

Guest Commentary

And what about the fishery?

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An article in the Report on Business recently asked a penetrating question regarding the forestry industry in this country: “Does Canada have the nerve to fix the forestry?” The same can be asked of the fishing industry on the east coast of the country, notably in Newfoundland & Labrador.

The fishery remains of great value: Newfoundland & Labrador’s industry represents 25 per cent of landed value of seafood in Canada. The country’s seafood exports totaled \$4.1-billion, of which Newfoundland & Labrador’s share was \$798.2-million. Heady figures indeed. So where’s the problem?

After the collapse of the ground fish and pelagic fisheries, programs were implemented to reduce the number of participants in the industry, to make it more viable for those remaining. Yet we have not done that. For too many years now we have struggled to qualify workers (those in the know will heave a collective sigh) and dissipate the wealth in the industry. Our intentions were

good. Keep people working and share the wealth, but to such a degree, that few people could truly make a go of it.

The reason we are having a crisis is because we are expecting the fishery to carry 30-plus crab plants, and a dozen or more shrimp plants, and tens of dozens of ground fish and pelagic plants. We must break the cycle of false hope by adopting a rationalization program and putting in place funding to help those affected. At some point, government and the people in affected communities must be protected from the delusion that 10 weeks’ work is enough.

Capacity – or excess capacity, to be more precise – is a long standing problem in the fishery. Inefficient capacity was identified in the Newfoundland government report “Managing All Our Resources” in 1980. Senator Michael Kirby wrote about it in his 1982 report “Navigating Troubled Waters: A New Policy for the Atlantic Fisheries.” A Newfoundland Royal Commission in 1986 talked about subsidization and political

expediency in the industry. And on it goes, culminating in the 2003 Fish Processing Policy Review which summed it up well: "...the basic problems of the sector remain rooted in excess capacity with the associated results of seasonal operations, unsatisfactory levels of income, instability and volatility, and less-than-optimum total returns from seafood production."

Government's primary role should be to serve as a catalyst to let the fishery modernize. Government should adopt as its primary focus putting the fishery on a sound economic footing, by letting it operate as a business, by letting it rationalize as a public policy. That will entail either active or benign support for rationalization. It is inconceivable that we are talking about a crisis in the fishery when in recent years it has reached historic high in terms of landed value.

We have not worked to restructure, modernize or renew the fishery fundamentally. Its structures remain dated: too many fishers in too many boats catching too few fish for too many plants processing for too little time. Well, with one correction: there aren't too few fish (instead, given out-migration and declining fertility rates, we'll soon have too few workers). The resource has changed - shellfish in the place of ground fish - and the landed values are historically high. In spite of that, we have kept processing and harvesting capacity too high, such that the value created is spread too thin.

We have built the industry on a deck of cards. We have marginalized incomes, tried to save fish plant after fish plant, increased harvesting capacity, and what do we have at the end of the day? Mediocrity as an industry. And every intervention leads to the Hayekian conundrum: once a government does intervene, the logic of intervention forces them to keep at it, to fix the last intervention. Can any government resist that (and after what damage is done?) so that instead

we might make the industry a more sustainable contributor to rural Newfoundland & Labrador?

Industry – harvesters and processors – both know that we must adapt to face the new realities of a more competitive China, higher fuel prices and the stronger dollar. Instead, we have gone about things as of old, and expected a different result. That's, as the saying goes, the definition of insanity. That challenge includes requiring a fresh look at the price setting mechanisms in the industry, unique in the world (Joey Smallwood's last piece of legislation in 1972). We have a collective bargaining structure for what is essentially a business to business relationship. We negotiate minimum prices around a table, and then go out on wharves around the province to conduct a second set of 'free-market' negotiations and auctioneering precisely because the prices negotiated formally are minimums, and the overcapacity leads to irrational economics. This renders the collective bargaining process obviously redundant.

Are there bright spots out there? Yes, if one takes hope from the government-led renewal initiative last year (though of merit, it was not all industry had hoped for). The resource remains strong, and the industry is tackling new challenges like eco-labeling with the pending Marine Stewardship Council certification for northern shrimp, showing our coldwater shrimp comes from a sustainable, well-managed fishery.

But the same can't be said for the economic viability of the industry itself, in either harvesting or processing. It may be that the challenges of industry renewal are truly intractable political problems. Fair enough, but if it's confession time, no one is on their knees - except in terms of the economics.

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