The 1997
Newfoundland & Labrador
Seafood Industry - Year in Review

A Dynamic Industry

The Newfoundland and Labrador Seafood Industry has undergone a dramatic transition in the 1990s, but continues to occupy an important place in the province's economy. In 1997, the industry, which is now dominated by shellfish, had a production value of $575 million.

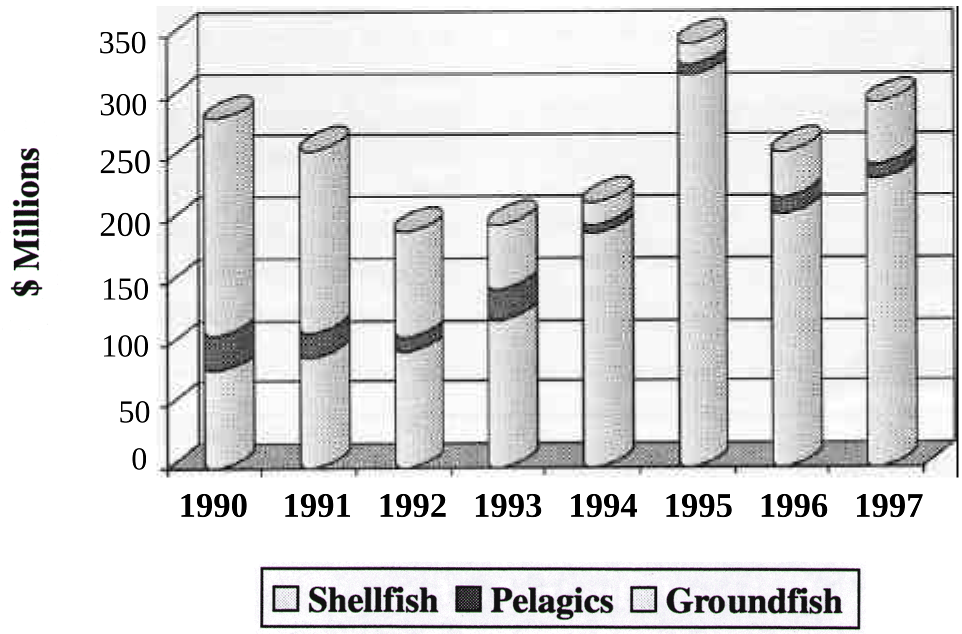
At peak employment periods, 10,500 individuals were employed in the processing sector. Combined with the more than 10,000 fish harvesters that participated in the fishery in 1997 and other indirect employment, the fishery accounted for 10% of the total provincial employment.

Fishing Industry Performance Newfoundland and Labrador (1996 & 1997)

	1996	1997	% Change
Landings (t)			
Groundfish	24870	38663	55.5
Pelagics	52430	44013	-16.1
Shellfish	91660	121737	32.8
Seals (Animals)	245000	269932	10.2
Total (Excluding seals)	170330	204413	20
Landed Value (Millions S)			
Groundfish	26	50.5	94.2
Pelagics	12.5	11.3	-9.6
Shellifish	192.4	233.5	21.4
Seals	8.6	11.3	31.4
Total	248.5	306.6	23.4
Product Value (Millions			
Groundfish	81.9	106.7	30.3
Pelagics	34.6	32.2	-6.9
Shellfish	363.7	385.7	6
Miscellaneous	52	51	-1.9
Total	532.2	575.6	8.2
Employment (Person Yrs)			
Harvesting	10100	10300	2
Processing	4500	5400	20

Source: Statistics Canada, Labour Force Survey; and Department of Fisheries and Aquaculture

Landed Value (1990 –1997) Newfoundland & Labrador



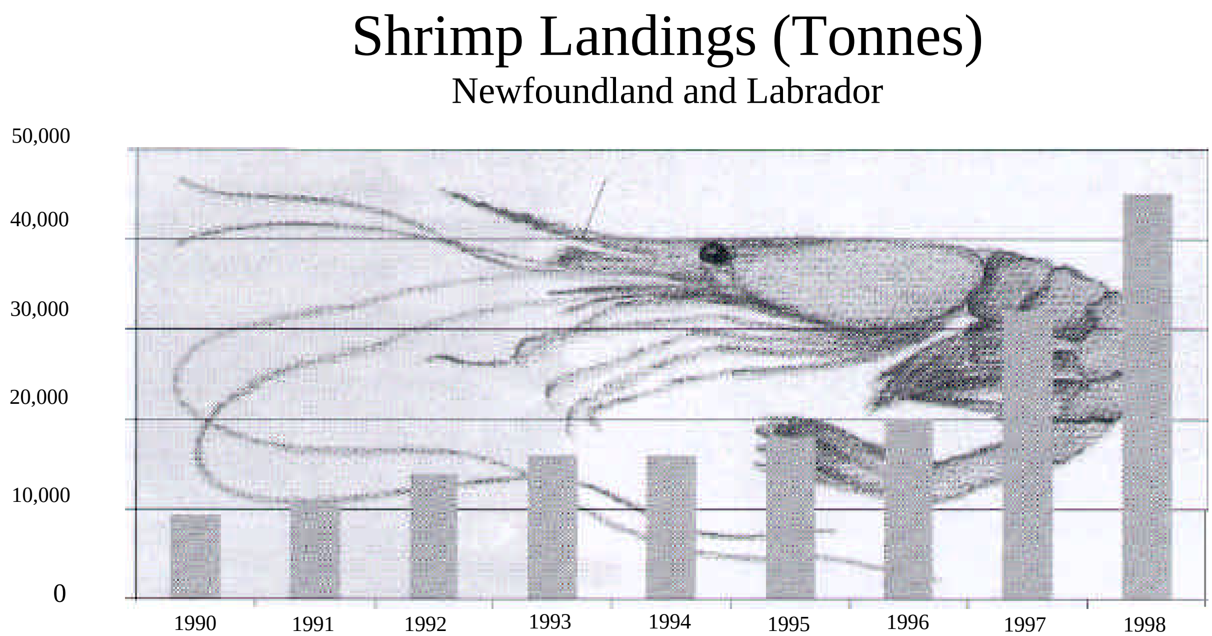
1997 Performance Highlights

The total production value for the Newfoundland & Labrador seafood industry was $575 million in 1997, an increase of more than 8% compared with 1996. Total landings exceeded 200,000 tonnes for the first time since 1993, and total landed value exceeded $300 million for only the second time in history.

Shellfish

In 1988, shellfish species accounted for only 7% of the total fish landings in the province and less than 30% of the total landed value. In 1997, shellfish species dominated the industry, accounting for 60% of the total landings and more than 75% of the total landed value.

- The largest increase in the landed volume/value of any one species was shrimp. The landed volume increased by 12,000 tonnes to a total of 32,000 tonnes; the landed value



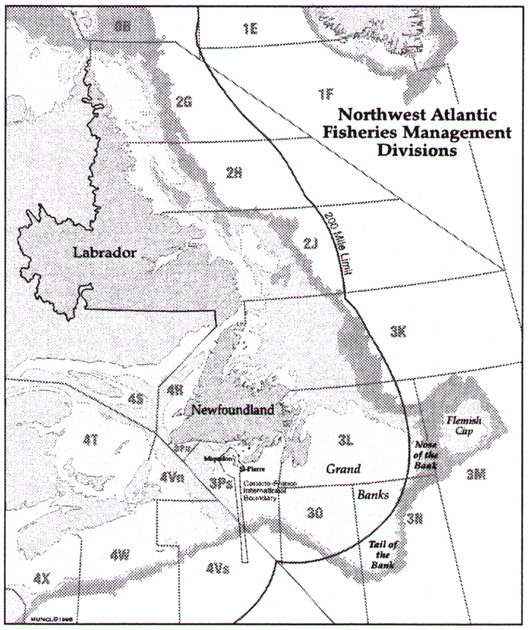
was $80 million, an increase of almost $25 million over 1996. Of particular significance, the first ever inshore fishery for northern shrimp took place in 1997 with landings of approximately 7,000 tonnes, with a landed value of $12 million. The value of this fishery has increased steadily throughout the 1990s. Further quota increases will produce even stronger results in 1998.

- A record high 46,000 tonnes of snow crab was landed and processed in the province in 1997. Sixteen of our existing fish plants began processing crab for the first time in 1997, resulting in a more regionally balanced processing sector. Crab continues to be one of the province's richest resources with an export value of $200 million in 1997.

- Newfoundland and Labrador is the world's leading supplier of Icelandic scallop. There were 11,000 tonnes landed in 1997, at a landed value of $15 million. The discovery of new commercial concentrations in fishing area 3Ps and expanded inshore effort off the Labrador coast should result in relatively stable landings.

- Landings from the Newfoundland offshore surf clam fishery have been approximately 15,000 tonnes annually over the past five years. The landed value in 1997 was approximately $24 million.

- Lobster landings remained steady at 2,370 tonnes, with a landed value of $21 million; there was also 13,000 tonnes of squid landed at a value of almost $3 million.



Groundfish

With the opening of a limited cod fishery on the South and West coasts, the first commercial cod fishery since 1993, the landed value of groundfish doubled to more than $50 million.

- Turbot led the way in terms of both landed volume and landed value of groundfish at 12,000 tonnes and $22 million respectively.

- A 10,000 tonne quota in area 3Ps (South coast), accounted for most of the $12 million landed value for cod.

- Lumpfish roe ranked third in terms of landed value at $11 million.

- Other groundfish. fisheries with landed values approaching/exceeding $1 million, included redfish, halibut flounder, monkfish, and skate.

Pelagics

There were more than 44,000 tonnes of pelagics landed in the province in 1997; the total landed value was $11 million.

- Capelin and herring accounted for more than 95% of total landings.

- There were small volumes of swordfish, tuna, mackerel, salmon, eels, shark, and char landed as well,

Aquaculture

The aquaculture industry has expanded production, particularly in steelhead and Atlantic salmon at Bay d'Espoir. There has also been rapid growth in the mussel sector. As a result of this growth and competition for aquatic resources, the Department of Fisheries and Aquaculture began preparing regional development plans for finfish and shellfish culture to ensure orderly growth of the aquaculture industry and equal access to our water resources.

- The total production volume increased by 11 % in 1997 to 1,645 tonnes; with a value of $5 million. Blue mussel production increased substantially to 750 tonnes, doubling the production level of 1996.

- For the first year since the moratorium on groundfish was imposed, there was commercial grow out of cod.

Seals

Through the combined efforts of government and industry, the value of the sealing industry has been steadily increasing in recent years. Three thousand sealers participated in the harvest of 270,000 seals in 1997. The landed value was $11.3

million, an increase of more than 30% from 1996. Three hundred plant workers were involved in processing seals, which had a production value of $20 million.

New and Emerging Fisheries

Fisheries development is a core activity of the Department of Fisheries and Aquaculture. The Department continues to support the private sector in its pursuit of new fisheries opportunities (e.g. sea urchin, whelk, seaweed, etc.) to diversify the resource/products base. This helps to stabilize the industry, making it less vulnerable to resource shortages and sudden changes in the marketplace.

- Throughout the 1990s, the Department has worked closely with industry to develop a sea urchin industry. In 1997/98 the sea urchin industry employed upwards of 200 harvesters, and approximately 200 workers in the processing sector.

- The Department continued its support of an inshore northern shrimp fishery for smaller vessels using beam trawls and pots in 1997. This new fishery will enable smaller fishing enterprises to diversify, making them more viable and stable.

- As a result of the Department's support of resource and market development initiatives, two processing plants on the Southwest coast have started processing limited amounts of seaweed.

- Efforts to develop other under-utilized species (e.g. male capelin - pet/aquaculture feed products) and by-products (e.g. crab/shrimp shells - health and pharmaceutical products) continued in 1997.

Significant Events in 1997

There were several significant events in 1997 that will strengthen and stabilize the fishing industry over time, including a new inshore northern shrimp fishery, the reopening of a commercial cod fishery and the resumption of commercial cod grow out. Others included a new processing policy framework, a review of the system for establishing fish prices, new quality assurance initiatives, and the success of the Fish Harvesters Certification Board.

Inshore Shrimp Fishery

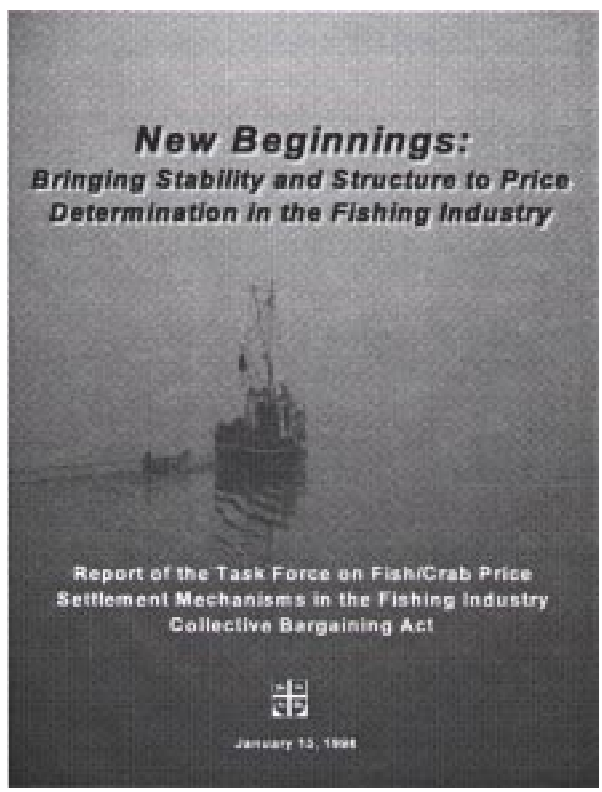
The first ever inshore fishery for northern shrimp took place in 1997. Approximately 7,000 tonnes was harvested by 85 vessels at a landed value of $12 million. In anticipation of a much larger inshore allocation (30,000 tonnes) in 1998, private sector investment of $100 million is expected for this fishery.

Reopening of Commercial Cod Fishery/Resumption of Commercial Grow-out

1997 marked the reopening of a commercial cod fishery on the south and west coasts of the province. Coupled with the reopening of the commercial cod fishery was the resumption of commercial grow-out of cod. The groundfish moratorium had stymied this promising initiative to hold live cod, feed them for a period of time to increase the weight, and harvest them when the marketing opportunities are greatest. The availability of cod from the commercial trap fishery in 1997 resulted in 100,000 pounds of farmed cod that was successfully processed and marketed.

Task Force on Crab/Fish Price Settlement Mechanisms

The report of the Task Force on Fish/Crab Price Settlement Mechanisms in the Fishing Industry Collective Bargaining Act examined a variety of alternative mechanisms for price setting in the harvesting sector. After consulting with fish harvesters, processors and their representatives, the Task Force recommended that Government introduce modifications to the existing collective bargaining system, experiment with an auction system, and implement new quality assurance measures. The modifications to the collective bargaining process take the form of a pilot project for 1998 and 1999. The new model provides that the FFAW/CAW and FANL engage in interest-based bargaining through a joint technical committee with the aid of a facilitator, beginning with a fact finding and issue



identification phase. Should the parties not be able to reach a negotiated price settlement, an arbitrator selects one of the final offer proposals.

New Processing Policy Framework

In 1997, the Minister of Fisheries and Aquaculture introduced a new fish processing policy that combined minimum government intervention with greater flexibility for the processing sector. The key element involved an industry reconfiguration around a complement of the most active primary processing licenses presently in place. Besides those 65 plants meeting the requirements for initial core designation, 9 others have attained core designation through transfer and consolidation of processing licenses. Only core plants are eligible to receive new specie licenses. The new policy framework:

- ensures a regional balance of processing opportunities;
- improves the industry, making it more stable, competitive and viable;
- allows companies to be more competitive internationally by having the flexibility to process a variety of species/products; and
- reflects an increased emphasis on quality assurance.

Quality Assurance

In an effort to maximize the value of all the province's fish resources, the Department of Fisheries and Aquaculture continued to increase its emphasis on quality maintenance and assurance. This industry-wide initiative, included increased dockside and in-plant inspections, fish quality education and training, and promotion of the benefits of a "premium quality" philosophy. The result has been significant improvement in the quality of our seafood products. Further measures are planned for 1998.

Fish Harvesters Certification Board

The Fish Harvesters Certification Board was established in 1996 and became fully functional in 1997. Approximately 16,000 fish harvesters were registered and certified by the Board in 1997, including 9800 Level II harvesters. The remainder were Level I harvesters, and apprentices. Only Level II harvesters are eligible to operate core fishing enterprises.

A Look Ahead

The fishery in Newfoundland and Labrador is experiencing a rebirth after the devastating impacts of the groundfish closures in the early 1990s. New species opportunities, signs of recovery in some groundfish stocks, and a stronger policy framework with respect to the harvesting, processing, and aquaculture sectors have created a sense of optimism that the fishery sector will continue to be a strong and viable contributor to the provincial economy for the foreseeable future. The landed value of seafish in the year 2000 is expected to approximate $400 million, due in large part to ongoing diversification within the industry, particularly the developing inshore shrimp fishery, the reopening of cod fisheries along the south and west coasts of the province, and new opportunities related to the seal resource. As a result of considerable effort in 1997, an Aquaculture Working Capital Loan Program will be in place in 1998 to stimulate growth and commercialization in the shellfish aquaculture sector. This will help ensure that aquaculture will also make significantly greater contributions to the economy in future.

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