



association of
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Industry Renewal: A Fishery for the 21st Century



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On behalf of the Members of the Association of Seafood Producers, let me first thank the Board of Trade for the kind invitation and opportunity to speak to you today about our industry, and the fishery in general.

I would like to do two things this afternoon, in brief. The first is to give some perspective on where we are, as an industry. The second is to provide the outlook, that is, industry's thoughts on the future. And I should add, with respect to PowerPoint, it will be ASP unplugged, because as they say, a change is as good as a rest.

Before I do that, let me briefly introduce ASP, which may be familiar to many of you, and not, to others.

The Association of Seafood Producers (ASP) is Newfoundland and Labrador's principal processors' organization representing some two-thirds of processing capacity in the province.

And since our inauguration in late 2003 we have been working to effect structural change in the industry, through our public comments, advocacy, and submissions to government.

We are not alone in making reports and recommendations. Since ASP was founded, we have had the Jones Report, the Dunne Commission Report, and the most recent, the Cashin Report.

These reports and the many that preceded them represent valiant attempts, generally by competent and well-informed people, to "solve" the problems in the fishery.

We're always talking about it: solving the problems in the fishery.

Let me leave that thought with you, and come back to it in a few minutes.

One of the challenges in speaking on the fishery is that it is an industry where almost everyone has a strong opinion, both participants and observers, industry itself, and government. So I proceed knowing many will disagree, react strongly, and each have their own perspective. I hope by the end, we might share some of my perspectives.

In terms of general business outlook, the industry is exciting, invigorating, even as it is infuriating.

For those with an inside perspective, no business seems to have the dynamism and attraction, the pull, of the fishery. And yet it is not, as has been said before me, for the faint of heart.

And yet the future of the fishery is, I believe, a dynamic one, for at least three reasons.

- First, seafood resources are self-renewing, if we manage ourselves right: perhaps we don't manage the resource as much as ourselves, and it is an important distinction.
 - Resources off our province's coast have changed as we know, but that in turn has created more wealth in a predominantly shellfish industry than a groundfish one. That may yet change again. That's dynamic.
- The industry outlook is also promising because **seafood consumption is rising**.
 - We know from various studies that an aging population means more seafood consumption – and that demand is being met by both wild capture and aquaculture product.
 - And we also know that seafood is, simply put, a great healthy food choice, which will also drive consumption.
 - If you ask me how that matters in Newfoundland, let me put it in these terms: we are perhaps the largest single jurisdiction for coldwater shrimp in the world, with 150 million lbs landed annually. If US coldwater shrimp consumption increased even marginally, it would consume our production of about 150 million pounds. The additional good news is that shrimp has replaced tuna as the top consumed seafood item for US consumers.
- Third, the industry's future is also dynamic because we believe that the industry is going to be renewed, somehow, some way.
 - Whether that renewal comes from the choices we make, or the forced changes compelled by market and economic realities, the fishery of the future will be different from the fishery of the past, for the benefit of all stakeholders.

And that last point is where I would like to concentrate the balance of my remarks this afternoon.

As many of you will know, the fishery has been the object of a fair degree of attention stemming from the Premier's Summit held here in St. John's last May.

That forum brought together a bevy of interests – federal, provincial, municipal, in addition to industry participants including processors, harvesters and plant workers.

That leads to the first point I raised in opening:

The numerous reports I mentioned have all talked about rationalizing the industry: matching processing and harvesting capacity to resources, improving quality and landing patterns, creating more work for plants throughout the year, not just in June or July.

And yet these reports have respectively failed in “solving” the industry’s problems.

Reports don’t answer our challenges: people do, making the right decisions, in the right environment.

The best evidence of the inability of a report is that we are once again, collectively, asking more questions, and seeking more answers.

We were asked last May “What are the basic issues, challenges and opportunities in the harvesting-processing sectors of the industry?”

First and foremost, the industry must be considered and permitted to operate as business, not a branch of government, not a social programme or an employment scheme.

On the release of the Dunne Commission Report it was said the primary objectives of the fishery would include:

- Providing the conditions for a stable and competitive processing sector to exist with minimal public support.

It was said to include:

- Promoting cooperation to optimize total returns from processing available resources.

We said all that, but collectively we have not of yet believed nor embraced it.

Instead, we have done things as of old, and we are getting the same result dating from the Kirby Report of the ‘80s to the present.

That should not surprise us, though it is as was told to the golfer Bobby Jones, the definition of lunacy. The fishery of today, we must recognize, is the child of the policies of the past.

We have, for example, doubled the value of the fishery from the groundfish days, based essentially on a different resource, and instead of **increasing** incomes and seasons, we have reduced incomes and shortened seasons, because we have added capacity over and over again, and we are still doing it.

That's our basic challenge.

Another challenge before us is marketing.

The tourism and fishing industries in Newfoundland and Labrador are now in the same neighbourhood in terms of economic contribution to the province and merit consideration for marketing support to the same degree, in spirit if not in dollar amounts.

We need, for example, research into Asia and the former Soviet Union. We need better promotion of seafood, in Canada and abroad.

But a caution - it will not do to promote seafood in a dysfunctional business that cannot guarantee supply to customers.

It will not matter to put millions into seafood promotion when the fishery is shut, when no fish is landed, or when producers are expected to fight on the wharves to secure supply, yet cooperate in the marketplace to move product.

We cannot fix one area of the fishery and expect the rest of the business to get fixed or be made sustainable by that.

We were also asked last May "What are the best options for the government to consider in order to help the industry address the challenges and the opportunities?"

Simply put, we must tackle the overcapacity. That's the best option, in both processing as it is in harvesting.

A Member processor said to me last year, and I quote: "The challenge is to bring capacity in line with resource...government needs to say that capacity reduction is essential and it must practice what it preaches. No more calls for proposals to reactivate this or that. And restructuring cannot be done piecemeal."

Government's primary role is to serve as a catalyst to let the fishery modernize via capacity rationalization.

Government must 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.

And that will entail either active or benign support for rationalization.

Because it is inconceivable that we are standing here talking about a crisis in the fishery when in recent years we have hit historic highs in terms of production value, often exceeding \$1 billion dollars, and correspondingly, high landed values, or prices paid to harvesters.

The reason we are in crisis is because we are expecting the fishery to carry 37 crab plants, and a dozen or more shrimp plants, and tens of dozens of groundfish and pelagic plants, for a grand total of over 100 processing facilities - some very small, admittedly – in the province.

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, industry, government and the people in affected communities must be protected from the delusion that 10 weeks' work is enough.

We were also asked, taking into consideration the availability of fish resource and market conditions, what should the Newfoundland fishing industry look like in the future in terms of structure, operating conditions, employment, incomes and so on?

Well, I've already touched on some of that, and the specifics would no doubt leave you fighting sleep, but essentially, and to repeat, the fishery should be reduced in terms of processing capacity and harvesting capacity.

Employment should be increased for those remaining in the fishery, because we'd have fewer participants

Incomes would then increase for those remaining.

And we need say, wealth creation is not the same as job creation.

A new fishery will be rationalized, efficient, modern, diverse, operate for longer seasons, and provide a high-quality seafood product to our customers.

Let me address one solution we have heard offered up, and quickly discount it: we have heard talk of refusing to sell to world markets if they won't pay the prices we want. That is, we set the price that makes the industry viable, and tell the world here's what fish costs here.

In short, we ask the world to pay the price for our structural problems, when in fact there is no way to compel them to do so. Fish is blood and oxygen to us, but not to everyone else.

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 we 'demand' is too high.

And then the fallout when we wake up next year, only to discover our seafood has been substituted by other providers.

One of our challenges is to recognize that the fishery in our province is premised on a collective bargaining structure. Producers and harvesters negotiate fish prices for 5 or 6 of the major species, and settle up individually on the rest.

Those negotiations set minimum prices, not fixed prices.

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 after government's raw material sharing programme: they fought to ensure the right to keep competition for raw material prices. (Interestingly, seals and lobsters work fine without the initial negotiation: nary a shut down or strike).

That structure needs to work for the benefit of all industry participants.

You see, 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, as Iceland and others increasingly do. We therefore have high inventory costs.

We have a multiplicity of processors and harvesters, and landing sites, all dissipating wealth and increasing costs.

We have high tariff barriers, in the EU markets principally.

These are some of the particulars we must address.

Ultimately, there is a lot of irrational economic activity in the fishery as it is structured.

What can we do?

Well, we can consider ways to cooperate more. We can seek support for generic seafood promotion campaigns, at home and abroad, which I mentioned earlier.

Ultimately, we can also work to 'renew' our industry, so that the structure at home optimizes wealth - rather than dissipates it - 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 we expect any less when we go to buy a car, a newspaper or a cup of coffee?

But we can't keep doing things the way we've always done them and expect a different result. We must change how we perceive the fishery and what we expect from the fishery.

If not, the best hope we all have is to be a consultant to the fishery in crisis in another five, 10, or 15 years, writing a report on how we can stabilize things, make the fishery work, or get it open.

The fishery can be more dynamic and self-sustaining. To achieve that, we must make some difficult decisions.

That leads me to five principles for a modern and sustainable fishery. There are more, but I have picked five important ones, and they are inter-related.

First, an immediate licence freeze on new processing capacity until we have additional resources. This will increase the viability of current operations, and give more work to our plants.

Second, bring all capacity in line with resource: rationalize harvesting and processing via either the free market, or if we so choose, public policy instruments.

Third, support a marketing initiative to promote Newfoundland & Labrador seafood.

Fourth, abandon employment maximization as an objective in the fishery. It's unfair and impractical for Tim Horton's, it's ill-advised in government, and it's wrong for the fishery.

Fifth, abandon the common-property resource approach for the fishery (it is a myth anyway) and replace it with a fishery that recognizes that fishers make the investment just as farmers do. So give them their fish.

We need to commit to making difficult decisions.

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 need to optimize wealth for harvesters, for processors and their workers.

We are optimistic, given we have strong leaders who recognize - as we all do - that "status quo is not an option."

Our risk otherwise is that we fall victim to the old adage, "After much is said and done, more will have been said than done."

Thank you.