

Clouds on the horizon?

Fish forecast ominous, seafood producers executive says

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THE TELEGRAM

Fishery representatives are expecting a challenging 2009 season, despite a lower-than-usual Canadian dollar and falling fuel prices, as a collapsing economy in the United States will make credit harder to get and high-quality seafood products harder to sell.

As a result of market turmoil over the past month, commodity prices have fallen around the world. That includes oil, which has dropped to about \$65 per barrel after reaching above \$145 per barrel in July.

Meanwhile, the Canadian dollar, which is largely influenced by commodity prices, has also declined significantly in recent weeks. Despite a bounce in the last week of October, the loonie settled at about \$0.83 Friday.

Usually, such declines would mean a strong year for the fishery.

But Derek Butler, executive director of the Association of Seafood Producers, said the falling oil prices and dollar will only serve to soften the blow of a difficult year.

"The (lower) fuel costs are great in the harvesting industry," he said. "They use fuel to run their enterprises as do we on our side of the business."

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He said fuel prices affect everything from trucking materials to the cost of plastic wrapping.

"The dollar is good news because for that portion of our sales into the U.S., the dollar we bring home is now more, which is the reverse of what happens now when you go on vacation in Florida — you have to pay more," he said.

Lean menus ahead?

However, Butler said, none of those savings and extra profit margins will mean much if people in large markets don't have the money to buy seafood.

"Here's the caution on this tale, the fall of the Canadian dollar is in a declining market. It's a situation where, all things being equal, we would be happy the dollar is (lower). More money for us. But it's happening as a symptom of an economic crisis. It won't matter if no one is there to buy the product.

"I was just reading this morning a report on lobster, saying it's considered a luxury seafood item, so it has its own challenges."

Butler said seafood will still be consumed in a declining market because it's a staple in many people's diets.

However, higher-end seafood, including crab and shrimp products that are important to Newfoundland and Labrador, may be crossed off some menus.

"Of course consumers will buy rice and potatoes and bread (instead of high end seafood)," he said.

"Crab is looking pretty sketchy for next year ... crab and shrimp both.

"We could be in for some desperate times in terms of the market overall. Declining restaurant sales, declining consumer sales."

In addition to the possible lessening in demand, Butler said fish processors may have difficulty borrowing money needed for their operations during the ongoing credit crunch.

"This is a business that operates on credit principally, and if credit tightens up you have to pay more for the money you borrow, or if you can't get it you are in another difficult situation," he said.

"This credit crisis matters because a large restaurant chain might not get the credit to buy seafood. We might not get the credit to maintain inventory ... I think 2009 bodes ominously for the industry."

Fishermen also affected

Meanwhile, Earle McCurdy, president of the Fish, Food and Allied Workers' union, said fish harvesters may also feel the credit squeeze as they look for funds to invest in their businesses.

He said he hopes government steps in to help.

"We met with the provincial cabinet economic policy committee recently to stress to them the importance of provincial involvement in terms of making capital available," he said.

"Governments all over the world have stepped in with huge sums of money in a lot of cases and various ways to free up capital for credit purposes because that's all got sort of seized up ... We believe that need is still out there."

McCurdy has called for the re-establishment of a fisheries loan board to make funds available for harvesters.