A Message from the Minister of Fisheries & Aquaculture

Welcome to the *1999 Seafood Industry Year in Review!*

The fishing industry in Newfoundland and Labrador is an integral part of the economic growth of our province. We have made major strides in rebuilding our fishery since the collapse of our groundfish stocks in 1992. The industry has become private sector driven. For the first time in the history of our fishery, we reached a $1 billion production value in 1999. This achievement is something to be proud of, but it is imperative that we continue to focus on managing our fishery in a prudent manner to ensure it is sustained for the long term. We must be cognizant of the mis-takes we have made in the past with our traditional groundfishery and work together to prevent such an occurrence in the future.

Although our fishery reached one billion dollars in production value in 1999 and directly employed almost 30,000 people, there are still many challenges for those communities and fish harvesters who have been impacted by the groundfish decline. We must continue to explore new opportunities in the fishery with an emphasis on diversification, conservation and producing superior quality products. The current level of crab landings is not likely to be sustained and this is why further diversification initiatives are critical to the ongoing performance of the industry. Our aquaculture industry had a successful year in 1999 and major strides were made in the growth and strengthening of this sector. Aquaculture offers the potential for long-term economic oppor- tunities in our province's coastal areas.

I hope you enjoy our *1999 Seafood Year in Review* which reflects how our fishery continues to be revitalized and indeed, how it remains the cornerstone of the economy of Newfoundland and Labrador, particularly in rural areas. As the Minister of Fisheries and Aquaculture, I am very proud of how far we have come since 1992 and I want to take this opportunity to commend everyone involved in the industry for their determination and commitment to rebuild our fishery. We must continue to work together to ensure the protection of our valuable marine resources for our future generations.

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The Planning Services Division extends its appreciation to all staff and individuals who assisted in the production of this report, especially representatives of the Department's Information Technology Division and Scott Shernahan, Graphic Artist.

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- Island map - Small boat basin, St. John's
- Labrador map - Processing plant, Red Bay

Back Cover:
- Grow out site
- May Cove, Bay d'Espoir

The 1999 Seafood Industry Year in Review

The Past Century

In the past 100 years, the Newfoundland and Labrador fishing industry has gone from a predominantly salt cod trade to a fresh and fresh frozen multispecies industry. At the turn of the last century, cod was the primary species harvested. The production of salt cod was largely a role filled by women and children. At the outbreak of World War 1, approximately 40,000 fishermen secured a form of livelihood from the fishery.

La Manche Village (circa 1920)

Economic conditions of the 1920s and 1930s gave way to low prices for salt cod. This resulted in economic hardship for much of the population of Newfoundland and Labrador, few alternative employment opportunities and significant outmigration.

The outbreak of World War 11 and subsequent years restored an element of prosperity to the fishing industry. The period saw the gradual evolution of commercial enterprises dedicated to the large scale salting and drying of fish. Alternative employment opportunities increased throughout the post-war period and employment in the fishery declined to less than 20,000.

The entry of Newfoundland and Labrador in 1949 into the mainstream of North America resulted in the application of new technology within the industry, and an opportunity to provide a new type of fish product to a new and much enlarged marketplace. The industry continued to produce salt cod together with fresh and frozen fish products that would eventually dominate all other forms of production.

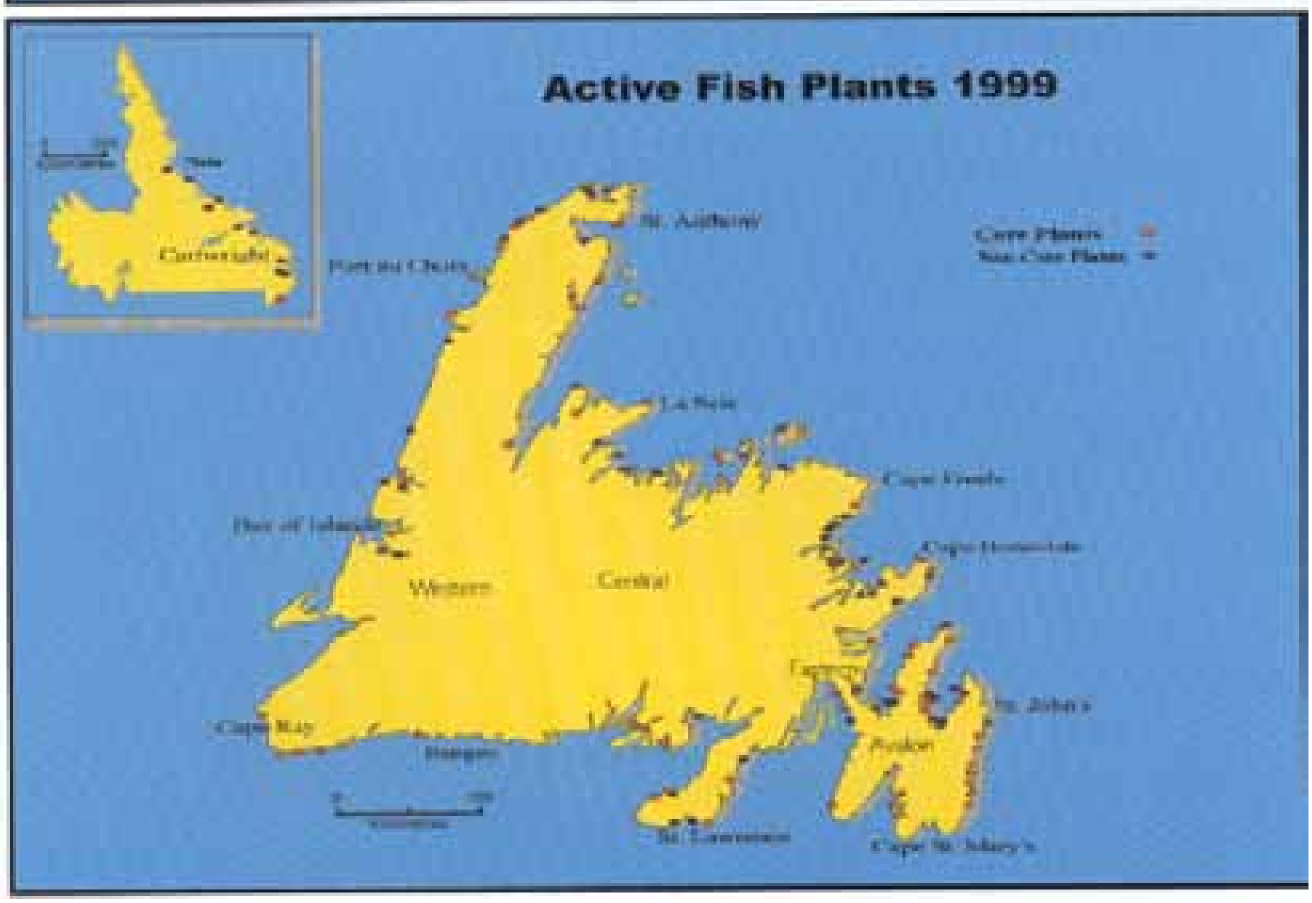
This appetite for fresh fish also resulted in the introduction of new harvesting technologies in the predominant inshore sector and the creation of large processing facilities dependent on an offshore trawler fleet for its supply of raw material. Foreign offshore trawlers, however, decimated fish stocks with uncontrolled and unregulated fishing on the Continental Shelf. Unknown at the time, this overexploitation would have an impact on cod and other groundfish stocks from which most would never fully recover.

Fisherman displaying some of his catch (circa 1936)

In 1977, a 200 mile limit was established resulting in a period of expansion in the fishery unprecedented in the history of the province. Optimistic estimates of resource availability pushed expansion in both the processing and harvesting sectors. That situation continued until 1992 when a fishing moratorium was called on the once great Northern cod stock. Moratoria on other groundfish stocks were quick to follow. Over the past eight years, the industry has become more dependent on shellfish where groundfish stocks have been slow to recover.

The aquaculture industry traces its roots back to the late 1800s with the establishment of cod and lobster hatcheries around the province.
In the 1980s there was a rebirth of aquaculture with the development of the blue mussel, steelhead trout and Atlantic salmon industries.


Location of Licensed Aquaculture Sites in Newfoundland and Labrador 1999
LABRADOR
SPECIES
Newfoundland
Note: Symbols may represent more than one site.
Source: Department of Fisheries and Aquaculture


Active Fish Plants 1999
Cartwright
St. Anthony
Port au Choix
Core Plants
Non-Core Plants
La Scie
Cape Freels
Bay of Islands
Cape Bonavista
Western
Central
St. John's
Avalon
Cape Ray
Burgeo
St. Lawrence
Cape St. Mary's

A Record Setting Year

The Newfoundland and Labrador fishery in 1999 had a record setting year with total production value exceeding $1 billion, a 25% increase over 1998 and the highest level in the province's history. Strong employment growth and record landed values for groundfish and shellfish were achieved in 1999. Landed value for all species increased to $511 million up from $364 million in 1998. Total landings were up slightly to 274,560 tonnes. Given the slow recovery of many groundfish stocks, the setting of these records is a remarkable achievement. Newfoundland's positive image in the global marketplace was enhanced further in 1999, with industry continuing to produce top quality seafood products throughout the year.

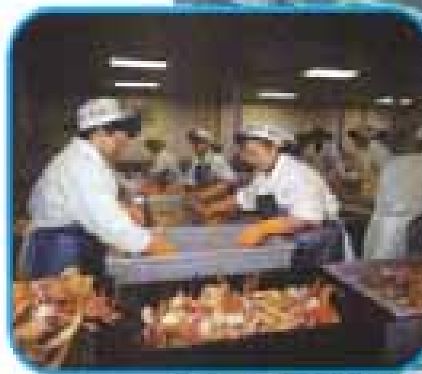
Processing employment peaked in July with 16,700 persons employed compared to 13,000 persons in 1998, a 28% increase. Higher employment was reflective of higher quotas for cod, crab and shrimp. The fishery contributed significantly to the economy in 1999, accounting for 12% of total provincial employment, including spinoffs.

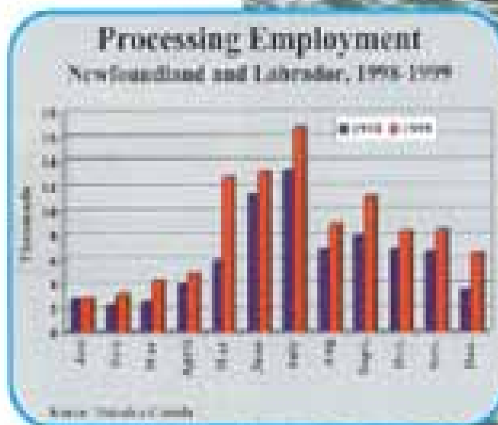
The harvesting sector, however, experienced a 26% decline in employment, from a peak of 14,000 individuals employed in 1998 to 10,300 in 1999. This is due mainly to licence buy-backs, retirements, retraining, and other adjustment initiatives.

All major fisheries started on time and in an orderly fashion, due to the government-industry pilot project established in 1998 for negotiating fish prices. This two-year project has been extended until June 2000, at which time it will be legislated into the Fishing Industry Collective Bargaining Act.

1999 Fishing Industry Highlights

The Newfoundland and Labrador fishery has undergone a transformation since the imposition of the cod moratorium in 1992. The record setting fishery of 1999 was based largely on diversification, professionalization initiatives, sustainability, and the production of top quality fish products. Groundfish landings increased due mainly to recovery in some stocks. Pelagic land-



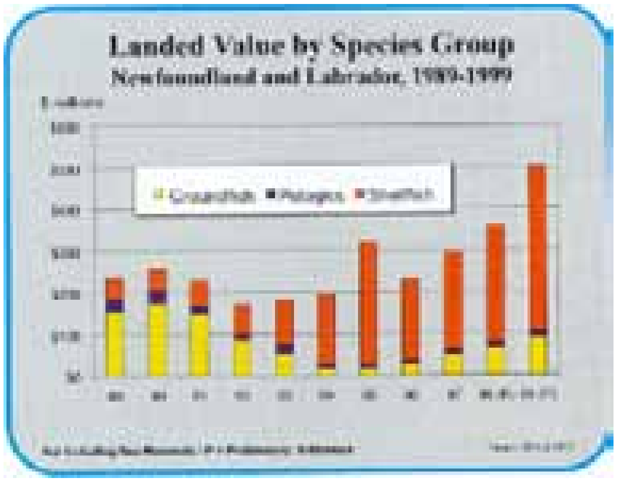


Fishing Industry Performance
Newfoundland and Labrador, (1998 & 1999)

	1998(R)	1999(P)	%
CHANGE LANDINGS (t)			
Groundfish	53,173	71,147	34%
Pelagics	82,171	47,623	-33%
Shellfish	135,756	155,790	15%
Seals (Animals)	275,000	245,000	-11%
Total	251,100	274,560	
LANDED VALUE ($ millions)			
Groundfish	$63,749	$91,577	43%
Pelagics	$16,046	$16,786	17%
Shellfish	$276,352	$395,286	43%
Seals	$6,750	$7,500	14%
Total	$363,897	$511,149	
PEAK EMPLOYMENT			
Harvesting (Individuals)	14,000	10,300	-26%
Processing (Individuals)	13,000	16,700	28%
ANNUAL EMPLOYMENT (Person Years)			
Harvesting	10,500	9,200	-12%
Processing	6,200	8,000	29%
TOTAL INDUSTRY EMPLOYMENT (PY'S)	16,700	17,200	3%

Source: DFO, DFA, Statistics Canada (May 25, 2000)
Note: R - Revised; P - Preliminary

ings were down slightly due to lower capelin landings and reduced herring quotas.

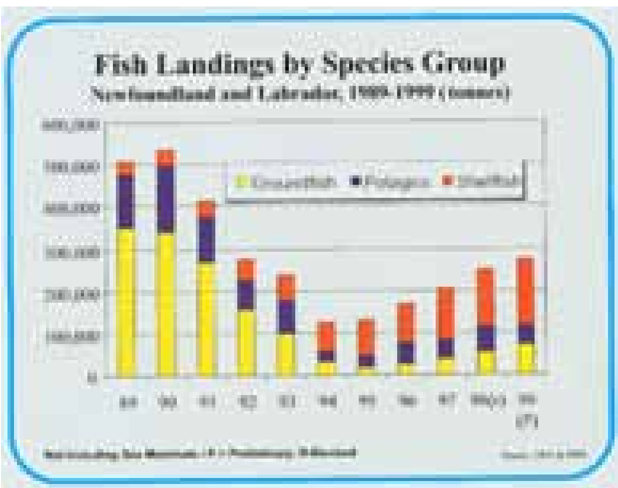


Shellfish

Shellfish species led the industry again with a total landed value of $395 million, a 43% increase over the previous year. Shellfish accounted for 57% of total landings and 77% of the total landed value. Principal shellfish species are snow crab, shrimp, lobster and clams.

Snow Crab

The snow crab fishery was the dominant force in the seafood industry and a significant contributor to Newfoundland and Labrador's economy in 1999. Landings increased to almost 70,000 tonnes of crab in 1999, with a landed value of $238 million. Approximately 3,400 inshore enterprises from all fleet sectors participated in the crab fishery, with 35 licensed plants, and approximately 7,000 plant workers employed.



Shrimp

Buoyed by a quota increase, the inshore Northern shrimp fishery was again a significant contributor to the seafood industry in 1999. There were also higher quotas for shrimp this year. Over 30,000 tonnes of Northern shrimp were harvested, utilizing in excess of 300 inshore vessels. Shrimp was fully processed in ten modern plants and the shrimp fishery employed approximately 2,500 individuals in the harvesting and processing areas. The total landed value of the Newfoundland and Labrador shrimp fishery was $117 million in 1999, including the inshore and offshore shrimp allocations. Over the past three years, private sector investment in the shrimp sector has exceeded $100 million.

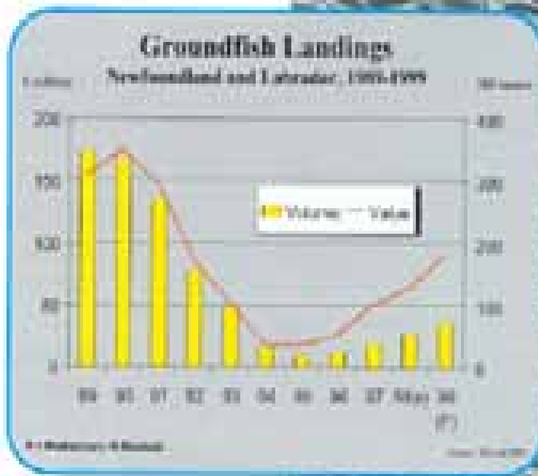
Surf clams

There was a 2% increase in the volume of offshore surf clams landed in 1999. As well, landed value increased 6% to $13.9. million.

Lobster

Lobster landings decreased 4% in 1999, to 1,951 tonnes, and market values increased slightly resulting in a 2% increase in landed value.

Groundfish

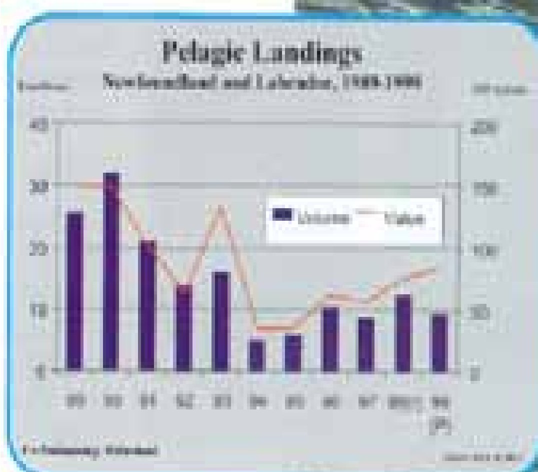


Groundfish landings increased 33.8% over 1998, totaling 71,147 tonnes for the year due primarily to increased quotas. The landed value of $92 million in 1999 represents a 44% increase over the previous year. In 1999 cod quotas in area 3Ps increased to 30,000 tonnes, up from 20,000 tonnes in 1998. There was a 9,000 tonne allocation of cod in 2J3KL, the first commercial cod fishery since 1992, and a 7500 tonne quota in 4RS+3Pn (Gulf).

Next to cod, turbot had the highest landed volume at 8,400 tonnes, with a landed value of $12 million. Flounder, encompassing American plaice, yellowtail, and witch, was close behind with a landed volume of 8,299 tonnes and a landed value of $4 million.

Redfish volume decreased 26.7% from 10,239 tonnes to 7,504 tonnes, while the landed value for redfish also decreased 27% to $3.6 million.

Pelagics



Total landed volume for pelagics decreased by 23% from 1998 to 47,623 tonnes. A 12% increase in landed value was recorded in 1999 to $17 million. This volume reduction was a result of lower harvests of capelin caused by market and resource constraints and lower herring quotas. The capelin quota was not fully taken this year, as strong fisheries in Norway and Iceland satisfied a substantial portion of the market before the Newfoundland fishery commenced.

Aquaculture Industry Highlights

The aquaculture sector continued to grow in 1999 with mussels, steelhead and salmon leading this growth. These species represented 95% of all aquaculture production. An increased number of fishers participated in cod grow out in 1999.

Overall, there was a 59% increase in total aquaculture tonnage to 4,282 tonnes, and the total value of aquaculture production increased to $18 million for 1999.

A provincial aquaculture strategy was initiated in August 1999. The strategy was completed for the Newfoundland Aquaculture Industry Association and will be implemented in 2000.

Shellfish

The shellfish sector registered significant growth in 1999 and the year was a very successful one for most producers.

Mussel production increased 79% from 946 tonnes in 1998 to 1,700 tonnes in 1999. Export value rose 114% to $3.8 million. Many mussel producers expanded and increased their farm size throughout the year, contributing to these higher volumes. The mussel sector now has a number of farms producing between 250-500 tonnes of product yearly.

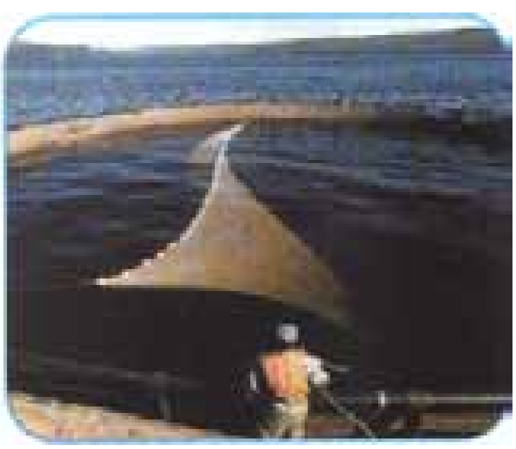
Mussel farmer harvesting mussels (Thimble Bay Farms)

The Aquaculture (Shellfish) Working Capital Loan Fund provided $829,000 to nine mussel projects, and other applications totalling $1 million are under consideration. This year also saw the first significant production of value-added mussel products.

Finfish

Salmonid production increased by 43% to 2,478 tonnes, up from 1,729 tonnes. Total export value for salmonids, steelhead and salmon rose 21 % to $13.86 million. Producers of steelhead made important gains in the lucrative Japanese market in 1999. Growers in Bay d'Espoir also imported the first stocks of all female diploid steelhead for stocking into marine cages in May 2000.

Cod grow out continued in 1999 with production of 105 tonnes, up from 11 tonnes in 1998. Export value increased from $24,000 in 1998 to $334,000 in 1999. Activity in this sector is expected to increase as cod quotas increase.



Steelhead hatchery at St. Alban's, Bay d'Espoir

Fisheries Development

Industry diversification and fishery development initiatives continue to be a high priority of the Department of Fisheries and Aquaculture (DFA). The Department's principal focus has been to undertake resource identification surveys, complemented with exploratory fishing initiatives. Such initiatives are intended to examine commercial viability, as well as to determine fisheries diversification opportunities especially for the < 35 foot vessel fleet.

The Department undertook a shrimp survey in NAFO Area 3L, about 120-200 miles east of the Province. Good fishing grounds were located and encouraging catch results were realized.

The whelk fishery has been expanding during the past five years and the Department continues to promote the growth of this fishery. The Department undertook 25 whelk-related projects throughout the province in 1999, designed to identify areas that have commercial catch rates and to demonstrate a new DFA designed pot. In some instances, catch rates were double that of the previously used English pot.

Six sea urchin projects were undertaken in 1999 to determine additional resource potential and to encourage fish harvesters to become involved with this fishery. Also, a major quality-related project was completed involving the holding and transportation of sea urchins over extended periods and distances.

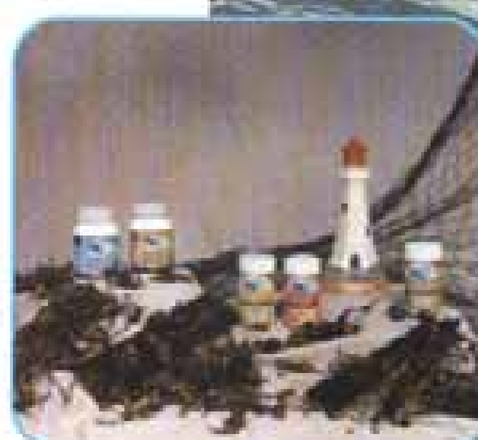
In partnership with industry, a scallop resource identification survey was completed in northern Labrador. Also, work continued with industry to determine and identify harvesting and processing opportunities for porcupine crab.

Regional Overview

Staff in all regions were again instrumental in the delivering of the Department's Quality Assurance Program, as well as implementing many diversification and development projects.

Avalon/Eastern Region

Various shrimp beam trawl surveys were conducted in the region in 1999 and preliminary results are encouraging for developing a shrimp beam trawl fishery in the area. Four new licensed shrimp beam trawlers were active in 1999, for a total of nine in the area.



Sea urchin landings in the region were stable in 1999 and provided good returns to harvesters. A number of fish harvesters have shown interest in sea cucumber, rock and toad crab, marine plants, periwinkles, and inshore surf clam, a good indication that fishers are anxious to diversify their enterprises. The region leads the province in the number of cod grow out sites.

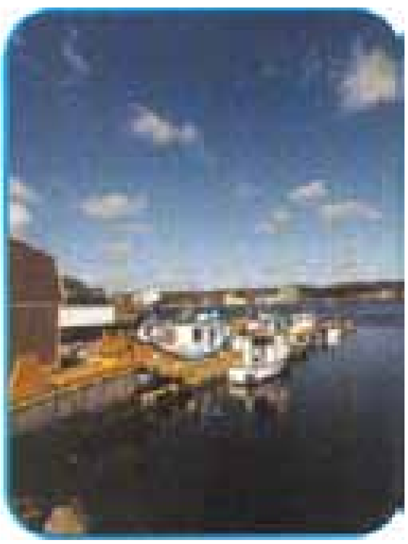
Central Region

Over 80% of the shellfish and finfish aquaculture activity in the province occurs

in the Central Region. In 1999, there were 63 commercial aquaculture sites in operation. Inspections were conducted on all aquaculture sites in the region to ensure compliance with safety as well as navigational requirements.

A number of experimental projects and surveys were conducted to determine the economic viability of harvesting various underutilized species. Major progress has been made on whelk, sea urchin, shrimp and toad crab. Work is ongoing in the region on marine plants, periwinkles, and sea cucumber.

Regional Inspection staff were active administering the Department's Fish Quality Assurance Program, resulting in significant improvements to fish quality over the past four years.


Boats docked in Port Aux Basques

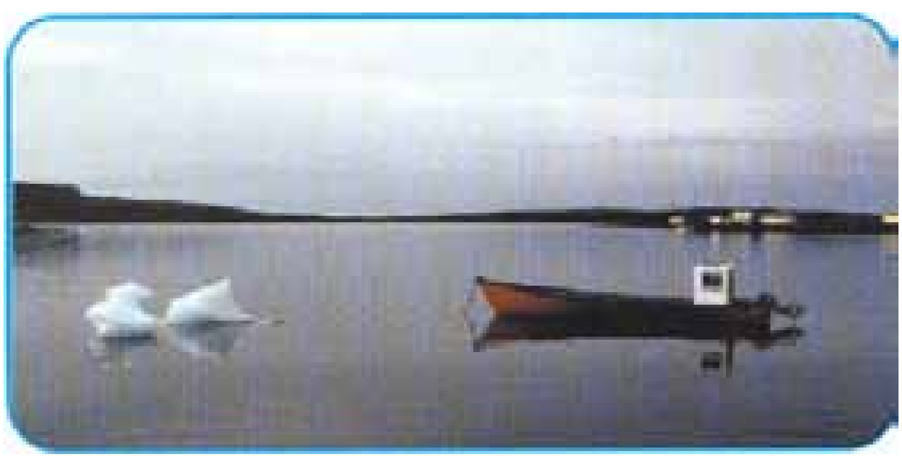
Western Region

Two modern shrimp processing plants opened in the Western region during 1999. The former groundfish plant in Burgeo reopened in the fall of 1999 for the first time since the moratorium to process crab. The region conducted extra monitoring and inspections in St. Anthony during August and September to permit 24-hour, 7 days per week coverage for shrimp, crab and turbot landings. Similar coverage was implemented for the Burgeo plant between November and December involving the crab survey outside the 200 mile limit.

Development staff in the region identified whelk as a potential commercial species on the tip of the Northern Peninsula, with harvesting surveys showing good catches along parts of the Northwest Coast and into the Strait of Belle Isle.

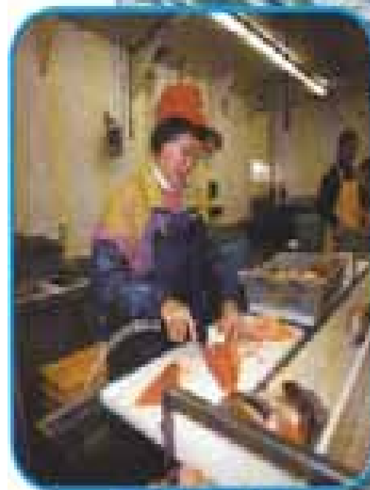
Labrador Region

The Department has long recognized that the special geographical uniqueness and constraints of Labrador warrants special consideration and flexibility for the fish processing sector. The provincial government maintains a policy that fish landed in Labrador be processed in Labrador and, it has addressed the operating challenges for some fish plants in Labrador. The Department has also been undertaking initiatives to develop new resource opportunities for Labrador, including survey and experimental work on scallops, surf clam, sea urchin, whelk, crab and seaweed.


Small boat and growlers in Henley Harbour, Labrador ; Photo by Brian Bursey

A shortage of raw materials was

a problem for some Labrador plants in 1999. The Nain Banker, a Scandinavian designed longliner, helped alleviate this problem by supplementing the supply of raw material for Cartwright and by supplying the plant in L'Anse au Loup. The provincial government divested of the Nain Banker in the Spring of 1999. The scallop fishery is important to Labrador and is the single largest employer in Nain during the summer months.



Fisheries Diversification Program

In August 1999, a three-year Fisheries Diversification Program was announced for the province. This $10 million program is part of the $81.25 million Canada-Newfoundland Agreement for the Economic Development Component of the Canadian Fisheries Adjustment and Restructuring Initiative.

The Fisheries Diversification Program will be focused on industry-wide research and development and demonstration initiatives. The objectives of the program are to:

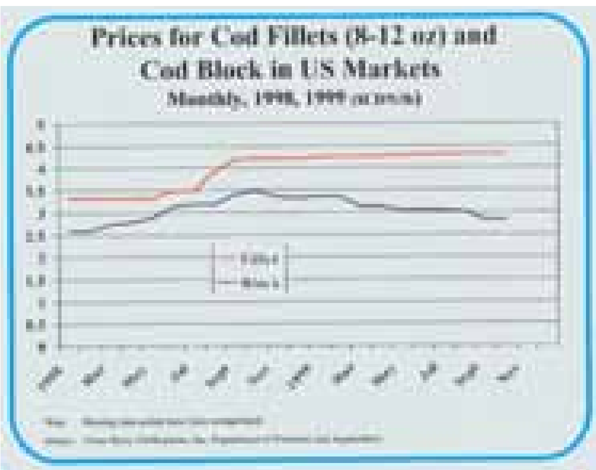
- diversify the province's fishing industry in an environmentally-sustainable manner;
- maximize the value of the fishing industry to the provincial economy; and
- pursue research and/or development initiatives that are of long-term, industry-wide benefit.

Four key components in the program include: Emerging Fisheries Development; Productivity and Product Enhancement; Market Intelligence and Trade Development; and Environmental Awareness and Conservation Technology. The program is being administered by the Department of Fisheries and Aquaculture, Atlantic Canada Opportunities Agency and the Department of Fisheries and Oceans. They will work in partnership with the fishing industry and Regional Economic Development Boards to identify economic development opportunities.

Market Overview

Crab

Crab prices increased significantly in 1999 due to strong demand in the U.S. and Japan. Increased snow crab promotion in the U.S. over the last few years and a significant reduction in the supply of snow crab from Alaska, our largest competitor, contributed to higher prices in 1999. The Newfoundland and Labrador snow crab quota for 1999 was the highest level in our history. While there has been some indication of a declining resource in certain areas of the province, Newfoundland and Labrador has been experiencing steadily increasing catches since 1987. Newfoundland accounted for 75% of the 95,000 tonnes of snow crab landed in Canada in 1999.



Processing Industry Profile

	1998	1999
Core Plants	73	63
Non-Core Plants	96	63
Retail	16	16
Secondary	10	10
Aquaculture	6	6

Shrimp

Overall shrimp prices declined in 1999 due to the increased supply in the marketplace. Increased Newfoundland quotas and a stronger U.S. shrimp fishery has put downward pressure on prices for some pack sizes. In December 1999, the market price for the largest (cooked/peeled) shrimp was $5.00 - $5.18 ($3.40 - $3.50 U.S.). The price for the same period in 1998 was $5.55 - $5.85 ($3.75- $3.95 U.S.), an average decrease of 13%.

Cod

Strong consumer demand for cod has put greater upward pressure on prices. However, this has been tempered by competition from alternative species such as perch and pollock, and from increased supplies of cod from Iceland. The average price for small and medium single frozen Canadian cod fillets were fairly steady in 1999, at prices ranging from $4.21 - $4.30 ($2.85 - $2.90 U.S. per lb.). The demand for the largest sizes of Canadian cod fillet in the U.S. increased in 1999 and prices strengthened. The focus in the U.S. market is on premium quality and high-end products like cod loins and, as such, prices for cod block declined in 1999.

Processing Policy Update

The licensing framework to address overcapacity in the processing area, announced by the Minister in 1997, continued to evolve in 1999. The policy continues to focus on the development of the processing sector around core/multi-species plants and ensuring full utilization of our fishing resource.

The number of licensed core plants decreased in 1999 to 63, down from 73. The number of licensed non-core plants decreased to 63 from 96 plants in 1998. This reduction is a direct result of the Department not reissuing licences to plants which have been inactive for two consecutive years and allowing companies to streamline their operations through consolidation of corporate processing capabilities.

Sealing Industry

The commercial sealing industry was a major contributor to the province's fishery and economy in 1999, with a landed value of $7.5 million and a corresponding production value of approximately $20 million. The industry generated significant employment and returns to the fish harvesting and processing sectors in the province due, in large measure, to the ongoing market initiatives of industry and government.

Approximately 4,000 sealers harvested 245,000 seals in 1999. There were 300 plant workers employed in the production of pelts, Omega-3 oil products, meat, and other specialty products such as sausages and canned seal meat.

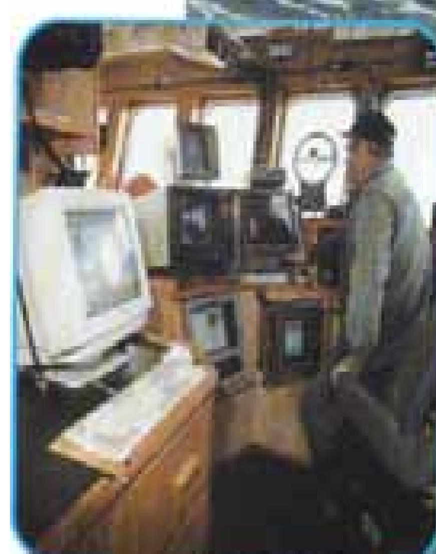
Quality Assurance

The Department's efforts to promote quality assurance continues to be a priority in raising the international profile of the province's fishing industry in the marketplace. In support of this effort, a joint government/industry working group was appointed by the Department in November 1999 to develop a long-term quality strategy. The initial focus of the working group will be on shrimp but will encompass all species fisheries over time.

The Department continues to conduct dockside and in-plant inspections. A series of province-wide information sessions were conducted by the Department to promote awareness and the benefits of implementing quality improvements in the areas of handling and onboard storage procedures, transporting to plants and all aspects of handling techniques in processing operations. These efforts were instrumental in contributing to the record earnings in both landed and production values of the fishery resource.

A Look Ahead

Fisheries



There are still many challenges facing the industry in the new millennium. Quotas for some species are expected to decline, however, this should be offset by increased landings in other sectors. Landings and landed values in 2000 should be on par with 1999, despite lower quotas for some species. It is anticipated that the market for snow crab will remain strong in 2000 due to strong consumer demand and lower world supplies. The resource problems and the possibility of a discontinued crab fishery in Alaska should contribute to a successful crab fishery in 2000. Lower crab quotas should be offset by higher prices and an increase in shrimp landings is likely.

Lower cod landings in 3Ps should be offset by increased landings of yellowtail flounder and turbot. Quotas for shrimp are expected to remain constant and markets are expected to be somewhat stable relative to last year.

Students on aquaculture field trip

The province's capelin fishery will experience a challenging year from a marketing perspective. Norway is expected to continue to be a dominant force in the market in 2000. The Norwegian capelin fishery occurs before the Newfoundland and Labrador capelin fishery which gives them a competitive advantage. Also, the large inventories of capelin held by Japanese importers could negatively affect product prices.

The Department will continue to develop new opportunities involving underutilized species such as sea urchin, whelk, and new crab species. Quality, value-added processing and full utilization of all fish products will be emphasized and targeted as important and achievable goals to further strengthen our fishery.

Aquaculture

Aquaculture growers checking their cages

The Aquaculture industry is expected to continue to post significant gains. Blue mussel production is expected to increase to 2,500 tonnes in 2000, up from 1,700 tonnes the previous year. Markets are expected to remain strong with increased emphasis on value-added production. The mussel sector will remain a key ingredient contributing to the development of the aquaculture industry.

We are also optimistic about the growth of the salmonid industry which is now in a more competitive position, due to new improved strains of fish introduced into Bay d'Espoir. The salmonid industry will continue its efforts to find private sector investment. Cod grow out shows great potential and we expect interest to increase throughout the province.

The aquaculture sector must continue to focus on value-added products to remain competitive in the market-place. Government is confident that the economic opportunities generated through the growing, harvesting and processing of aquaculture products will continue to be a vital part of the Newfoundland and Labrador economy.

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