



PUHA NEWSLETTER

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RESIDENT'S REPORT —MIKE FEATHERSTONE

The Olympics will open on February 12th and with events will come the world media. On February 14th, sea urchin will be a featured seafood at the BC Pavilion in the Vancouver Art Gallery. The event sponsored by the provincial government includes a display of many foods produced in British Columbia as well as a “Raw Bar” featuring “Unique Seafood” dished out by executive chef Robert Clarke. Live and fresh, green and red sea urchins will be available everyday during the Olympics at the Steveston Fish sales dock. Tim Joys and crew will be selling and sampling the product each day. In the lead up to the Olympics executive chef Frank Pabst featured sea urchins as one of his “Unsung Heroes” at the Blue Water Café. The “Heroes” are species found in abundance which are fished sustainably with little by-catch or environmental damage. Geoducks, sea cucumber, sardines and Humboldt squid are some of the other species featured. Chef Frank shot 3 recipes for our domestic marketing video and has been a big supporter of sea urchin over the past 6 years. 10% of the proceeds from the “Heroes” menu will be donated to the Ocean Wise program sponsored by the Vancouver Aquarium. The BC sea urchin fisheries are Ocean Wise approved.

The Japanese economy continues to be mired in deflation with consumer prices dropping close to 2% last year. The forecast for the upcoming year is slight economic growth with a continued small deflation. Things are not too rosy for the world’s biggest consumer of sea urchins and as a result we are seeing a continued low demand for our sea urchin products. The current year’s numbers are comparable to last year at this time but it remains to see how the remainder of the season will pan out. There is not a lot of optimism at this point and everyone is holding their breathe to see if the demand increases as we head into March and how long the demand lasts into the Spring.

PUHA has submitted its Long Term Marketing Strategy to Agri-Food Canada for a 5 year funding program. The program continues to keep up efforts in Japan by looking at alternative markets outside Tokyo while maintaining efforts to strengthen ties with existing buyers with whom there is an existing long term relationship. In an effort to diversify to other markets PUHA will increase the efforts in China.

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D. & D. Pacific—DON & DARIN

LANDINGS TO DATE

By the end of January, 23% of the Total Allowable Catch (TAC) had been achieved. Three seasons ago, landings were thought to have reached an all time low of 28% of the TAC. The expectation then was that the fishery bottomed out and was going to either stabilize at that level or make a moderate recovery. Much to our disappointment the seasonal catch levels are ever so slowly declining; mind you by a relatively small margin. A breakdown of the catch by region is as follows: North Coast: 1,609,529 lb & South Coast: 721,294 lb. For a more detailed seasonal comparison, see the data below.

FISHING ACTIVITY

North Coast: So far, this season 21 licenses are active on 18 vessels and the outlook is for a very similar season to last. For the most part the north coast fleet shut down over Christmas with the exception of four vessels active in Tree Nob. The rest of the fleet did not resume until after the first week on January.

The fleet is still divided into two factions due to the continuing buyer feud. For the past few months, both fleets have been fishing separate areas with the exception of an occasional over lap.

Fleet 'A' (*Seagate, Sung*) is on a two-day load schedule with a day off in-between. For the past few months they have fished from Tree Nob to Porcher Island down though Principe Channel and into Campania Island. Currently there are three vessels active in Oswald Bay.

Fleet 'B' (*Paladin, GHMP, and Territory*) working a very similar schedule (*two-day loads*) as fleet 'A', started in Oval Bay and fished down through Porcher Island/Upper Principe before jumping down to complete the balance of Otter Pass; from there they fished Campania Island, Estevan East prior to moving to upper Aristazabal/Moore Is. Currently the fleet is in Prince Rupert sitting out a spell of bad weather and doing repairs before resuming in upper Banks/Bonilla Is area.

South Coast: Currently 27 licenses are active on 11 vessels with landings already exceeding last year's levels. Over the holiday period, the south coast fishing picked-up in lieu of the inactivity in the north; however, since the end of January, the fishing effort has dropped right off. Presently there is only one vessel active out of Kelsey Bay.

CATCH COMPARISON

Landing period: beginning of each season to Jan.31

Season	North Coast	% Taken	# of Licences	South Coast	% Taken	# of Li-cences	Total Catch	% Taken	# of Licences
2005/2006	3,900,406	53%		1,408,515	85%		5,308,921	59%	
2006/2007	2,583,672	29%		1,408,515	86%		3,992,187	38%	
2007/2008	2,026,411	25%	28	676,467	45%	23	2,702,878	28%	51
2008/2009	1,783,626	22%	23	642,921	43%	20	2,426,547	25%	43
2009/2010	1,609,529	19%	21	721,294	46%	27	2,330,823	23%	48

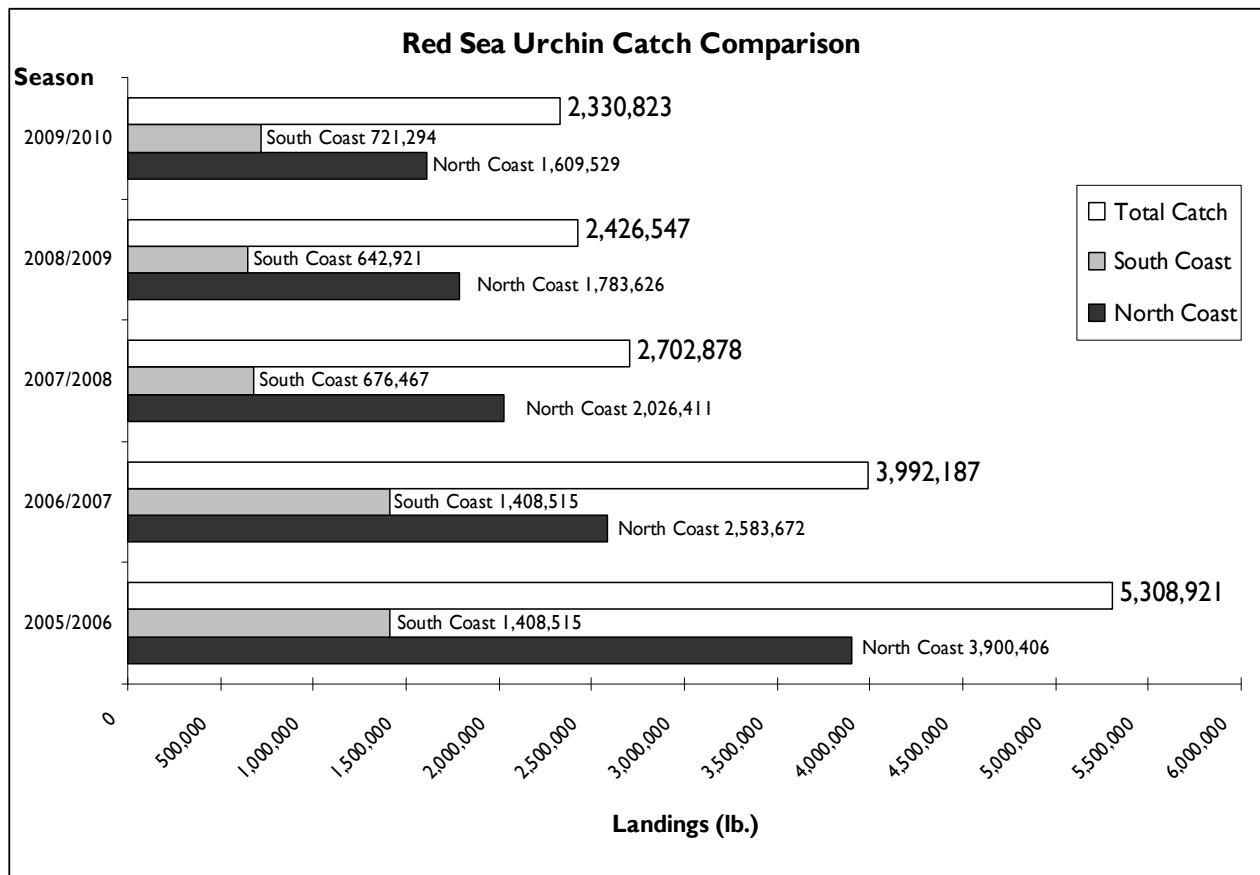
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There has been some increase in exports to China with 2 processors reporting new customers. PUHA supported 2 appearances in China this past year, one to the China Seafood show in Qingdao and the second to the Shanghai Hotel and Restaurant Show.

Another part of the international effort is to develop a strategic alliance with the California sea urchin harvesters Association. The goal of the alliance is to share information on marine protected areas, harvest and management strategies, domestic marketing and processing ideas and other areas of common interest. This effort is a result of recommendations from the Sea Urchin Summit PUHA and Agri-Food Canada sponsored in 2007.

PUHA is moving forward with the pre-assessment from the MSC. We have one proposal submission back from one certifier and expect another to proposals (or bids) before we choose a certifier. The MSC certification is most important for the European market which is a small but import niche for Canadian products.

D. & D. Pacific—continued



MARKETING—GEOFF KRAUSE

The news is not good on the urchin market in Japan this year as I am sure everyone is well aware. Japan has really taken it on the chin from the global slowdown in part because they are still pretty much dependent on export sales of manufactured goods which ultimately end up in either the US or the EU. China may be the workshop of the world but many of the hi-tech components they use in the goods they ship around the world are sourced from Japan. Deflation has again raised its head in Japan and the recovery there is not taking hold as strongly as hoped. The employment market has changed over the past decade so casual hires are more popular than the lifers of previous generations and employment levels and stability remain a concern. As a result, mid-market segments especially, a segment which includes supermarket sales of uni, are being hit by declining demand as folks there do what they have to do to economize. When it comes to seafood and sushi, demand in lower cost conveyor sushi restaurants is apparently holding steady or even growing as people still like their dinners out- they just can't afford the same prices.

On the supply side, Russian imports were down by about 1,100 MT for the October through January period this year compared to last year but the volume at 2,663 MT is still pretty substantial. The reduction appears to reflect curtailment of the IUU fishing especially in November and December but it remains to be seen how significant supply reductions from Russia will be in the long run even as they get their IUU problems sorted out.

When it comes to RSU in particular, the only substantial sources are Canada and the US. Unique features of these urchins and the limited sources from which they are available are favourable to establishing a brand cachet for them. I don't believe this has occurred to the degree possible as yet and they still compete largely as a commodity against other urchin species and suppliers. The US has developed a fairly robust domestic market for RSU in the SW over the last decade or so and their exports to Japan have generally declined as a result. However, shipments from the US seemingly bottomed out in 2008 and crept up by about 50 MT (~100,000 lbs) in 09 to just over 598 MT, probably as a result of reduced demand at home. It is hard to tie in but as the US shipments increased last year, corresponding supplies from Canada declined to just over 160 MT, about 25% of the US levels.

Why is this you might ask. According to the Japanese Customs data, the prices for Canadian product have generally averaged about 90 - 95% of the US prices over the past decade so it wouldn't appear to be a quality issue. The number of processors in Canada has declined to what- 3 and a bit? In light of this shrinking capacity Japanese buyers are apparently worried about the stability of the remaining firms especially given the ongoing transition to lower cost outlets in Japan. We are still seen as a high cost producer.

Maybe it's also partly continuity of supply. California fishermen fish throughout the year at a fairly steady level, whereas BC's fishery is basically dormant for almost 6 months over the summer each year. It is also dependent on the weather and supply disruptions are common even during the fishing season as well. The latter disruptions were raised as an issue on a number of trips to Japan between 2003 and 2005 and in the 2006 Benchmark Study, but other than the splitting of the north coast fleet into two parts, there has not been a lot of response on our side to it. To say no other response is possible is to miss the point, I believe the need for innovation here is unequivocal and if it is going to take a whole rethink on how the fishing should be done, so be it. It is also worth pointing out that this is part of getting product to the dock and is therefore something under the direct control of the fishermen.



MARKETING—CONTINUED

An effective response will, of course, require investment and extra financial that a lot of guys simply cannot handle right now, especially given the apparently limited upside. Again, I don't think that need always be the case. For example, perhaps emerging insights on what the natural inshore ecosystem is supposed to be **in the presence of sea otters** will permit re-examination of the 2% exploitation rate. After all, in its natural state, sea otters eliminate about 99% of the urchins and it is in this state that the productivity of the ecosystem is optimized. Not just for urchins, as is the basis for the existing fishing regime, but for all sorts of fish, especially juveniles, and invertebrates etc as that kelp canopy is critical habitat for many life stages of many critters. Adjusting the harvest rate of urchins to mimic the effect of otters to maximize the kelp canopy habitat is scientifically a very interesting hypothesis. Evidence from California shows kelp forests within MPA's with no take rules evolving into urchin barrens- if that is the case down there, it is probably the same up here.

In California they have maintained harvest levels of between 5 - 6 KMT in the face of increasing sea otter populations and alienated fishing grounds because of continuing proliferation of Marine Protected Areas. Their fishery appears entirely sustainable despite expert advice from Canada about 15 years ago that they should close their fishery to prevent collapse even before these factors were considered. They have many of the same problems as we have up here, including growing pressure from environmental NGO's, declining financial returns and too little pricing power with their processors and we are talking to them about establishing a coalition so we can start working out some solutions. Where it will go, who knows, but I think there are lots of potential benefits for RSU fisheries and fishermen north and south.

We have also again applied for international marketing assistance through the AgriMarketing Program. Although Japan remains the big consumer as far as the market is concerned at this point and we have included a trip to visit buyers there as part of the proposal, China is, as with many projections, the place with the largest longer-term potential to increase sales. The thing about this market is even though it is pretty small right now, if- or perhaps when, the Chinese get a taste for urchins, demand could explode. On our trip there this past year we were encouraged to start building a foundation for growing sales over the next 5 - 10 years.

As you may have guessed from what I laid out above, I also believe we have some foundation work to do here at home as well. That includes integrating more research to better define ecologically and economically appropriate and beneficial harvest strategies and exploitation rates. If it in fact turns out that China can absorb the same amount of sea urchin as Japan, or more, expanding BC's RSU fishery by a factor of 10 or more will find a strong market there. Remember too that the taste for urchin is growing in other cuisines as well. In short, I think the future for urchin fisheries is bright, maybe particularly so for the RSU, but that bright future is not going to come served up to anybody on a plate. Sadly it's going to take work but now is no time to quit.

