



# PUHA NEWSLETTER

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**INSIDE THIS ISSUE:**

- President's Report 1
- Marketing 2
- D. & D. Report 3
- Surveys 4
- Bi-Annual A. G. M. 4
- Marketing 5

## President's Report —MIKE FEATHERSTONE



This season provided no relief for sea urchin industry. Market demand is at historical low level with cheap Russian product continuing to flood the market. The stronger Canadian dollar and higher operating expenses further compound the overall economics. Throw in never ending bad weather and you have a season everyone would rather forget.

The same number of boats fished as compared to last year, although landings were down 1.5 million pounds. Prices were down slightly yet divers were only picking the best quality possible. A total of 61 licences were validated which is down from 70 the previous season. Under the present system, all the industry management fees are paid only by the validated licences. The overall operating budget has dropped significantly, unfortunately, the individual management fee has remained unchanged.

On the positive side the DFO will again fund the research surveys and the biologist's salary. There are at least three surveys planned over the summer. Last years Tree Knob survey provided valuable information to improve the new shore length biomass calculation model.

This year the quota planning session will be combined with the Spring General Meeting and will be held at Beban Park, in Nanaimo, on April 29<sup>th</sup>. There are no major changes planned with respect to the current quotas. There will be a review of the licence selection system and the associated costs. With an extraordinary number of licence holders selecting south, the quotas were considerably lower than the north coast, but, the industry management fee was the same. Can we expect a more rationale balance between areas now that the licence holders understand the system or are there changes needed?

I urge everyone to attend the meeting, including all the operators and crew. Pass the word and I hope to see you there.



# Marketing—GEOFF KRAUSE



Sales this year were disappointing for at least the third year in a row. Fishing did not get really started until late October and weak market conditions and poor weather limited volumes throughout the 2007/08 season. Canadian producers have not fundamentally changed their strategy, other than to limit production, over the past few years and most firms remain largely dependent on the Japanese market. Less than 50% of the Total Allowable Catch was actually harvested by each fishery but the financial condition of the industry associations improved marginally. In the Green Sea Urchin (GSU) fishery this was due to a slight improvement in the harvest numbers improved over the past two years while in the Red Sea Urchin (RSU) fishery the harvest declined and the financial improvement was largely due to concessions allowed by Fisheries and Oceans Canada on On-Grounds Monitoring (OGM), research and survey costs.

Still, the poor performance this past year has affected levels of cooperation in the industry as some companies were essentially forced to pursue pricing strategies which undercut the market and weakened the position of the industry as a whole. With reference directly to the CAFI program, interest in following through on the international travel components was subdued and trips to Brussels, Japan and China were cancelled for the second consecutive year.

According to Andrea Mandel-Campbell, a veteran journalist specializing in international business and global competitiveness, “These days everything is a commodity, so unless you add some intrinsic value in terms of a brand, and in terms of how you market that product, you will be competing on price regardless of your other intentions”. Having a strong identity is increasingly the difference between flourishing in a global economy and simply struggling to make ends meet. The effective degree to which BC operations are differentiated from other “commodity” suppliers to build preferential demand varies, but the impacts of influences remaining beyond the control of Canadian producers are pretty much beyond dispute.

There are three main factors beyond the control of Canadian producers for which effective response options are limited. These have not changed substantially from last year and are identified as the continuing:

- h Illegal, Unregulated and Unreported (IUU) sea urchin fishing in Russia that is flooding sea urchin markets in Japan with low cost product.
- h rise of the Canadian dollar which is propelling BC uni into a higher price bracket; and
- h weakness in the Japanese economy that is constraining consumption of especially mid-range luxury goods;



# D. & D. PACIFIC —DARIN MACEY

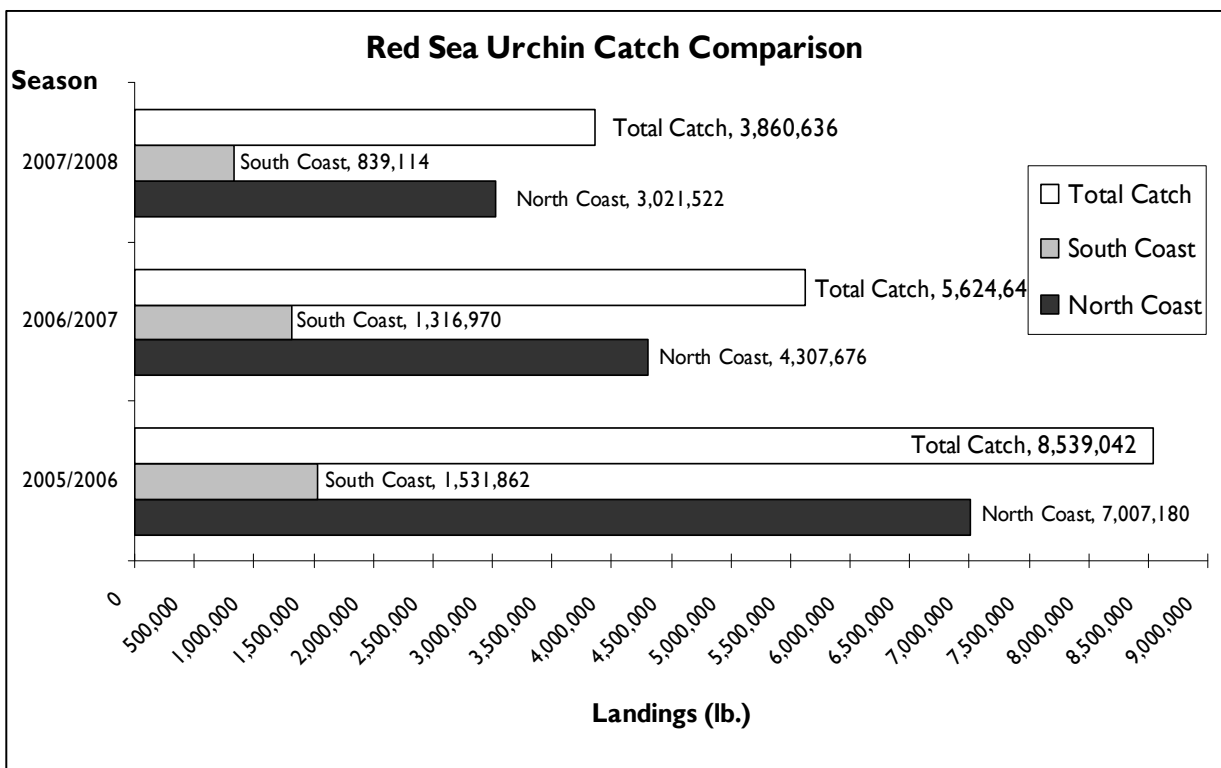
So far to date there has been sixty-one licences active coast-wide. Although a decrease from last season, the number of active licences in December of 2007 was at thirty-six. This, of course, relates to fewer pounds landed at this point in the season compared to any other. 40% of the TAC has been achieved to date, a big difference from December where we were at only 17% of the TAC.

The concern for April will be whether PUHA can get the fleet to move into the Queen Charlotte Islands for a few weeks before the season ends. The fleet is active this month on West Aristazabal Island, fishing the exposed areas of Moore and Harvey Islands. A strong fleet of 10 plus vessels have been working in very poor weather over the winter, but have run into some nice weather while at Moore Islands, finally!

The weather has been the most damaging part of the fishery this year, but right behind the poor weather is the Canadian dollar, and then the IUU fishery out of Russia. The large volume from Russia has caused a lot of grief for processors and industry as a whole. Fuel prices are and will be of great concern over the next decade as most areas of harvest require packers and travel time to get the product to market.

PUHA members and the Canadian processors are doing everything possible to rid this rough wave in the international market. Everyone is trying to work together in efforts to reduce overhead and expenditures. Increasing communication and coordination in areas where it is in the best interest to:

- ◆ fill a packer properly,
- ◆ not overloading trucks, and
- ◆ not to over-supply the market in Japan that has Canadian processors under-cutting each other to the point where no one makes a profit, and
- ◆ to protect the fishermen who pay the biggest price at the end of rope, we need to keep fishery participants from leaving the industry.



## Survey's—DAN LEUS

During the 2007 field season, research surveys were completed at Louise Isl. (QCI), Price Island and Tofino and a biomass survey was completed in the Tree Nob Group. Data have been analyzed and the new biomass estimates have been incorporated into quota recommendations for the 2008/2009 red sea urchin season.

A new survey approach was developed for biomass estimations in areas with large submerged archipelagos, such as Tree Nob Group and Cape Mudge. This method was successfully implemented in the Tree Nob Group in 2007 and yielded a quota recommendation that closely matched that provided by PUHA. Survey plans for 2008 include using this approach in Campbell River.

With DFO funding assisting survey costs for 2008 (pending approval), plans are to complete up to 3 biomass surveys and 3 research surveys. The boat daily rate of pay for surveys has also been increased to help cover rising costs. If you are interested in participating in these surveys as a diver or are able to provide a boat please contact PUHA. More information will be provided at the Sectoral meeting at the Coast Bastion Inn in Nanaimo on Tuesday, April 15<sup>th</sup>.

Dan Leus  
DFO Research Biologist  
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## Bi-Annual A.G.M.

*Pacific Urchin Harvesters Association*

*Bi-Annual General Meeting*

*April 29, 2008*

*(Tuesday)*

*Beban Park*

*9:30 a.m.*

*Nanaimo, B. C.*



## Marketing—continued

Harvest limitations because of poor weather restricting access to exposed areas over the winter have again been significant this year. Access to stocks in many remote and/or exposed areas is a continuing problem and remains subject to the vagaries of weather and feasibility. The problems are exacerbated by shrinking fleet size as more time is then required to cover off the area, increasing unit costs on an already often economically marginal operation. These areas are problematical but the industry should be able to eventually exploit them profitably given the right economic conditions although establishing a viable operation which can consistently access the resource is going to require considerable innovation. This may involve what would be currently out-of-season harvests, live inventory and holding systems and periodically ordered (as opposed to dedicated) packing runs, but progress on this depends in considerable measure on more favourable market conditions.

The developments witnessed this year have cast doubts on the effectiveness of the existing Term International Strategy (LTIS) pursued by the Sea Urchins from Canada group and the decision has been taken to step back to reassess the industry's strategic options, revise the agreement to better define the terms on which they can they can feasibly cooperate and, accordingly, to develop a new plan. This decision is supported by the probability that in the near term, at least the first two conditions are expected to continue and, while Russia is apparently moving to address the IUU urchin harvest, the resulting production decline may be insufficient to substantially relieve the price pressures. Continuing uncertainty in the market is pretty much assured which suggests that the most appropriate response is to improve the quality profile and differentiation of Canadian product going into Japan and to identify new market opportunities to reduce industry's absolute reliance on the Japanese winter market. The revised strategy may include extending the seasons as well moving into different countries, but in any case, innovation: developing and refining signature products and services offers a way to attract favourable attention in the market.

This year's CAFI project report provides more details on developments, and hopefully some insights into the trends, affecting the market this past year. The pace of technological, economic and environmental change continues to accelerate in our globalizing world and the opportunities facing us are sometimes hard to pick out against a background where the risks are often more prominently played up for public consumption. Sustainability is not simply stability intended to last for only a few years, real sustainability must take a much longer view even as it is structured to respond flexibly to shorter term economic and environmental variability. There is no argument but that these are very trying times for the industry but realistic and practical survivors will emerge to be stronger, and more profitable, than before.

Continuing efforts to build sectoral and international coalitions and cooperation are recommended. On the sectoral level, too much internal competition which reduces the willingness of players to work together makes the whole industry weaker and opens it to unfavourable manipulation along the lines of the old dictum of "be divided and be conquered". On the international scale, building understanding and bridges between cultures is now too important to be left solely to governments and linkages between informed groups with common interests will strengthen incentives to further cooperation. Multicultural Canada has a unique, and perhaps privileged, reputation around the world as trustworthy, fair and tolerant. The commercial success of sustainable enterprises, such as BC's Sea Urchin fisheries, building from this reputation provides an affirmative way forward that is consistent with today's increasingly environmentally aware markets.