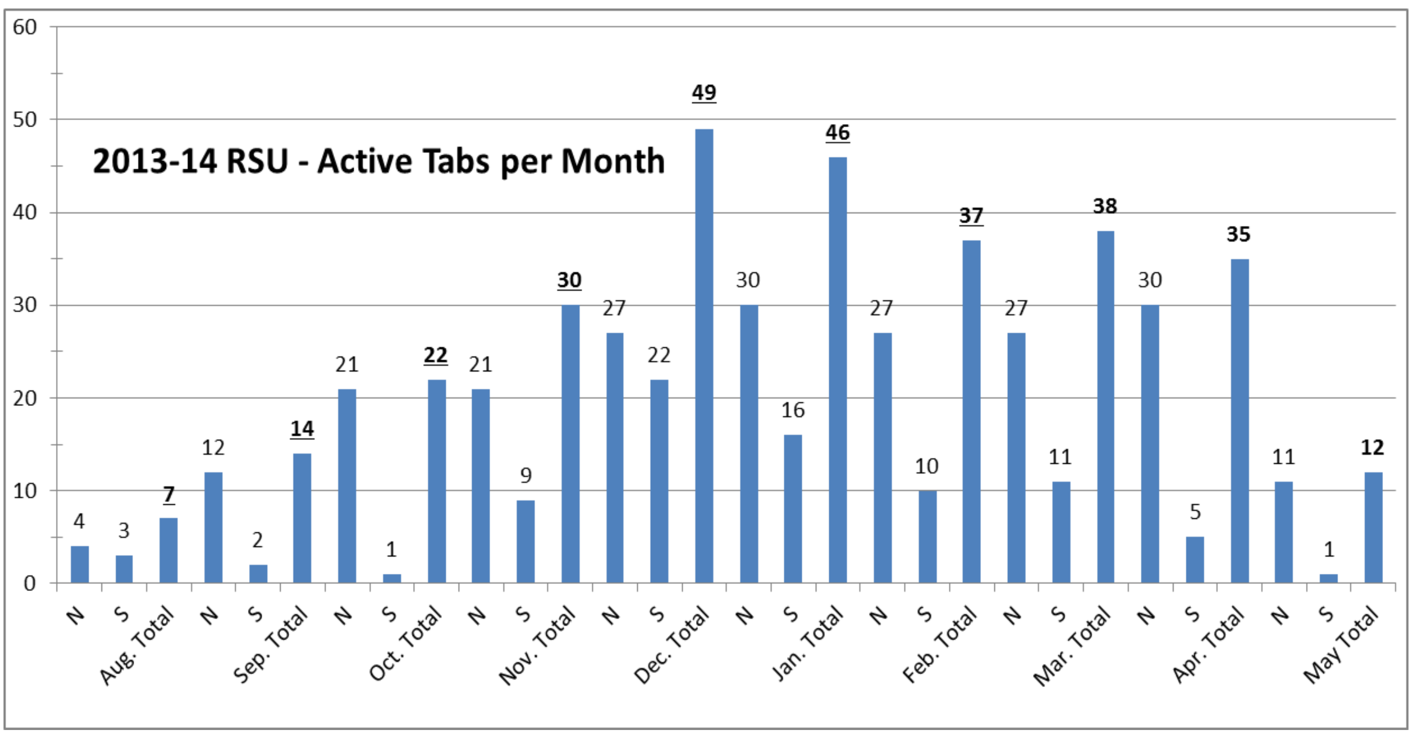
- Drop By: 100 – 12051 Horseshoe Way, Richmond BC V7A 4V4
- Register over the phone: (604) 261 – 9700
- Register by Email *fishsafe@fishsafebc.com*

Or

- Register and pay online at *www.fishsafebc.com*

D. & D. PACIFIC—CONTINUED FROM PAGE 3

Active Tabs per Month – A great effort by industry.



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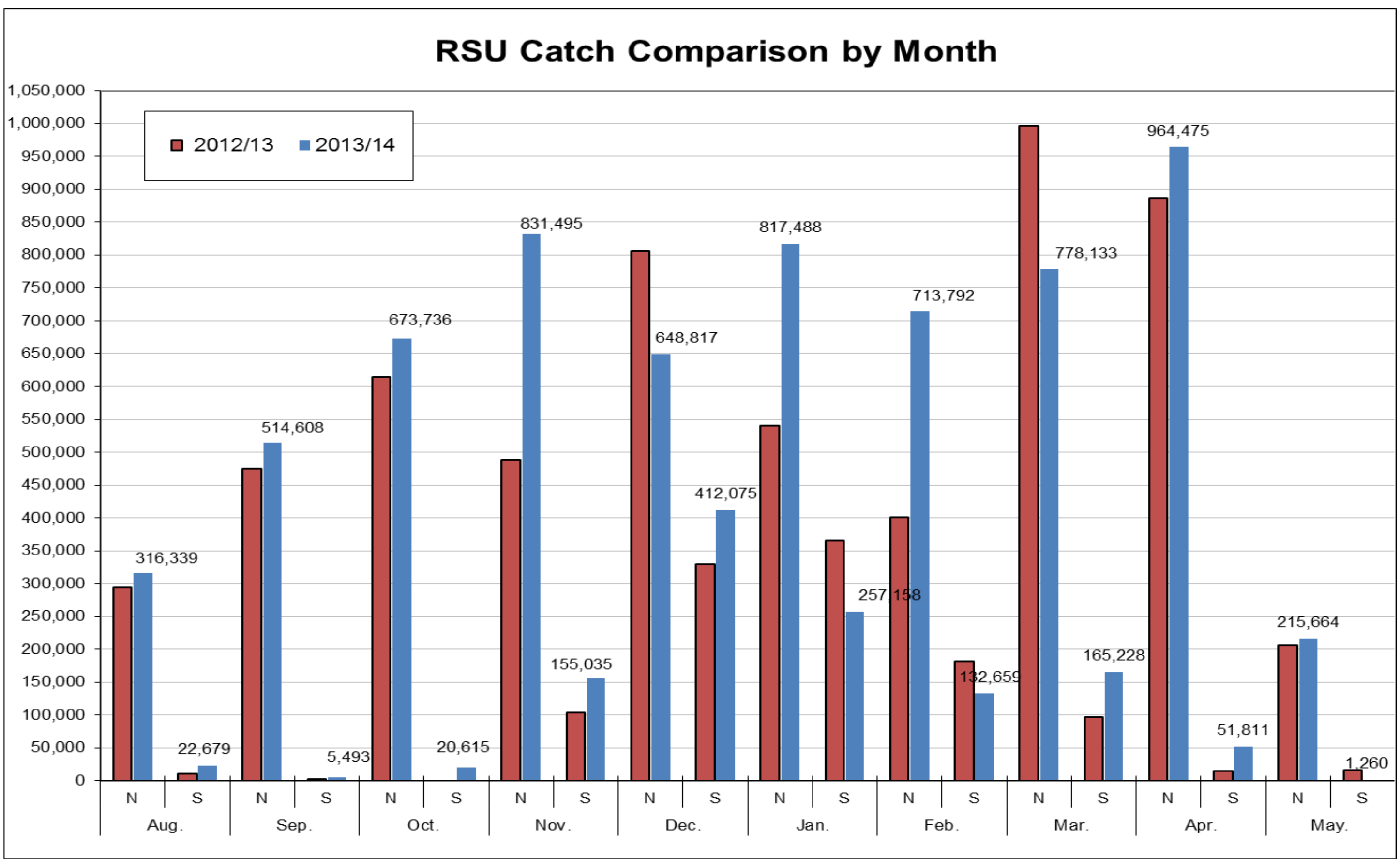
D. & D.— CONTINUED FROM PAGE 5

Harvest Charts are being received closer to the Conditions of Licence timeframe of 28 days after the last month fished. We still notice certain fishermen who hold their chart data until the end of the season or tab. This breaches the Conditions of Licence. This delay also can cause issues when the charts do not correspond with the validation logpage data. IE: fished in the wrong area according to the chart submitted 2 to 12 months later. This causes quota remaining by area corrections, puts the fishery over in the quota area, and so on.

Conflicts in the charts received by fishermen, even from the lower Haida Qwaii show conflicts and put the Lower 2E over its established quota. All from two boats who recorded different harvest locations on their validation page and their harvest chart. Was this a typo, or lack of thought when completing either the chart or the logpage? The bottom of the Haida Gwaii has two quota areas that PUHA opens simultaneously to provide fishing effort in most weather patterns. Certain fishermen have difficulty in keeping their data correct in fishing locations as it relates to quota area. Please be diligent when recorded harvest location(s) on both the validation logpage and the harvest chart.

ZC Tab Registration and Re-Designations PUHA Registration is not being completed before fishing occurs on new tabs. Fishermen and buyers fail to register before fishing occurs and this is causing issues and time chasing these down. PUHA and D&D are asking certain individuals to register prior to fishing, and ensuring a licence is on board. Processors who are re-designating on behalf of the vessel must ensure the licence copy is sent to the vessel.



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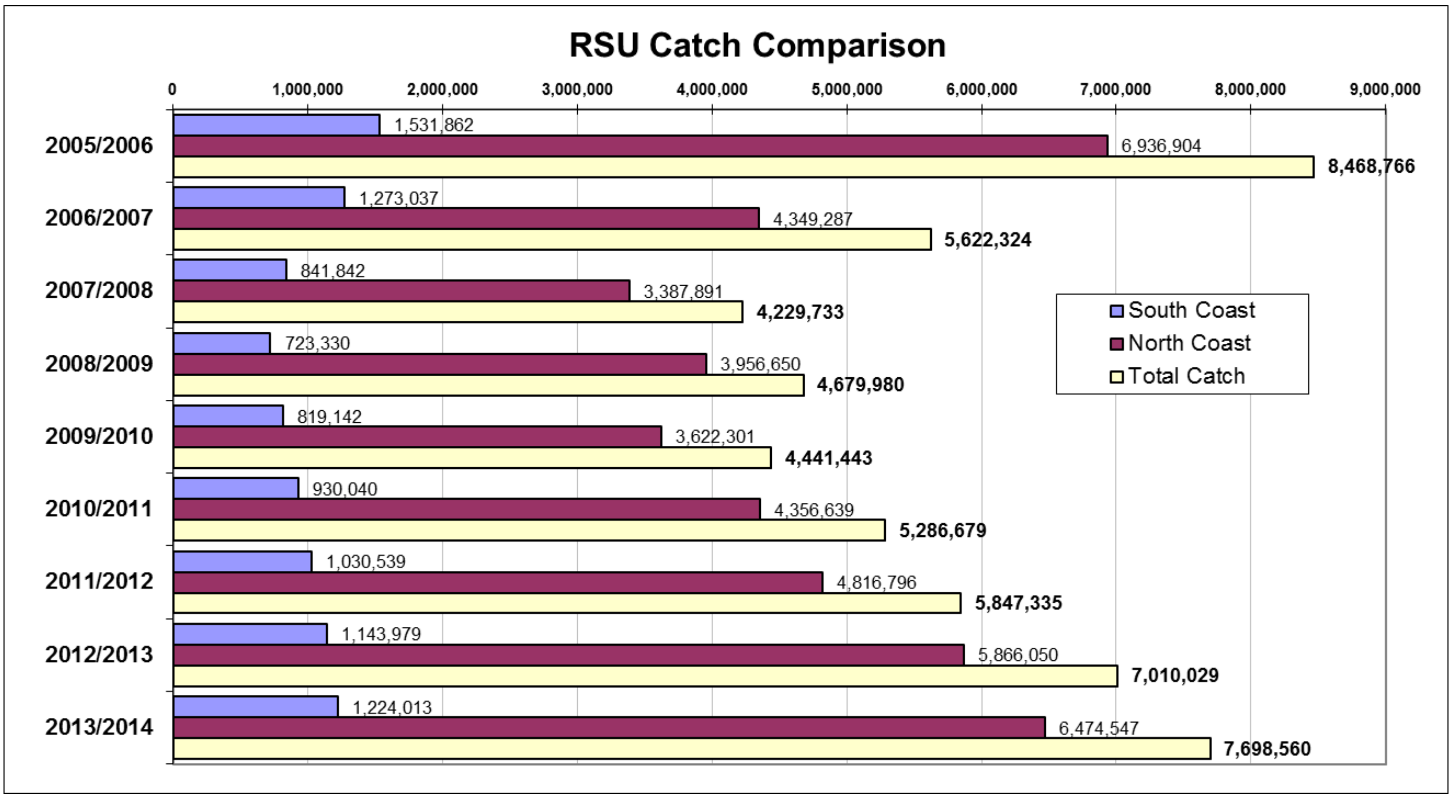
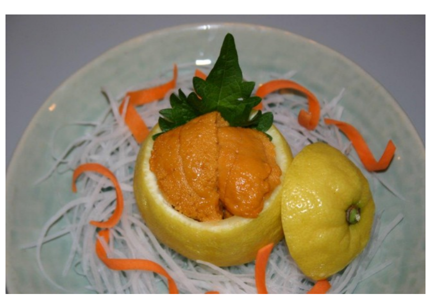
Opening and Closure requests by Industry dramatically picked up again as group coordinators and individual vessels had issues with weather, and their decision making paradigm. Multiple calls to move increased and the fleets were busy jumping around again. This issue was handled by PUHA representatives working with D&D in efforts to maintain the program integrity, reducing the individual calls for moving, and back to one coordinator per fleet.

At the annual DFO Sectoral Meeting, this issue was brought up by Fishery Managers expressing the increase in opening requests is out of control.

Next Month – The fleets will work the clean-up of the Prince Rupert quota areas heading south as they go. It is anticipated that harvest will remain low for May and then should be more active. Effort should be made to



visit quota areas south of Bella Bella to establish that Otters have or have not affected the biomass of Urchins. This subject is something that will be addressed at the next quota planning conference call.



MARKETING — CONTINUED FROM PAGE 2

2000 record prices for RSU uni from Canada in Japan in 2013. This may be due in part to the extended availability of good Canadian product except for June and July, due in part to the increased use of refrigeration in the fleet. Plants are also reportedly investing to improve the temperature control and other quality assurance measures. Other innovations being discussed include using rigid containers as soon as they are bought on board the dive vessel and within which they will remain until reaching the plant. These should lead to further substantial quality improvements, but are expensive and need time to initiate, assess and more widely adopt.

So- just to review some good stuff from the marketing realm this year- PUHA delegations including PUHA and processor representatives exhibited at the ASE and CFSE respectively. PUHA sea urchin was given a 2 page spread in a special sustainable seafood edition of Gourmet Magazine Hong Kong. On top of that, a profile of what appears to be a Red Sea Urchin is used as a prominent logo identifier in signage, web site and literature by the Asian Seafood Expo (ASE) which bills itself as "the premium gourmet seafood showcase for Asia". Contact info for 236 leads, at least 40 of which are considered highly qualified (score 7+ out of 10), was collected from the shows and catalogued in a searchable database. We were also represented at a BC seafood promotion in Guangzhou with approximately 120 invited guests prior to the 2013 CFSE. The Association also attended meetings following the 2013 CFSE with 5 individuals involved with a food tasting panel for hi-end food service in Beijing. Further details are available in the trip reports which are on the PUHA website.

The PUHA website is stable and apparent interest in it as a trusted source of information on our Red Sea Urchin fishery and products is growing. The PUHA website logged 7,789 visits between Aug. 1, 2013 and March 31, 2014 compared to 3,346 in the same period the previous year including 211 from Hong Kong and 119 from China.

All of our actions are predicated on presenting an authentic view of ourselves and our products. However, we believe using social media effectively to build awareness and excitement in our customers requires input from the fishermen active on the grounds. That would be you guys. We have tried a number of appeals to get said input but so far it just has not worked out. There are any number of valid reasons for this but on -grounds pictures and/or videos would really be appreciated. Just send em in and I will put them together and get em back out to you.

We have submitted a proposal to continue the same kind of things we have been doing with Agriculture and Agri-Food Canada. The big change this year is that we applied for four years of funding as opposed to the one year as we have previously. The budget is about the same- about $100 K per year with 50% from the AMP. We feel that our strategy is working and plan to continue building on our successes, albeit with some additional attention to economic conditions and trends in China and Japan which suggest some cooling is imminent. We also note that sales to the US are increasing very nicely and hope to direct more attention that way. The quality, detail and consistency of export and sales data is expected to continue improving allowing for timely identification and/or verification of trends. We will continue investigating access to complementary trade data (including perhaps through China and Hong Kong customs authorities) and production data (UN- FAO) that can be integrated to further advance our knowledge of the global sea urchin trade. For now though we will continue focussing on our currently planned activities and benchmarking the effects using the metrics we have available so we can objectively rate our effectiveness and determine areas needing/offering improvement(s).

BC SEAFOOD ALLIANCE