

LESSONS FROM BRITISH COLUMBIA
**RESTRUCTURING FISHERIES FOR
PROFITABILITY**

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Presentation Outline

Lessons Learned in British Columbia Fisheries

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- About BC fisheries
- Impetus to address profitability = crisis
- Responses to crisis
- Success stories
- Tale of woe
- Lessons learned

About BC Fisheries (personal observations)

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- Every fishermen has the best quality fish in the world
- No fisherman has ever discarded a fish
- No processor ever paid a fishermen a fair price
- No processor has ever earned a profit
- There's no lack of fish, they've just:
 - ▣ Moved offshore
 - ▣ Moved ashore
 - ▣ Stopped biting, schooling, gilling, etc.
- Sure the last five years have been bad, so next year's due to be great...
- BC fishing industry people aren't stupid... they just got low IQ's (initial quotas).

About the BC Fisheries

Historically:

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- ❑ Dominated by salmon and roe herring, with a host of “fringe” fisheries
- ❑ Seeking elusive balance between conservation, economic, and social goals
- ❑ Generally benefit from healthy abundance of sought-after species (market-pull dynamic, especially in Japan)
- ❑ Growing race for fish – new boats, more power, better electronics, more intense fishing during shorter openings.

About the BC Fisheries Transition:

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- Japanese economic downturn (bubble bursts)
- Growth of farmed salmon, eroding/displacing wild salmon
- Shifting ocean conditions (poor survival rates)
- Growing environmental movement focus on marine fisheries
- Precautionary fishery management
- Expansion of recreational fisheries
- Decline of salmon industry... hunt for replacement fisheries
- Focus on coastal community involvement in fisheries
- Interim Treaty Measures to increase (restore) First Nations opportunities in fisheries
- Increasing exports to USA

About the BC Fisheries

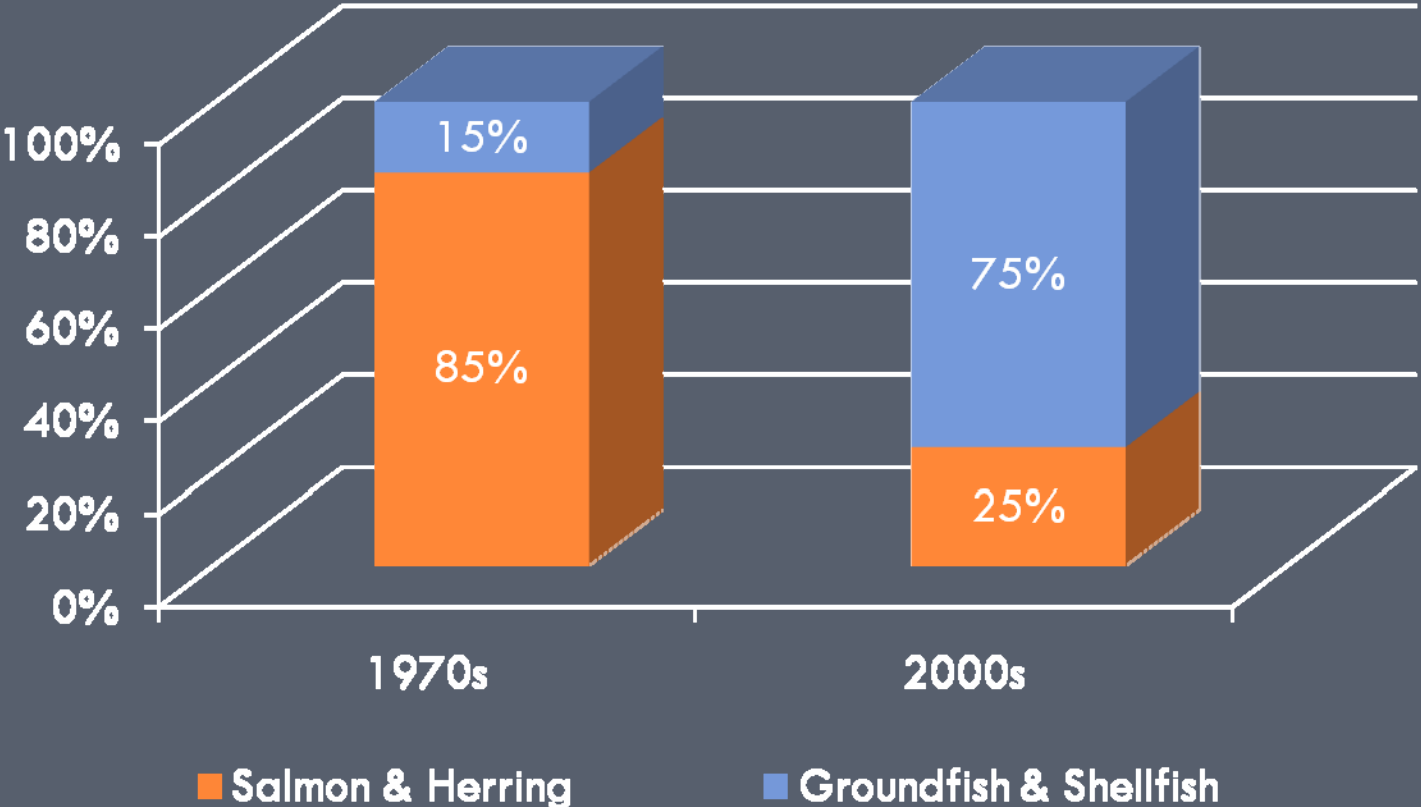
Today:

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- ❑ “Inversion” in fisheries rankings – groundfish and shellfish growth, salmon withered
- ❑ Globalization opportunities and challenges
- ❑ Pressures from strong Canadian dollar and high fuel prices
- ❑ MSC certifications sought
- ❑ A very difficult competitive environment prevails
- ❑ Some fisheries still flourishing, some coping, others floundering
- ❑ Ample opportunities to learn lessons.

Salmon Dwindles, Groundfish/Shellfish Grows

Share of BC Fisheries Landed Value



When Crisis Hits (BC fishery pattern)

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- ❑ Too many boats chasing too few fish
- ❑ “Feast and famine” delivery patterns
- ❑ Volume vs. value incentives
- ❑ Poor economic results
- ❑ Conservation concerns, TAC overages
- ❑ Friction amongst participants
- ❑ Fishery managers demand change... or else.

Confronting Crisis:

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Effective Response

- Establish clear conservation & management criteria
 - ▣ Adherence to TACs
 - ▣ Monitoring program
 - ▣ Cost recovery
- Stakeholders design a plan under duress (time pressure, threat of closure). Negotiation, consensus.
- Consider market requirements
- Shed the baggage of “history”
- Accept rationalization as a necessary outcome
- Recognize the need for business flexibility

Ineffective Response

- Failure to recognize root cause of problems
 - ▣ Blame others, victim mentality
 - ▣ Ignore competitive realities
- Lack of leadership (government and industry)
 - ▣ Vague mandate, open ended process
- Focus on what participants “want” from the fishery, vs. what the market demands
- Focus on access to fish vs. core business issues (“if I only had more fish...”)
- Entrenched positions (philosophies)

Groundfish examples

Sablefish

	Sablefish (round)	
	<i>Pre-IVQ</i>	<i>Post-IVQ</i>
Season Length (# days)	81	365
TAC (000 lbs)	8,015	8,672
Catch (000 lbs)	9,377	8,499
Catch Value (\$million)	\$15	\$26
Value/lb (\$)	\$ 1.64	\$ 3.03

Halibut

	Halibut (dressed)	
	<i>Pre-IVQ</i>	<i>Post-IVQ</i>
Season Length (# days)	16	247
TAC (000 lbs)	9,712	10,918
Catch (000 lbs)	10,027	10,731
Catch Value (\$million)	\$19	\$38
Value/lb (\$)	\$ 1.82	\$ 3.52

Shellfish example

Geoduck

	<i>Geoduck</i>	
	<i>Pre-IVQ</i>	<i>Post-IVQ</i>
TAC(000 lbs)	7,878	4,787
Catch (000 lbs)	9,669	4,770
Catch Value (\$million)	\$6	\$31
Value/lb (\$)	\$ 0.62	\$ 7.33

Effective Responses

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- Groundfish fisheries:
 - ▣ Sablefish, Halibut, Groundfish Trawl
 - ITQ programs – quota shares/lbs (based on initial allocation formula), transferability
- Shellfish fisheries:
 - ▣ Geoduck, Urchins, Sea Cucumbers
 - ITQ programs – each licence gets equal share of quota, licences not divisible, licence stacking allowed
- Common elements:
 - ▣ Monitoring programs, cohesive harvester associations, co-management (include industry funded research), marketing programs
 - ▣ Harvester associations focus on both fishery issues and business development initiatives

Tale of Woe:

Salmon

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Industry hit with:

- ❑ Competition from farmed salmon, wild from Alaska, Russia, Japan
- ❑ Decline of Japanese market
- ❑ Lower resource abundance
- ❑ Re-allocations to First Nations & recreational sector
- ❑ Precautionary fishery management (lower exploitation rates)

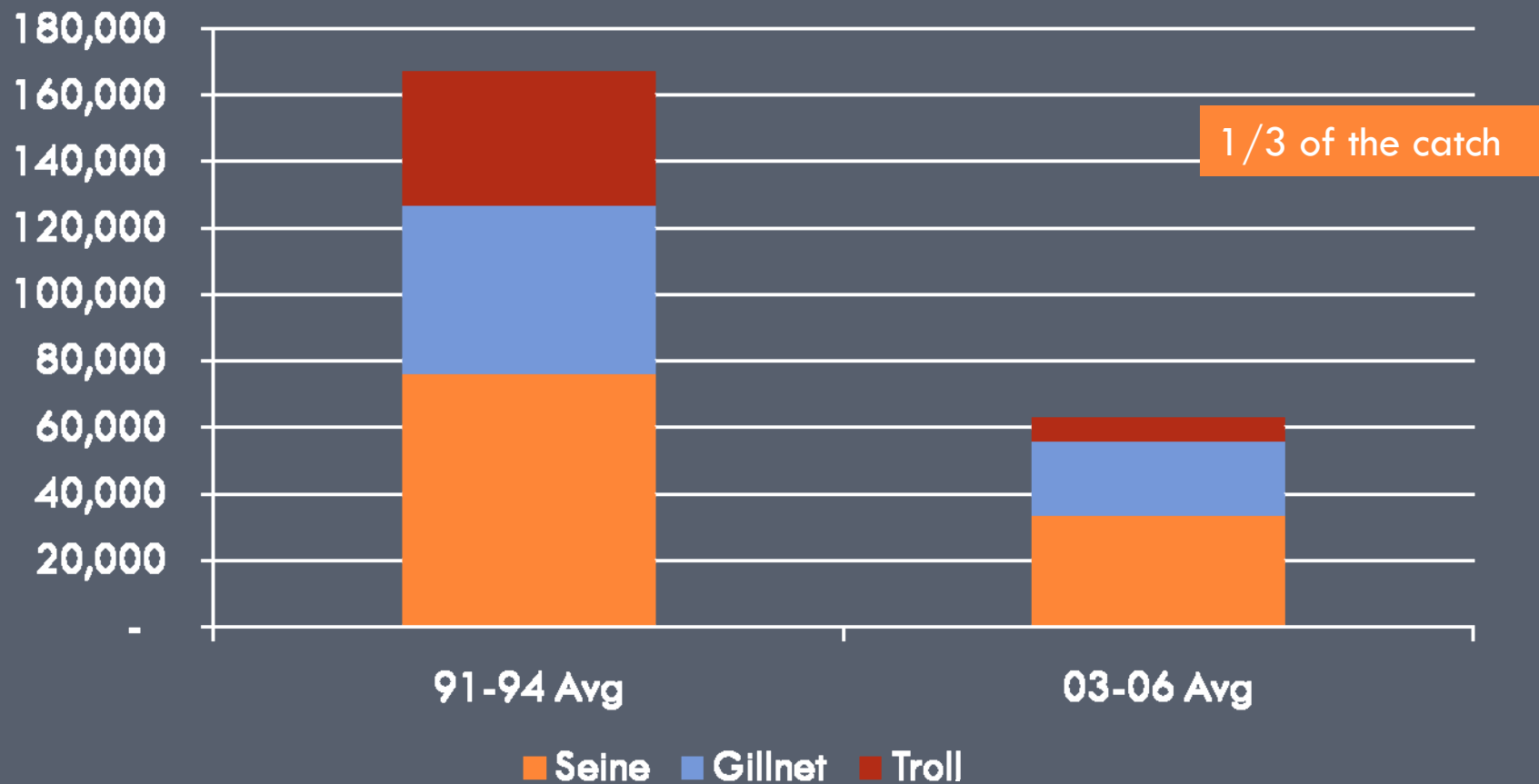
Industry response:

- ❑ Fight against First Nations, recreational sector, DFO
- ❑ Fight with each other (gear types)
- ❑ Blame others for problems
- ❑ Focus on access to salmon... “if we had more fish we’d be OK”
- ❑ Sell boats, licences, close plants
- ❑ Argue for own solutions... “the status quo is better than your solution”
- ❑ Positions galvanized around ITQ’s: for and against
- ❑ Stalemate.

Salmon Landings

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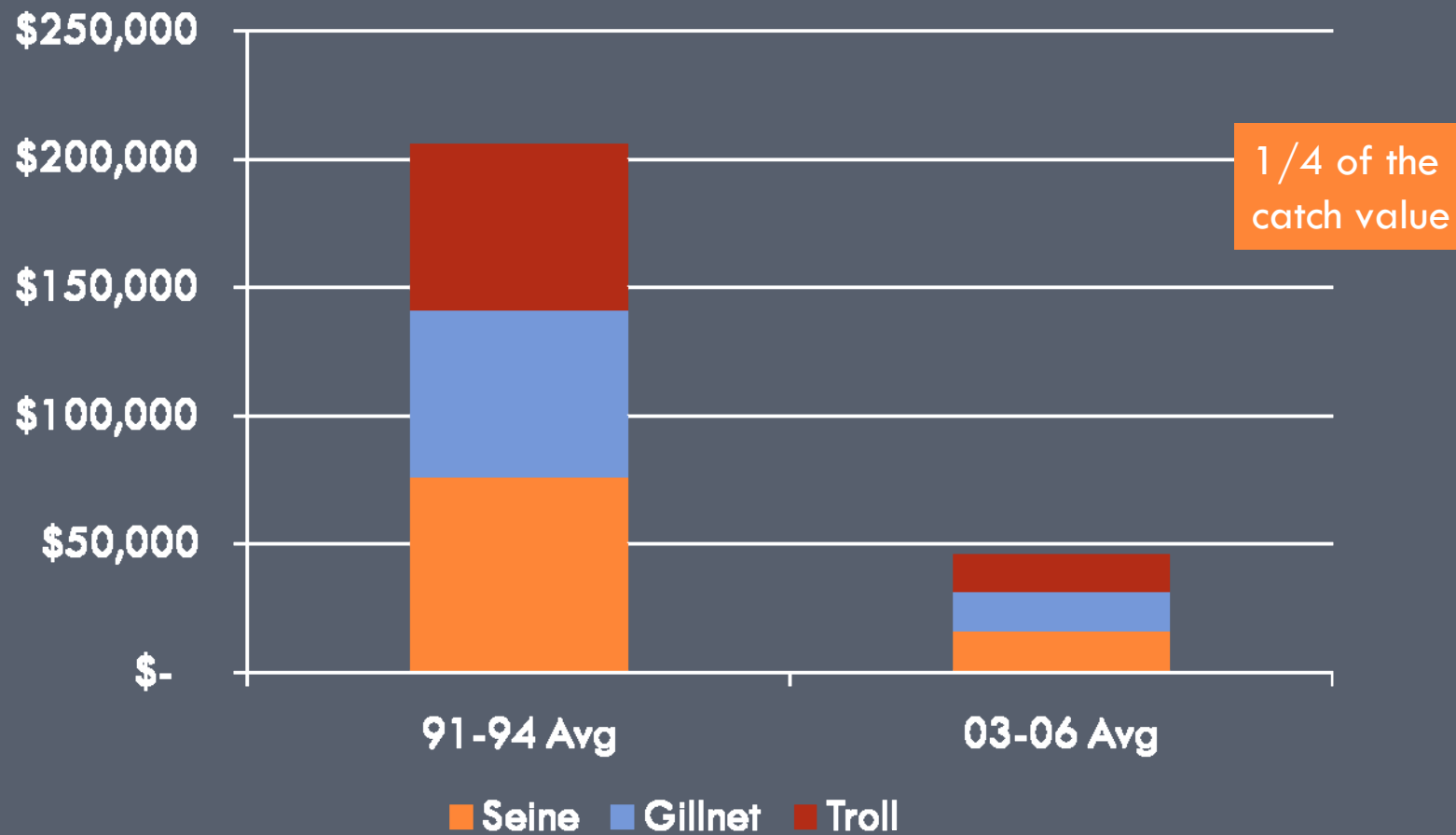
Salmon Landings Comparison (000 lbs)



Salmon Landed Value

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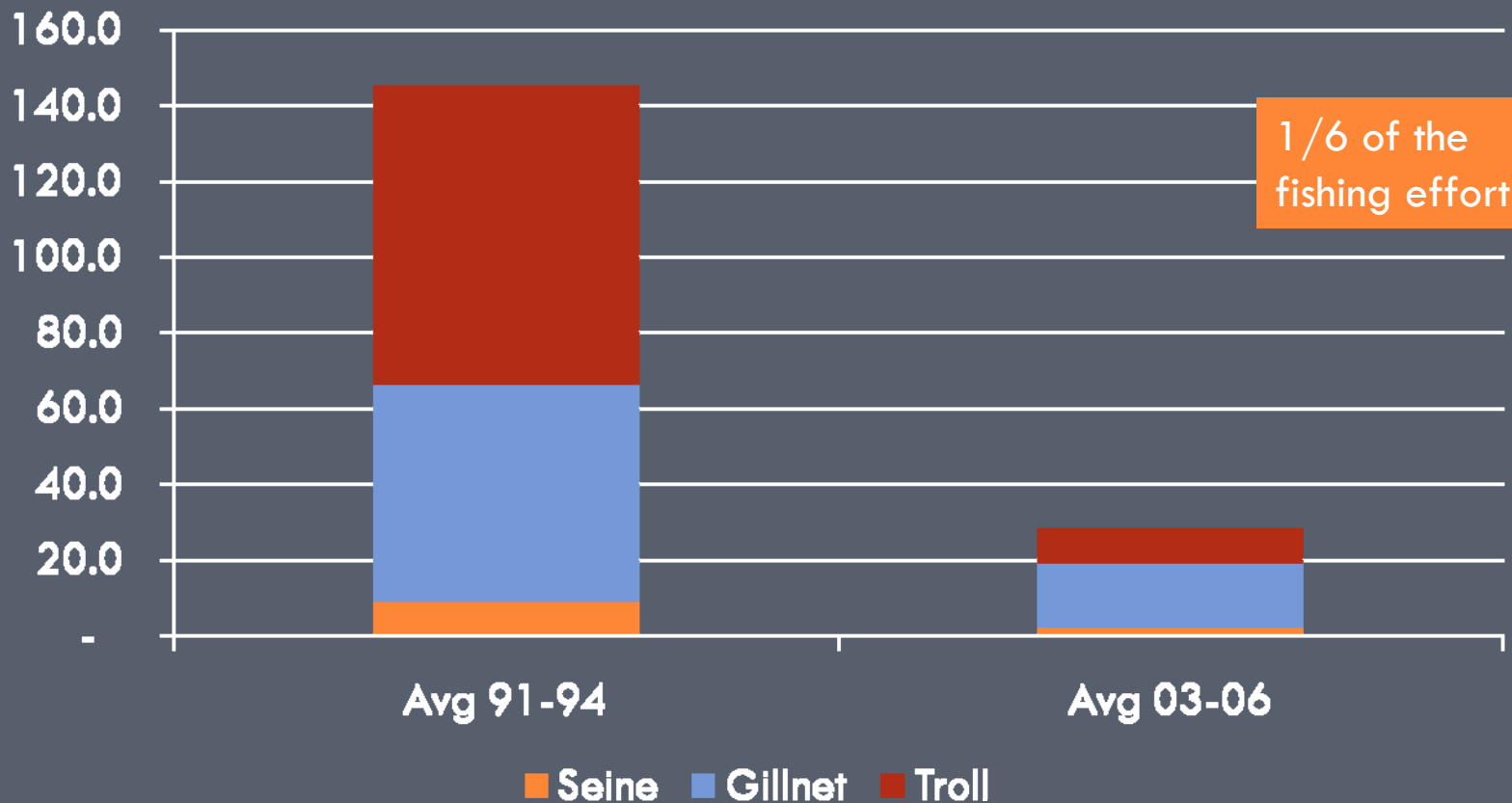
Salmon Landed Value Comparison (\$000)



Salmon Fishing Effort

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Commercial Fishing Effort (000 boat days)



Lessons Learned re: Improved Profitability

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- ITQs help viability & sustainability:
 - ▣ Adherence to TACs (monitoring, individual accountability and responsibility)
 - ▣ Behaviour follows incentives
 - ▣ Get people working together, on same page
 - ▣ Co-management - cost recovery accompanied by “say”
 - ▣ Industry funded science activities
 - ▣ Attention to business development issues
- Not one size fits all:
 - ▣ Many different configurations... compromises necessary
- Must be prepared for rationalization
- Strong leadership necessary
- Not a panacea... but a solid foundation for profitability.