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PRESIDENT'S REPORT - MIKE FEATHERSTONE

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The season has been slower with good quality product harder to find. Areas that are typically good producers in the summer have been either lower recovery or off color. This has slowed production considerably and as a result the landings are behind previous years. On the bright side prices have been good.

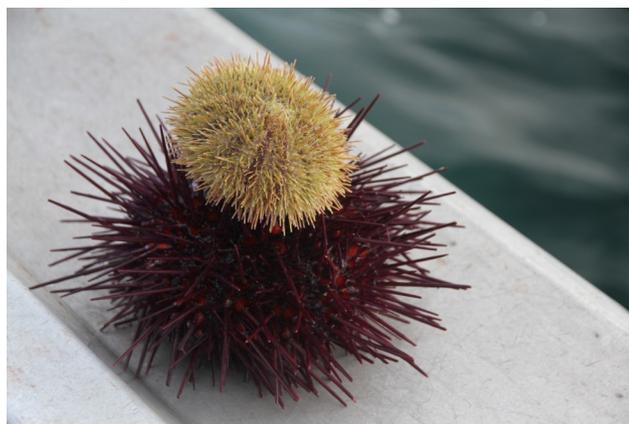
The new website is ready to go and should be up and running this week. We encourage everyone to log on and check it out. Click the Facebook link and friend us. Post any photos and updates from your fishing activities, we are looking forward to an active Facebook page to keep our customers interested and supportive of our fishery.

Directors have been busy with on going challenges of the updates to the Fishery Act, MPA's and keeping the fishery going. Look for more updates soon on those files.

On the marketing side, the Asia Pacific Show was well attended and Geoff and the other representatives are preparing to head to China at the beginning of November. There is continued strong demand for sea urchin and with the slow harvesting this year many customers are looking for product. Hopefully, the colder water and the abundance of feed will provide the better quality and larger harvests this winter.

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The international marketing is rolling out pretty much as anticipated albeit with a few changes from our plans of even a month or so ago. I will get to that in a moment but will start with a quick summary of what is happening on Tsukiji and then review what we have done so far before I get into what is coming up.

According to the numbers from Tsukiji, Japanese production really ramps in the summer months, I suspect because that is when they get the best weather and who doesn't like to fish in good weather. The Japanese white uni attracts the highest premium prices, most especially for the 300 gram trays for which production carries on throughout the year. It still strikes as funny but the highest price paid for the 300 g trays is I think symbolic, ranging from 5-6 times the average price, so it strikes as just something the producers like to do- a contest of sorts.

They also produce 150 g trays from about June to the end of September each year which do not see the same symbolic spike and for which they get prices ranging from about the same on a per gram basis down to maybe a fifth of the average obtained by the 300 trays. This suggests that quality on the smaller trays is more variable. Overall production varies as well throughout the year and when it is low only a few 150 gram trays are produced. Volumes range from about 1500 - 1800 kg in September to a couple hundred in October before rising to about 2500 kg in November and then falling off to 500 - 750 kg range till March after which it again starts building.

The red uni (*Strongylocentrotus intermedius*) production is steadier and ranges from about 750 kg in September to an average of about 2,000 kg/month for months other than May through August when monthly volumes range up to 3,000 - 4,000 kg. The product is similarly produced in 300 and 150 gram trays which can be comparable price wise, although the smaller are sometimes about 20-25% cheaper. However, they also produce a 100 g tray that looks to be serving a separate lower cost market over the summer months. The larger formats command a marginally lower average price than the white, generally in the 25 - 30 ¥ per gram , vs 35 - 40 ¥ for the white, while the 150 g trays range from about the same to as little as half. The 100 gram trays though are consistently around 10¥/gram, a bit lower than the 150 gram trays which seem to drop down around 13-14¥/g, but also steadier when they are being produced.

I mention this because the 100 gram trays of RSU from the US also attract prices of 8 - 12 ¥/g, an amount generally consistent with the Japanese 100 gram trays. This average also remains fairly consistent throughout the year. The 300 gram trays of RSU generally range from about 3- 12 ¥/gram with a lean towards the lower end. We have heard that the California guys now only export their C grade and some B grade product to Japan, reserving the A grade for the home market.

The California Sea Urchin Commission was apparently chasing down a disaster declaration earlier this year for their industry but it may be that things have recovered a bit down that way as they started shipping and selling through Tsukiji in September after taking a break since May. This was also a month which saw them selling only about 25% of what they sold there last year. Their sales in September came in at around 1400 kg, about half of last year but at least moving in the right direction in comparison to the summer.

D. & D. PACIFIC—DARIN MACEY

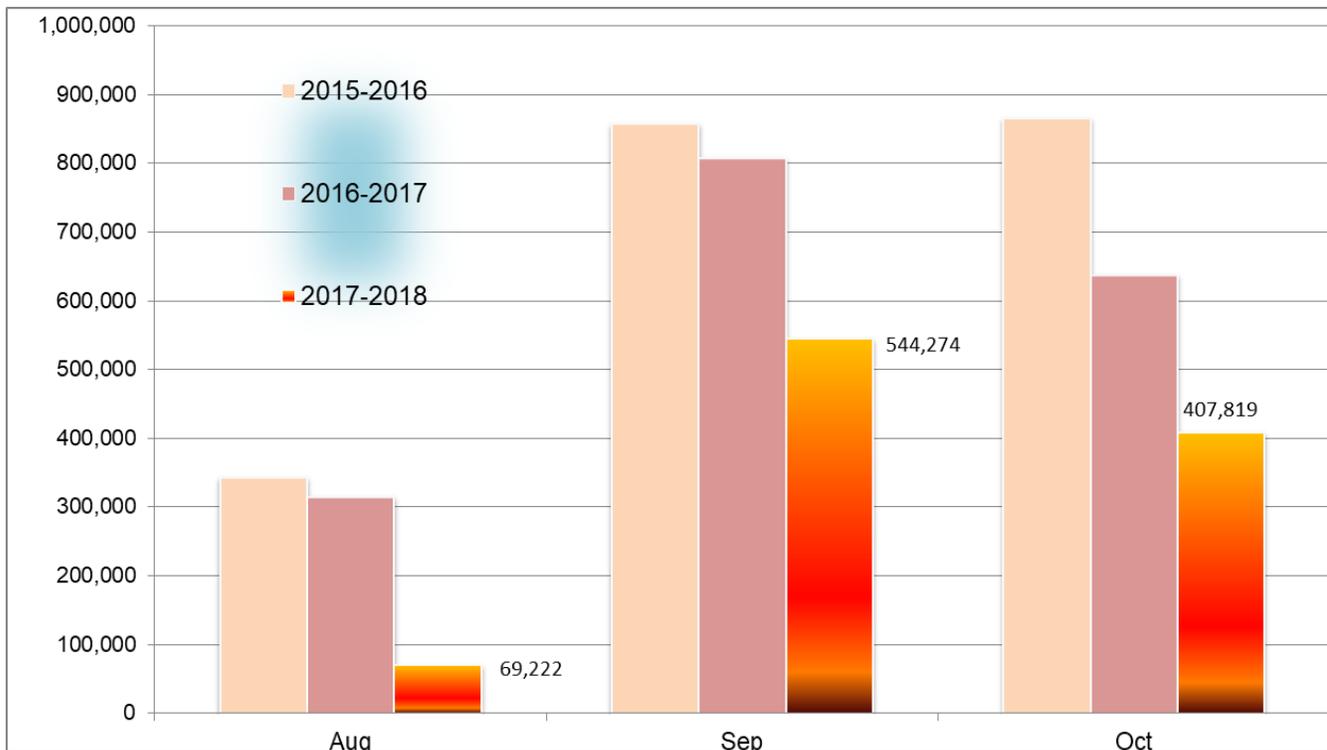
RED & GREEN SEA URCHIN FISHERY SEASON UPDATES

2017-18 RSU FISHERY

North Coast Fleet

- No activity during August
- Dive vessels were active on September 2nd, A slow start to the season compared to the last two
- Fleets were small, and worked through into October
- North Coast Protocol established years ago working well, but vessels are reminded to hail prior to leaving port
- Conditions of Licence for Red Sea urchin need to be on board the vessel. It is believed that in fractions to the Conditions of Licence can be reduced significantly if vessel masters have access to them. As most vessel masters are not owners, this document sometimes does not reach the boat
- New participants to the industry need to review the Conditions of Licence to understand what they are responsible for
- Harvest remains slow with approximately 10 vessels active spread out between three fleets
- Eighteen North Coast tabs active
- The Sea Cucumber fishery that is now active pulls vessels and divers into the fishery for the month of October
- Currently, We have achieved 9.3% of our total quota in the North Coast

Figure I – RSU 3-year Comparison by Mont



SURVEY'S—DAN LEUS

The California Sea Urchin Commission was apparently chasing down a disaster declaration earlier this year for their industry but it may be that things have recovered a bit down that way as they started shipping and selling through Tsukiji in September after taking a break since May. This was also a month which saw them selling only about 25% of what they sold there last year. Their sales in September came in at around 1400 kg, about half of last year but at least moving in the right direction in comparison to the summer.

The word these days is that the Japanese do not want to buy A grade product anymore, they just want B and C grade. Of course one would expect they are more than happy to get the A grade material mixed in, they just do not want to pay the higher price. That is fair enough- we can only sell them what they want to buy and that is why we need to keep searching out new higher value markets willing to pay for the high quality production. Last year Japan took about 287 MT, representing ~60%, of our processed production but only 56% of the export value. The average price they paid was ~ C \$ 57, but Hong Kong and South Korea came in at around C\$ 62 and \$C 65 respectively. One comment we got from a seafood aficionado in Hong Kong this year was that “Canadian uni rocks- it is the best”. That reflects well on you guys- keep it up. Hopefully good quality will get easier to find this year although from what I have been hearing, that may be easier said than done.

At any rate, so far this year we have taken in the Seafood Expo Asia, which was again a really good show for us. We collected information on just under 100 contacts, including buyers from all over Asia, and found our samples just flying out whenever we put them out. Mike, Dave, Bob, Lawrence, Pat, Paddy, Daisy and yours truly were all on hand to handle questions and queries and I think it is fair to say we again came away feeling very good about how things went.

Bob, Pat and myself also checked another show AnuFood China in Beijing just before the Hong Kong show to see if it would provide a way to double up on our exposure on a single trip. It was a good-sized and diverse show, offering a wide variety of products for people to try and explore. In a way that is good for us because uni (sea urchin) is pretty novel in this part of the world and we are of course looking to expand consumer interest as a way to grow aggregate demand to support higher pricing.

On the other hand, while we saw a couple of companies from Canada there- including provincial booths for Saskatchewan and Quebec, there was very little seafood in evidence. There was no sea urchin (there was some sea cucumber) and we figure we could pretty much rock the show if we exhibit with samples etc.. However we also feel we'll have problems translating that into actual sales because there is the small matter of needing a distributor network and/or outlets in the area where people could actually buy the product. Given that, I think putting a lot of effort into the Beijing market at this time is premature, at least until we get one or more exporting companies interested in developing a presence n Beijing.



LINKS AND NOTES OF INTEREST

Dominic LeBlanc pledges to 'enshrine the owner-operator and fleet separation law'
Federal fisheries minister spoke at annual Canadian Independent Fish Harvesters' Federation meeting

<http://www.cbc.ca/news/canada/nova-scotia/leblanc-fisheries-owner-operator-fleet-separation-law-1.4221716>

Minister's thoughts on Licensing:

http://www.thetelegram.com/news/local/2017/7/28/fisheries-licensing-process-has-to-be-fair--minister.html?utm_source=Watershed+Watch+Email+List&utm_campaign=280fd653bc-Salmon_News_July28_2017&utm_medium=email&utm_term=0_405944b1b5-280fd653bc-166911265&mc_cid=280fd653bc&mc_eid=f40b8bc1d1

California Sea Urchin Commission website newsletters

www.calurchin.org

A Portland company has pleaded guilty to illegally importing live sea urchins from Canada and reselling them in domestic and foreign markets. ISF Trading Co. entered the plea in U.S. District Court in Portland. The company admitted violating the Lacey Act, a law that bars trading in wildlife that is illegally taken, possessed, transported or sold. Federal officials said ISF Trading bought sea urchins from a Canadian company, TGK Fisheries of Grand Manan, that wasn't authorized under Canadian law to export urchins to the U.S. ISF Trading used the label of another Canadian supplier, Matthews Seafood of New Brunswick, to bring the urchins to the U.S. at the Calais Port of entry. According to court records, ISF Trading illegally imported about 48,000 lbs. of sea urchins, with a processed roe worth at least \$172,800.00, from TGK from Dec. 31, 2010 to Feb. 1, 2011. ISF Trading faces up to five years of probation and up to \$1.25 million in fines and forfeitures for the violations.

**We greatly encourage members to submit links of news,
and articles worthy for future newsletters.**

D. & D. PACIFIC—CONTINUED

South Coast Fleet

- Minimal activity in August – see Figure 1
- Ten South Coast tabs active
- Harvest in September was from QMAs south of Sidney
- September had dive vessels looking for quality from Kelsey Bay to Sidney
- October suffered the same problem, quality. Dive vessels now actively looking for quality in Port McNeill. Product is being landed, but hard to find quantity of good Urchins
- Live Market sale out of Steveston have increased, as have commercial landings in Steveston
- Vessel Masters are reminded to hail their harvest daily to D&D if they are on a multi-day trip
- Conditions of Licence infractions are on the rise. Lack of communication, hail notifications, product not tagged properly for transshipment and so on
- Currently, The fleet has achieved 14.8% of the total Quota in the South Coast

Red Sea Urchin Coastwide

- Overall, 9.3% of the Total Allowable Catch (TAC) has been landed
- On average, Product landed by month is approximately 250,000 lbs behind previous seasons
- Quality seems to be an issue this season
- Otters noticed in QMA 4
- In efforts to support the GSU industry, PUHA is requesting the RSU fleet to document any GSU sightings in the north coast while harvesting RSU. Relative data to location(s) of GSU will be reviewed in efforts to define possible locations in the north for a GSU survey. The surveys will define a possible quota for GSU harvest
- D&D will be sending out green highlighters to RSU dive vessels with instructions to highlight GSU populations on their RSU charts that they complete and send into D&D for digitization. D&D will digitize all GSU locations and provide PUHA with data to hopefully submit to DFO for a future Biomass survey

Conditions of Licence - Red Sea Urchin

- Conditions of Licence infractions are still on the rise
- Vessel Master's and the crew's knowledge of the Conditions has decreased since DFO's licence program went electronic
- Lack of communication, hail notifications, product not tagged properly for transshipment and so on
- Vessels have reported have no conditions on their vessel
- New Vessel Master (some) have reported that they never even knew what the 'Conditions of Licence' were as they have never seen one
- As a result, D&D is seeing a rise in infractions
- D&D made a major push for chart delivery this past year and spent an extra 64 hours chasing people with outstanding charts over 11 months late
- As a result of last years' push for charts, the current season has seen vessels improve quickly as it relates to chart delivery.
- Quota Management Area (QMA) and Sub-area corrections are still on the rise – Vessel Masters are reminded to have a copy of the Harvest Plan for both Red and Green fisheries

2017-18 GSU FISHERY

- The Green Sea Urchin fishery was strong this year, but not as strong as last September
- The Campbell River QMAs were productive for vessels
- In efforts to support the GSU industry, PUHA is requesting the RSU fleet in the north coast to document any GSU sightings while harvesting RSU. Relative data to location(s) of GSU will be reviewed in efforts to define possible locations in the north for a GSU survey. The surveys will define a possible quota for GSU harvest
- D&D will be sending out green highlighters to the north coast RSU dive vessels with instructions to highlight GSU populations on their RSU charts that they complete and send into D&D for digitization. D&D will digitize all GSU locations and provide PUHA with data to hopefully submit to DFO for a future Biomass surveys
- This effort is to expand the GSU fishery coast wide to maintain the industry and benefits to coastal communities

Conditions of Licence - Green Sea Urchin

Condition of licence issues are minimal in the GSU fishery

Harvest charts must be delivered at each landing so no issue on this topic

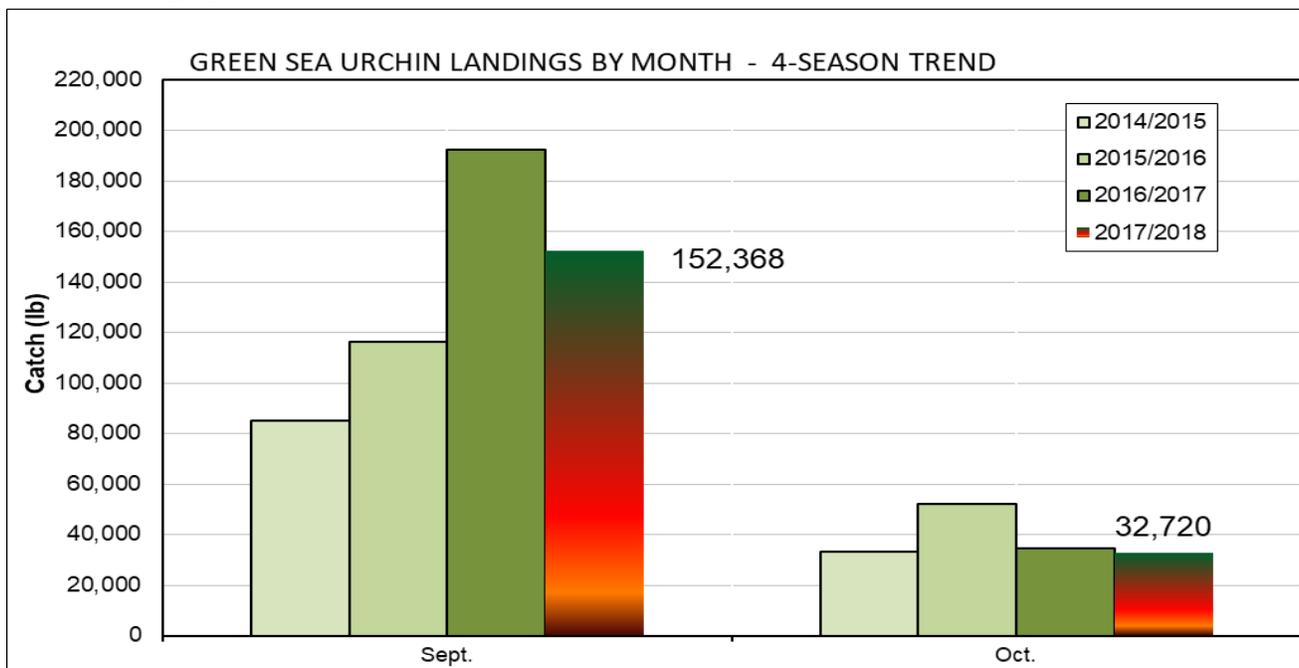
Hails are still an issue as last minute hails may not be sufficient enough in time to secure an Observer

A copy of the Conditions of Licence is required to be on board the vessel. This will assist crew in knowing what they are required to do

Twenty-Four ZA Tabs are active to date

37.6% of the TAC landed to date

Figure 2 – GSU Landings by Month – 3-Season Trend



INFORMATION

LANDINGS SUMMARY

From D. & D. Pacific

RED URCHINS

October 20, 2017

NORTH COAST	8,413,000 LBS. (tac)	852,729 LBS. HARVESTED	10.13%
SOUTH COAST	1,603,000 LBS. (tac)	237,139 LBS. HARVESTED	14.8%
COAST WIDE	10,016,000 LBS (tac)	1,089,868 LBS. HARVESTED	10.1%

GREEN URCHINS

October 23, 2017

491,764 LBS. (tac) 190,474 LBS. HARVESTED 38.7%

31.5% OF THE FISHING YEAR HAS PASSED—2017—2018 FISHING SEASON COMMENCED AUGUST 1st 2017 AND WILL END JUNE 30, 2018



MARKETING—CONTINUED

We also spent a couple of days in Shanghai to check out the new seafood market. As reported last year, the main existing market was shut down around the end of October and everything shifted out to new premises. This had impacts on all sorts of business considerations: logistics, traffic flows, commute times for workers, labour localization, distribution requirements and all the other stuff that comes from having this kind of disruption but so far they are making it work.. We had visited the new premises last September (2016) and found them in a state of construction that looked some months from being habitable, but by this trip it was transformed into a bustling market. The shops were definitely upgraded from the old market with many state of the art controls for live tanks including temperature control between 5 – 32 degrees C, and it sounded like things were again going quite nicely after a transition period. There is still a pretty good chance of gridlock because there seems to be only one way in and out and there are apparently upwards of 600 semis and multiple other vehicles moving in and out every night.

Our plans for the rest of the year include the China Fisheries and Seafood Expo in Qingdao. We are departing on that trip next week and while we were looking forward to again being part of the BC booth in Busan for their seafood expo, the rising tensions on the Korean Peninsula kind of drove a rethink. There has been a lot of bluster being thrown around by the North Koreans and the Americans of late and it just does not seem to be very smart to expose oneself to a potentially catastrophic shock and awe show in a country where one is essentially at the mercy of others any kind of response to an emergency. Hopefully everything will be peacefully resolved by next year.

We are also looking forward to attending the Boston show in March and have just submitted our application to be part of the BC booth there. We expect an answer back (hopefully) next week but then after that we are at the end of the current project. From that point whatever we do will be on spec pending approval of a new project. To carry on we will be putting together another proposal under the new Growing Forward III program from Agriculture and Agri-Food Canada but we are seeing good success thus far and hope that the new program will be as supportive as the old one.

That will be something for the early New Year, with approval probably not arriving until summer, but we are expecting to continue on with the same general themes: the BC Sea Urchin fishery is characterized the great product, great people, sustainable production, pristine growing conditions, science-based quality control, and good value. As a pitch to develop new customers, build aggregate demand and support higher prices backed up by the industry's demonstrated performance - what's not to like?

Good fishing eh.

