

Presentation by
Mr. Herb Clarke, Chairman
Association of Seafood Producers
to the
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Good morning.

The *Association of Seafood Producers* is a not-for-profit corporation formed by the fish processing industry a little over a year ago. Its mandate is to engage in activities that strengthen the industry generally.

Members provide services to harvesters and purchase raw material from them, employ thousands at peak periods to process this raw material in their plants, and market the finished product in a very competitive world market. In aggregate ASP's Members represent more than 80% of the crab production in the Province, all of the shrimp production on the island, and a significant majority of ground fish and pelagic species.

In the short time available, I want to make 4 points:

1. The industry is important.

In 2004 the harvest of crab was about 125 million pounds and shrimp 142 million pounds. Together these two species generated a little over \$500 million in landed value. Other species added about another \$100 million.

Peak employment in fish processing was in the order of 14,000 with a similar number in harvesting.

Total production value was in the order of \$ 1 billion.

Importantly, this economic activity is distributed around the province, has considerable spin-off benefits, and in many communities offers the only employment opportunities available. We often think of fish as a rural economic force, but let's not forget its impact in St. John's

as well. St. John's is one of the largest fish landing ports; supplies much of the packaging and other consumables; and, is head office location for a number of our Member companies (4 of whom are Members of the Board of Trade - as is the Association itself).

2. Unfortunately, the industry is characterized by instability and huge overcapacity.

In the past decade the industry has become primarily a shellfish industry in which crab is king. Crab has subsidized other fisheries. Crab practices dominate and, in some ways, have corrupted industry practices for other fisheries.

Each year it seems increasingly difficult to get a fishery started. You may recall the unrest in the spring of 2003 and again in 2004.

A further and basic problem is *overcapacity* in both the harvesting and the processing sectors. So many licenses have been issued and so much capital invested over the years that the industry is now able to harvest and process many times more fish than stocks can provide. As a result, much of the expensive infrastructure operates for just a few short months of the year. This situation has been worsening over the years and now threatens the viability of the industry for processors, harvesters and plant workers alike.

Quite simply, there is not enough resource to support the people and infrastructure dependent upon it.

In 2005 this situation will be further exasperated by both the unfavorable exchange rates (since much of the product is sold in \$US); and the resource situation in crab, where quota cuts are expected.

No doubt, while these factors are problematic, the situation also presents an opportunity in that "*it means the industry will not continue like it has for the past few years.*"

This leads me to my third point.

3. Capacity rationalization will be a reality of the 2005 fishery.

This is the only way that the remaining enterprises can be viable in today's environment, competitive in the international marketplace, and, over time, provide the stable, longer and more meaningful employment required and desired by those who will be still involved.

This will mean closed plants in some communities, fewer plant workers and fewer harvesting enterprises.

Obviously, there are significant implications for companies and for the people and communities involved, and there are public policy issues.

4. The objective is that this rationalization be done in an orderly and strategic fashion.

This will require co-operative arrangements between the various stakeholders.

Governments have to create the right environment and industry players have to act responsibly.

Recently the Province, through the Minister of Fisheries and Aquaculture, has moved to implement recommendations of the Dunne Commission Report by introducing a new Fish Processing Policy and significant changes to the *Fish Inspection Act*. This is a good start. More is required of all the stakeholders (processors, plant-workers, harvesters, the FFAW and various levels of Government), all of whom have specific roles to play.

Whether these stakeholders get their act together or the rationalization occurs in chaos will unfold in the next few months.

I am hopeful it will be the former.

Thank you.