

# Status quo is not an option

## *Processors say fishery requires major restructuring*

By E. DEREK BUTLER

In the context of fishing industry renewal there has been much discussion about the problem of marketing. A few aspersions have been cast onto the backs of processors in the province as if the biggest problem we face is "marketing."

Solutions are offered, like refusing to sell to world markets if they won't pay the prices we want. One need only stop and consider what throwing thousands of people out of work this year would do to our fishery if the world said the price is too high.

Our province's fishery is premised on a collective bargaining structure. Producers and harvesters negotiate fish prices for five or six of the major species and settle up individually on the rest. Those negotiations set minimum prices, not fixed prices.

### **Second round begins**

After negotiations are concluded, individual harvesters and producers go out on the wharves around the province and conduct a second set of negotiations. That's the "free-market" harvesters fought to maintain last year — the right to ensure competition for raw material prices (interestingly, seals and lobsters work fine without the initial negotiation: nary a shutdown or strike).

Producers, in turn, process the fish and then sell it in world markets. Some 98 per cent of our province's seafood is exported. Production value decreased by some \$300 million from 2004 to 2005, and arguably more again in 2006. That loss of hundreds of millions of dollars in value is attributable to two things — a stronger Canadian dollar and lower market

returns.

### **World prices are low**

Why low market returns? Because the price of seafood in the marketplace is lower, not because Newfoundland producers asked for too little. Customers are simply paying less for seafood and to suggest that marketing is "our" problem is to ignore global trends in both supply and demand. It also ignores some realities at home.

And to compare a raw material price in Iceland with a raw material price in Newfoundland and Labrador is to ignore the differences in our fisheries. We have more harvesters, smaller boats, more processors, less integration and more costs. It also ignores the history of seafood prices. No one said we couldn't market crab when it was at \$2.47 in 2005. Why not?

A little more on Iceland before returning to the topic of marketing. In 2002, to pick one year, that country landed 2.1 million tonnes of fish, with 11,700 person-years of work. Newfoundland had just 267,000 tonnes (yes, less than 13 per cent in volume) with 16,300 person years. In Newfoundland, less fish plus more people equals less money each.

### **More value per person**

It gets worse. The value of the catcher fisherman was four to five times greater than in Newfoundland. Iceland's fishery is also more capital intensive and concentrated in fewer communities while ours is in tens of dozens, and we have 122 plants. Finally, a lot of Icelandic product goes for higher-value, fresh export.

Back to markets. Markets are com-

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plex creatures and not subject to the imposition of our intentions or desires as sellers. Wanting a better market price will not produce it. Telling the world we will not sell them fish if they aren't willing to pay a certain price will ensure one thing — a shut down fishery in year one and no markets in year two because they will have moved on to something else.

Our challenge isn't marketing. We have product landing principally in restricted seasons (sometimes the nature of the resource). That product must be transported long distances, both at home and abroad. We must finance product over longer periods, because we don't catch it fresh for market. We have high inventory costs. We have high tariff barriers in the European Union. We have a multiplicity of processors, harvesters and landing sites.

### **Not the answer**

Some might say just let some producers sell outside the province. That is just another intervention to fix the others. It's not a solution. The four Ps of marketing are product, price, place and promotion.

Asking producers to fight like dogs for product and then act like saints on all the rest is not a recipe for stability or the right use of entrepreneurial

activities. We compete to buy product and we compete to sell, against ourselves and other seafood competitors. And there is lots of irrational economic activity in the fishery as it is structured.

What can we do? We can consider ways to co-operate more. We can seek support for generic seafood promotion campaigns at home and abroad. And we can also work to renew our industry so that the structure at home optimizes, rather than dissipates, wealth for all participants, frees the fishery from undue intervention to make it more flexible and ensures it works so our seafood is in the market, at the price level, in the form, and at the time the customer wants it. Do you expect any less when you go to buy a car, a cup of coffee or this newspaper?

Seafood producers remain hopeful that the fishing industry renewal exercise will, in our words, "process" the input received from all stakeholders and help "produce" a more rational and functional business for all. We are optimistic, given we have strong leaders who recognize, as we all do, that status quo is not an option.

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