Seafood Industry Year in Review 2006

Newfoundland Labrador

Department of Fisheries and Aquaculture

MESSAGE FROM THE MINISTER

It is my pleasure to present the Seafood Industry Year in Review for 2006. This publication contains an overview of key facts and figures pertaining to the performance of our fishing industry and our aquaculture sector. The fishing industry continues to be a principal economic driver in the provincial economy and is a vital employer in our rural areas.

The aquaculture sector reached a significant milestone in 2006. Production surpassed 10,000 tonnes with an associated $52.3 million in export value. Cooke Aquaculture announced a $156 million aquaculture initiative on the south coast of the Island. In the long-term, the company plans to increase production to 17,800 tonnes annually with a potential value approaching $86.5 million. This will generate close to 200 person years of employment and contribute to vital spin off benefits.

The seafood industry production value remains at a high level, falling to about $900 million in 2006. Landings were up marginally, while landed value declined. A new Fish Price Setting Panel was established in early 2006 that brought stability to the industry, despite the challenging market conditions. The fishing industry responded proactively to persistent challenges in the marketplace. These challenges included: ongoing competition from low-cost producers like China; the appreciation of the Canadian dollar; and, escalating fuel and operating costs. In response to these realities, Premier Williams, Minister Hearn and myself initiated a federal-provincial Fishing Industry Renewal process in May 2006 to help set a new direction for the fishery.

My department's seafood marketing efforts in Russia and China bode well for the province's fishing industry in the long-term. The industry is expected to show further improvements in 2007 with strengthening markets for key products.

Honourable Thomas G. Rideout, M.H.A.
Lewisporte District
Minister of Fisheries and Aquaculture

Seafood Industry
2006 Year in Review

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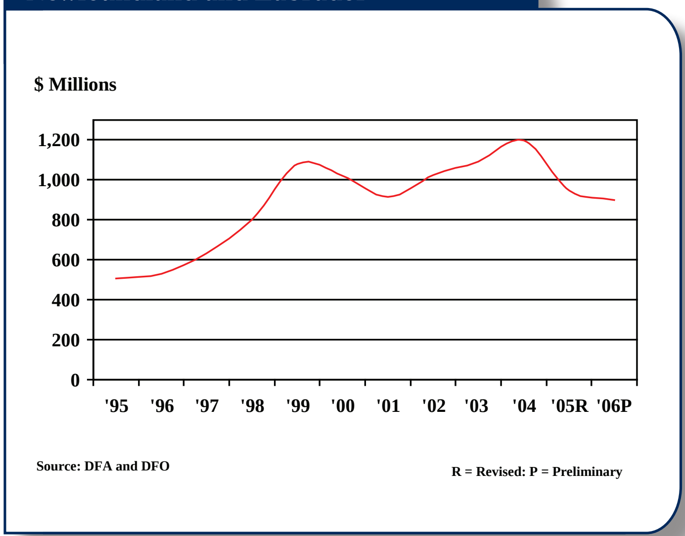
Middle Cove Beach, NL
Photo by John G. Oliver

Seafood Industry Performance

Newfoundland and Labrador, Canada's most easterly province, is endowed with an abundance of rich marine resources. This was evidenced by another prosperous year in both the fishing and aquaculture sectors in 2006. The seafood sector contributes significant revenues to the provincial economy and generates direct employment for over 26,000 residents, particularly in rural areas.

Production Value
Newfoundland and Labrador



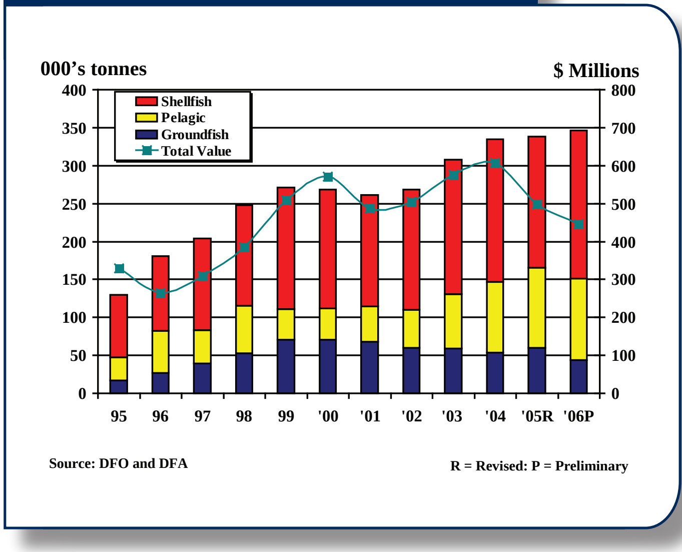
In 2006, the seafood production value remained near historically high levels approaching $900 million, down 5.1 percent from $948 million in 2005. The appreciation of the Canadian dollar, soft markets, stiff competition from low-cost producers and high tariffs negatively impacted the overall market returns and contributed to the decline in production value.

Capture Fisheries

Approximately 13,000 fish harvesters landed 346,220 tonnes of fish in 2006, representing an increase of 2.2 percent from 338,733 tonnes in 2005. Increased shellfish landings in 2006 more than offset lower landings of groundfish.

The corresponding landed value fell by 10.5 percent in 2006 to $445.3 million from $497.3 million in 2005. The decline in value was a reflection of weak markets which ultimately depressed raw material prices.

Fish Landings by Species Group
Newfoundland and Labrador



Landed Volume and Value
Newfoundland and Labrador

Species Group	2005 (Revised)		2006 (Preliminary)		Percent Change	
	Volume (tonnes)	*Value ($'000's)*	*Volume (tonnes)*	*Value ($'000's)*	*Volume*	*Value*
Groundfish						
Cod	16,257	$17,215	16,880	$17,809	3.8%	3.5%
Redfish	7,807	$4,025	6,460	$3,313	-17.3%	-17.7%
American Plaice	2,383	$1,577	700	$466	-70.6%	-70.5%
Yellowtail Flounder	13,286	$10,486	190	$164	-98.6%	-98.4%
Greysole/Witch	1,056	$919	730	$638	-30.9%	-30.6%
Turbot	11,721	$30,948	11,430	$30,469	-2.5%	-1.6%
Pollock	508	$254	840	$422	65.4%	66.2%
Hake	2,122	$1,354	2,020	$1,219	-4.8%	-10.0%
Monkfish	1,163	$1,866	1,210	$1,921	4.0%	3.0%
Skate	1,510	$363	1,150	$277	-23.8%	-23.7%
Other	2,533	$9,563	2,030	$6,994	-19.9%	-26.9%
Total Groundfish:	**60,346**	**$78,571**	**43,640**	**$63,692**	**-27.7%**	**-18.9%**
Shellfish						
Clams	13,647	$15,398	20,710	$26,956	51.8%	75.1%
Scallops	5,180	$8,079	2,250	$2,906	-56.6%	-64.0%
Squid	536	$345	6,670	$2,807	1143.4%	714.3%
Lobster	2,616	$31,272	2,710	$30,307	3.6%	-3.1%
Shrimp	101,152	$158,196	106,460	$134,962	5.2%	-14.7%
Snow Crab	43,957	$140,252	47,070	$99,756	7.1%	-28.9%
Other Shellfish	6,177	$9,044	9,420	$17,265	52.5%	90.9%
Total Shellfish:	**173,265**	**$362,587**	**195,290**	**$314,959**	**12.7%**	**-13.1%**
Pelagics						
Herring	25,506	$6,111	24,770	$6,042	-2.9%	-1.1%
Mackerel	42,693	$21,497	42,300	$16,505	-0.9%	-23.2%
Capelin	36,365	$10,309	39,810	$12,894	9.5%	25.1%
Other	557	$1,703	410	$1,008	-26.4%	-40.8%
Total Pelagics:	**105,121**	**$39,619**	**107,290**	**$36,449**	**2.1%**	**-8.0%**
Seals (number)	**290,242**	**$16,549**	**296,600**	**$30,238**	**2.2%**	**82.7%**
Grand Total:	**338,733**	**$497,326**	**346,220**	**$445,338**	**2.2%**	**-10.5%**

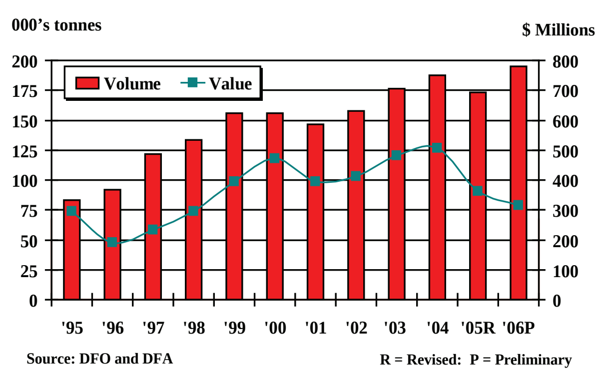
Fishing Industry Employment

Sector	2005	2006 (Preliminary)	Percent Change
Harvesting (number)	13,550	13,000	**-4.1%**
Processing (number)	14,000	13,000	**-7.1%**
Total: (number)	**27,550**	**26,000**	**-5.6%**

Source: Professional Fish Harvesters Certification Board (PFHCB)
Department of Fisheries and Aquaculture (DFA)
Department of Fisheries and Oceans (DFO)

Old Perlican, NL
Photo by Ingrid Connors

Shellfish Landings
Newfoundland and Labrador



Shellfish

Shellfish was of major importance to capture fisheries in terms of both volume and value in 2006, representing 56.4 percent and 70.7 percent respectively of industry totals. Shellfish landings increased by 12.7 percent to 195,290 tonnes, due primarily to higher catches of crab, shrimp and surf clams. Despite increased landings, the value of shellfish dropped by 13.1 percent to $315.0 million in comparison to $362.6 million in 2005. Lower harvesting prices for crab and shrimp contributed to the reduction in shellfish landed value.

Snow Crab

Snow crab landings rose in 2006 by 7.1 percent to 47,070 tonnes, up over 3,000 tonnes from 2005. In 2005, early closures in the crab fishery prevented the industry from utilizing the entire quota. The corresponding landed value for crab dropped by 28.9 percent to $99.8 million from $140.3 million in the previous year, largely in response to weak markets and unfavourable exchange rates. Prices paid to harvesters remained at low levels throughout the year. Average prices fell to $0.96 per pound from $1.45 per pound in 2005.

Shrimp

The wet fish fleet (<65 foot) and factory freezer trawlers are the two fleets that dominate the shrimp fishery. The wet fish fleet lands fresh shrimp for the cooked and peeled industry while the factory freezer trawlers harvest and process at sea.

The volume of shrimp harvested increased in 2006, due primarily to higher quotas for the inshore sector. Shrimp harvests for both fleet sectors increased 5.2 percent, peaking at 106,460 tonnes. The value of landings, however, dropped 14.7 percent from $158.2 million in 2005 to $135.0 million, due mainly to soft shrimp markets. Shrimp prices were volatile during the first half of the 2006 season and stabilized later in the year.

High tariffs on cooked and peeled product entering the European Union continued to negatively impact producer margins. Shrimp producers, however, experienced some relief in 2006 when the Autonomous Tariff Rate Quota (ATRQ) increased from 7,000 tonnes to 10,000 tonnes. The ATRQ allows the sale of cooked and peeled shrimp to the European Union at a six percent tariff rate compared with the usual 20 percent rate.

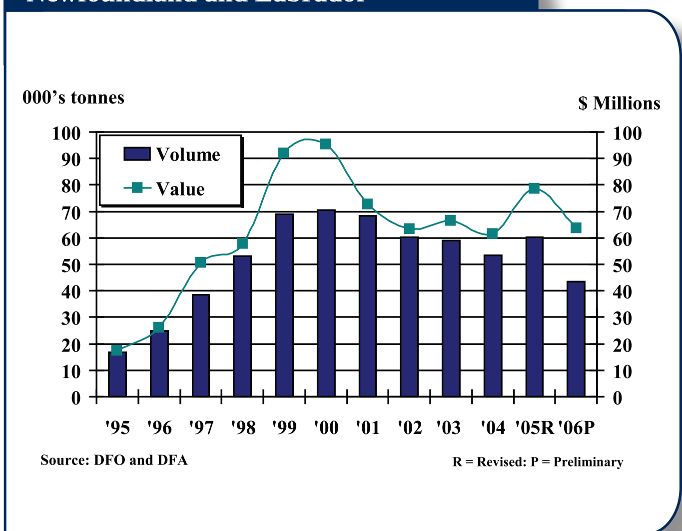
Other Shellfish

The province experienced a rise in squid catches which resulted in lower imports in 2006. Squid has traditionally been used as bait and, thus, the supply rose in domestic markets. Landings of clams also increased in 2006, up 51.8 percent to 20,710 tonnes. Lobster landings were up slightly from 2005 estimates. A fall in scallop harvests was seen in 2006, as fishing effort declined.

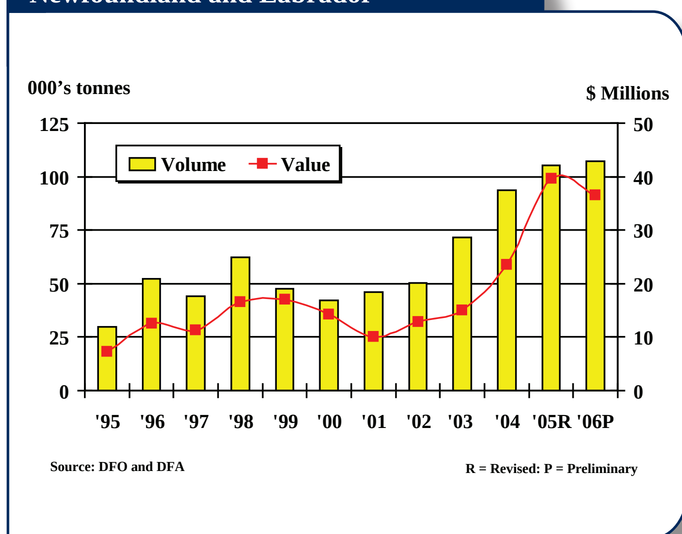
Groundfish

Groundfish landings, along with the associated landed value, fell substantially in 2006. Landings hit a low of 43,640 tonnes plummeting 27.7 percent from the year before, due mostly to significantly lower yellowtail flounder, American plaice and redfish landings. In 2006, a major quota holder did not harvest its yellowtail flounder enterprise allocation (13,000 tonnes). American plaice is a by-catch species from that fishery.

Groundfish Landings
Newfoundland and Labrador



Pelagic Landings
Newfoundland and Labrador



Bay de Verde, NL
Photo by Ingrid Connors

Fortune Bay, NL

The landed value for groundfish declined 18.9 percent to $63.7 million in 2006, from $78.6 million in 2005.

Pelagics

An increase in capelin landings contibuted to a 2.1 percent rise in pelagics to a peak of 107,290 tonnes in 2006, up from 105,121 tonnes in 2005. Capelin landings grew 9.5 percent due to an increase in quota (over 5,000 tonnes). Mackerel and herring catches remained virtually unchanged from the previous year.

The value of pelagics fell by 8.0 percent to $36.4 million. Overall, pelagics value was negatively impacted by lower raw material prices for mackerel in 2006. Average landed mackerel prices fell to 18 cents per pound from a high of 23 cents per pound in 2005.

Seals

The seal industry experienced another very successful year in 2006 with 296,600 seals harvested by Newfoundland and Labrador sealers. The landed value rose to a record $30.2 million, due to a substantial increase in pelt prices. Prices to sealers were $105 per pelt in 2006 compared with $56 the previous year. The full quota was utilized in 2006 as consumer demand for seal products remained strong. As such, production value hit $55.0 million, up noticeably from $40.0 million in 2005.

Aquaculture Sector

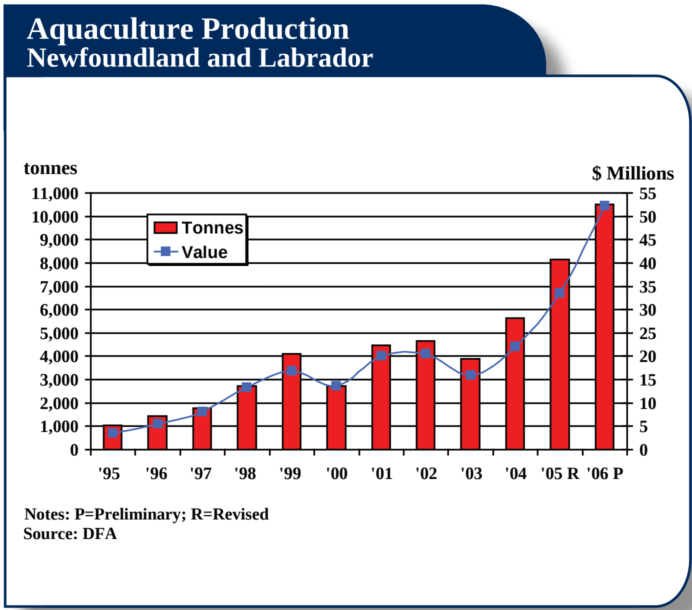
Newfoundland and Labrador's aquaculture industry currently produces mainly mussels and salmonids (Atlantic salmon and steelhead). Cod aquaculture is still being explored and stakeholders hope to see this sector grow over the next few years. Commercialization of the aquaculture industry in the province began in 1989. Since this time, the industry has experienced considerable expansion and development. In 2006, the sector directly employed 370 people in rural Newfoundland.

Aquaculture Industry Profile
Newfoundland and Labrador 2006

Aquaculture Production (Preliminary)	10,500 tonnes
Export Value	$52.3 million
Commercial Site Licenses:	
Mussels	66
Salmonids	59
Employment (number) *Estimate based on direct industry employment.	370

Source: DFA

Production reached a record 10,500 tonnes in 2006 and registered an increase of 28.6 percent from 8,164 tonnes in 2005. Most of the expansion is attributed to the growth in salmonids. They comprised 69.5 percent of the aquaculture sector volume and 85.1 percent of its value in 2006.



In 2006, the production value increased to $52.3 million, up 56.1 percent from $33.5 million in 2005. Market prices strengthened in 2006 and demand for aquaculture products remained strong. Consequently, production value spiked to record levels.

There were 129 commercial licences issued in 2006. The number of commercial sites licensed for finfish totaled 63 in 2006 comprising 22 steelhead, nine rainbow trout, 28 Atlantic salmon and four Atlantic cod sites. The number of commercial licences issued to grow mussels in 2006 fell to 66 from 72 in 2005, due partially to company consolidation.

Shellfish

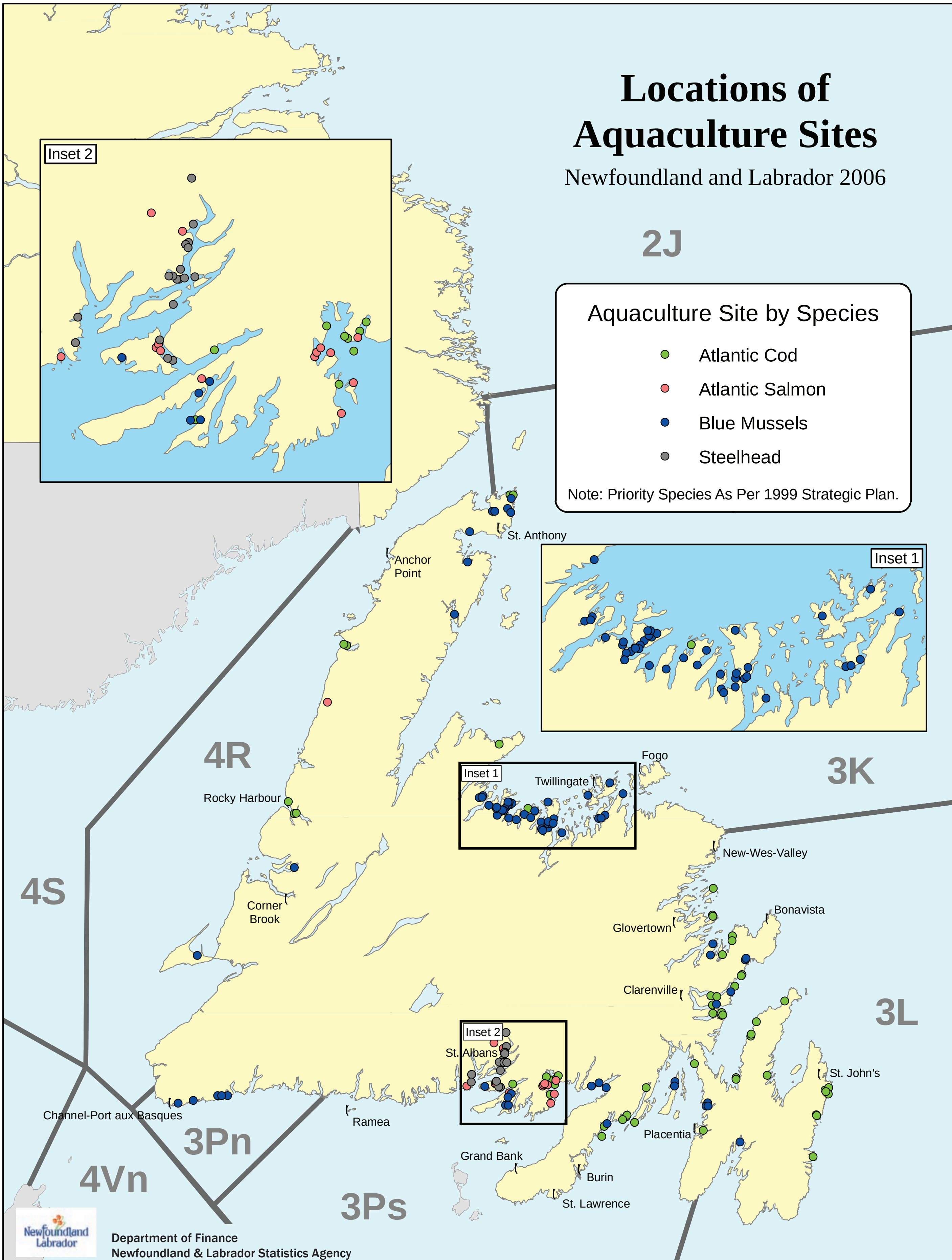
The volume of blue mussels cultured in the province rose marginally to 3,200 tonnes from 3,157 tonnes in 2005. Production value was slightly higher registering $7.8 million in 2006 up from $7.0 million in 2005. The increased production value was primarily the result of greater volumes of value added products produced combined with stable prices for mussel products.

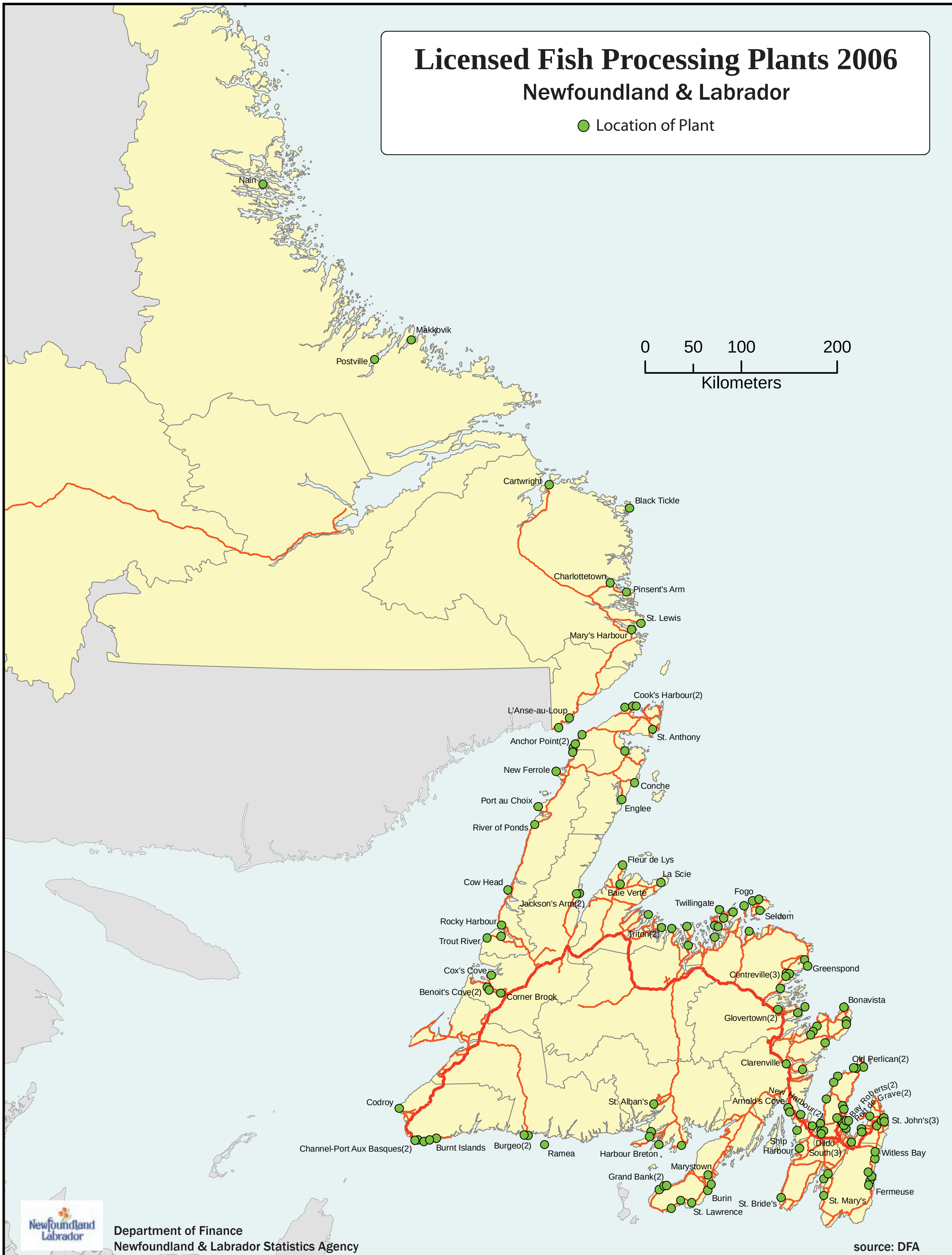
Salmonids

The salmonid sector is rapidly expanding and both the volume and value rose substantially in 2006, by 46 percent and 67.3 percent, respectively. The key species include Atlantic salmon and steelhead. The industry has expanded into Fortune Bay and the outer Bay d'Espoir region. Companies are also showing interest in the Placentia Bay area.

Salmonid production was 7,300 tonnes compared to about 5,000 tonnes in 2005, a rise of over 2,000 tonnes. The value rose to $44.5 million during the same time, up from $26.6 million, due mostly to increased volumes and strong markets.

Mussels


Locations of Aquaculture Sites
Newfoundland and Labrador 2006
Aquaculture Site by Species
Atlantic Cod
Atlantic Salmon
Blue Mussels
Steelhead
Note: Priority Species As Per 1999 Strategic Plan.
2J
3K
3L
4R
4S
3Pn
4Vn
3Ps
Inset 1
Inset 2
St. Anthony
Anchor Point
Rocky Harbour
Corner Brook
Fogo
Twillingate
New-Wes-Valley
Glovertown
Bonavista
Clarenville
St. Albans
St. John's
Channel-Port aux Basques
Ramea
Grand Bank
Placentia
Burin
St. Lawrence
Department of Finance
Newfoundland & Labrador Statistics Agency

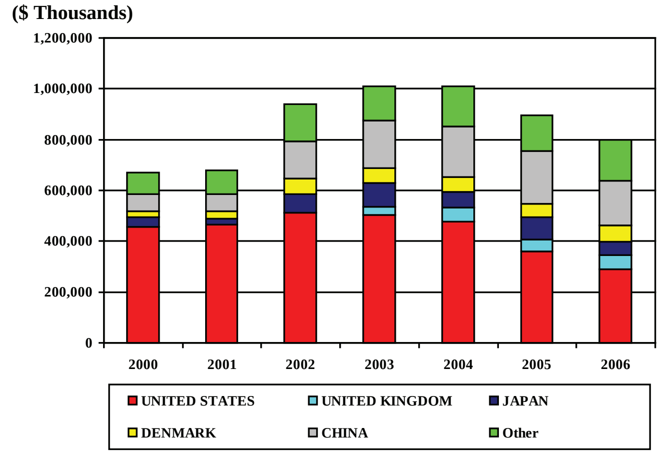

Licensed Fish Processing Plants 2006
Newfoundland & Labrador
Location of Plant
0
50
100
200
Kilometers
Nain
Makkovik
Postville
Cartwright
Black Tickle
Charlottetown
Pinsent's Arm
St. Lewis
Mary's Harbour
Cook's Harbour(2)
L'Anse-au-Loup
St. Anthony
Anchor Point(2)
New Ferrole
Conche
Port au Choix
Englee
River of Ponds
Fleur de Lys
La Scie
Cow Head
Baie Verte
Jackson's Arm(2)
Twillingate
Fogo
Seldom
Rocky Harbour
Triton(2)
Trout River
Greenspond
Cox's Cove
Centreville(3)
Benoit's Cove(2)
Corner Brook
Bonavista
Glovertown(2)
Old Perlican(2)
Clarenville
Bay Roberts(2)
Port de Grave(2)
New Harbour(2)
Arnold's Cove
St. Alban's
Codroy
St. John's(3)
Ship Harbour
Dildo South(3)
Witless Bay
Channel-Port Aux Basques(2)
Burnt Islands
Burgeo(2)
Ramea
Harbour Breton
Marystown
Grand Bank(2)
Burin
St. Lawrence
St. Bride's
St. Mary's
Fermeuse
Department of Finance
Newfoundland & Labrador Statistics Agency
source: DFA

Production and Market Overview

Newfoundland and Labrador produces premium quality seafood products. Approximately 90 percent of the province's seafood is shipped internationally to more than 50 countries. The remainder is sold to local markets and throughout the rest of Canada. In 2006, 130 fish processing facilities operated (112 primary, three secondary, four aquaculture and 11 retail), employing approximately 13,000 individuals. The volume of products supplied to the marketplace by provincial producers increased from 199,000 tonnes in 2005 to 203,000 tonnes in 2006.

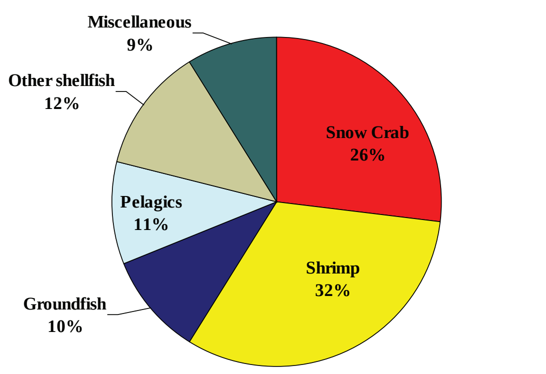
The seafood production value declined, in response to weak markets, competition from low-cost producers and the continued appreciation of the Canadian dollar.

Seafood Export Value by Major Destination
Newfoundland and Labrador



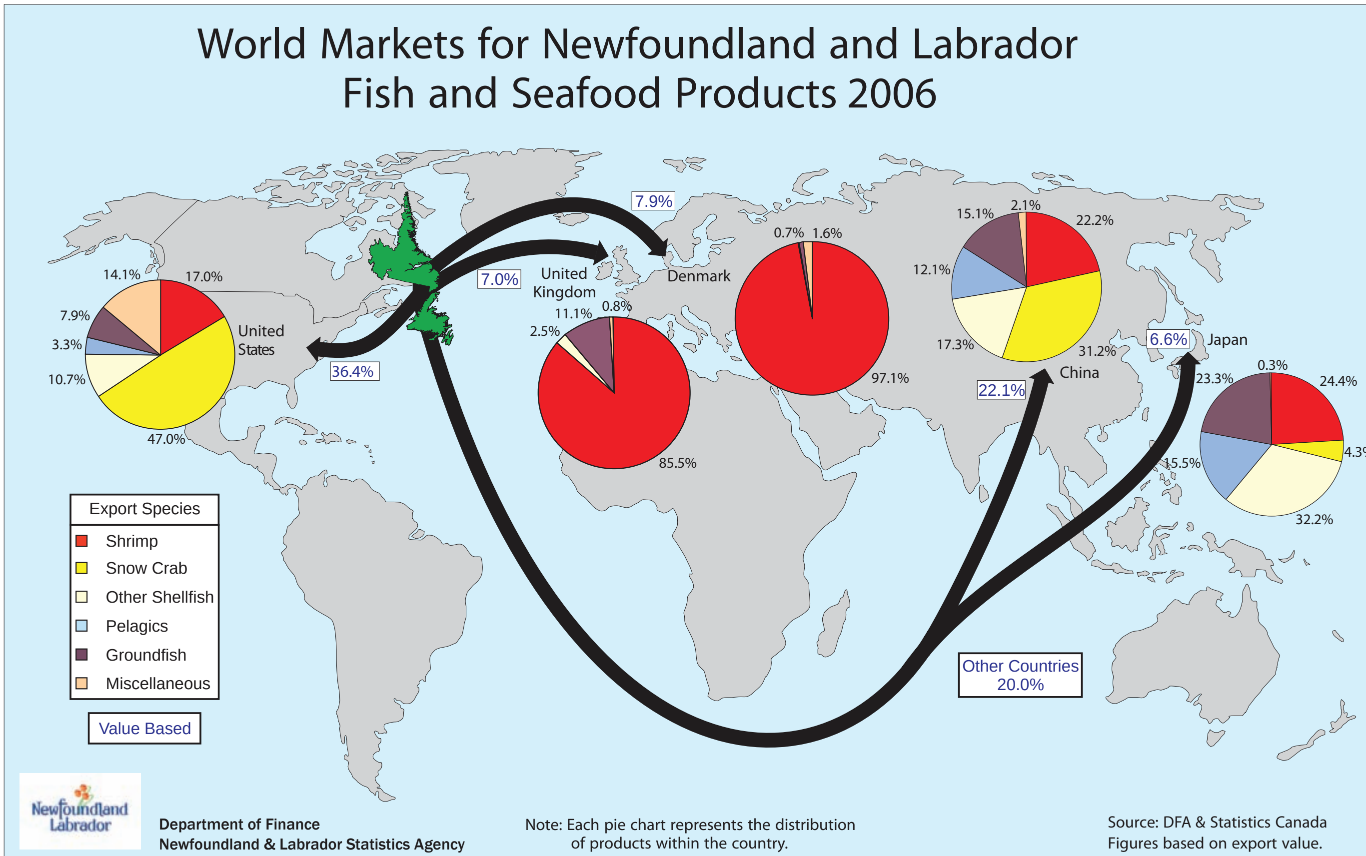
Source: Statistics Canada

Distribution of Export Value by Species
Newfoundland and Labrador



Source: Statistics Canada

Groundfish processing fell sharply, due to significant reductions in yellowtail flounder, American plaice and redfish landings. Shellfish processing rose, as a result of higher crab and shrimp landings compared with the previous year. Pelagic processing was also up in 2006, due largely to higher capelin landings resulting from increased quotas. As well, the Department of Fisheries and Aquaculture issued a directive in 2006 that male capelin had to be processed. As a result, male capelin production rose by approximately 2,000 tonnes.



According to Statistics Canada, provincial export volume rose less than one percent while the export value fell by 10.9 percent last year. Lower seafood prices in global markets contributed to the decline in value. The continued appreciation of the Canadian dollar also had a negative impact on the export value.

The United States (U.S.) and China remain the province's key importers of fish and seafood products. In 2006, they represented 36.4 and 22.1 percent respectively of the province's export value. Other main markets included Denmark, United Kingdom and Japan which accounted for 7.9 percent, 7.0 percent and 6.6 percent respectively of the 2006 export value. These top five markets comprise 80.0 percent of the province's overall export value.

China presents an opportunity and a challenge for the province's seafood producers. The country has emerged as a major export market, accounting for approximately 22 percent of Newfoundland and Labrador's international export value in 2006. The country is also one of the province's major competitors in seafood processing. China has


Steelhead

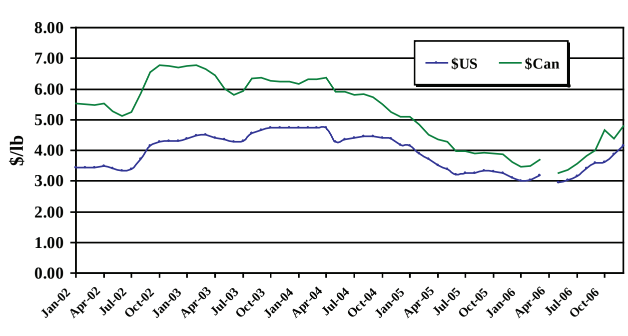
Coldwater Shrimp

relatively low labour rates and easy access to capital, making it easy to compete in the manufacturing sector. This is a competitive disadvantage for local producers.

Snow Crab

Snow crab products were sold predominately to the U.S. and China in 2006. A large volume also goes to Japan via China. Over 99 percent of snow crab produced is sold to market in section form. Market prices for crab fell substantially in 2006 relative to 2005. According to Urner Barry Publications, prices for 5-8 ounce sections hit a low of US$2.95 per pound ($3.27 per pound Canadian) in May, 2006. Despite this, in 2006, snow crab represented 26 percent of the provincial seafood export value, on par with 2005.

Monthly Prices for (5-8) ounce Frozen Crab Sections
Newfoundland and Labrador



Source: Urner Barry Publications Inc.;Bank of Canada; DFA

Shrimp

Shrimp is the highest valued product currently produced by the Newfoundland and Labrador fishing industry. The European Union is a major market for cooked and peeled coldwater shrimp, the main product type sold by provincial producers. As well, high volumes of offshore frozen shrimp are exported to China. Demand for shrimp strengthened as 2006 progressed and was reflected in more stable market prices in the later part of the year. The 20 percent tariff on product entering the European Union, however, remains an impediment to maximizing industry returns.

Tariff Barriers

Tariff barriers remain a major impediment to future growth of the province's seafood industry. Tariffs lower producer margins and increase consumer prices. The European Union maintains very high tariff rates on our province's seafood products. As well, some of our major competitors have preferential access, negatively affecting our ability to compete. Similarly, the province faces tariffs on seafood products into China and Russia, two nations that offer significant growth opportunities for the province's exporters. The DOHA round is expected to provide some tariff relief, however, the reductions proposed to date are not sufficient to allow unfettered access. The province and industry are working to develop an overall strategy to deal with these and other trade matters.

Resource Status

The health of the province's resources is of utmost importance to all industry stakeholders. The Total Allowable Catch (TAC) for selected species is set and regulated by the federal government with the assistance of scientific advice. Stocks of key species are healthy and remain at sustainable levels.

Total Allowable Catch (tonnes)

Species Group	2005	2006
Groundfish Stocks		
3Ps Cod	15,000	13,000
3Pn 4RS Cod	5,000	6,000
Redfish Unit 2	8,000	8,500
NAFO Stocks		
Turbot	19,000	18,500
Yellowtail Flounder	15,000	15,000
3O Redfish	20,000	20,000
Pelagics Stocks		
Herring	29,730	29,750
Mackerel	75,000	75,000
Capelin	34,000	39,330
Shellfish Stocks		
Crab	50,000	46,233
4R Shrimp (Gulf Shrimp)	9,350	9,350
Northern Shrimp		
- inshore	60,000	65,000
- offshore/special allocations	100,000	102,500

Northern Shrimp

The northern shrimp resource extends from the Grand Banks to the Davis Strait. This resource appears healthy and biomass estimates in the southern regions remain at historically high levels. Northern shrimp landings by the province's inshore and offshore sectors reached more than 100,000 tonnes in 2006. The inshore fleet harvested 62 percent of the overall total. The remainder was caught by non-Newfoundland and Labrador interests.

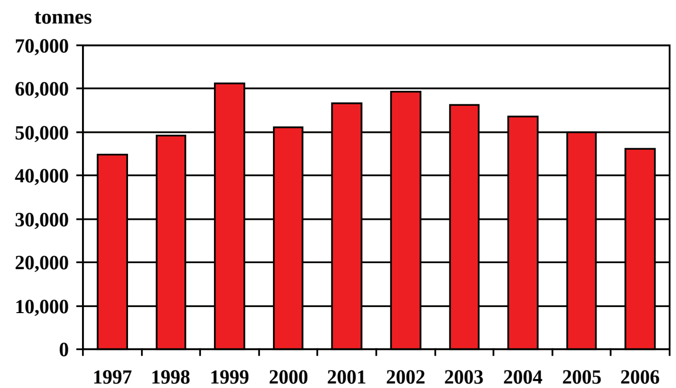
Gulf Shrimp

The Newfoundland and Labrador portion of the Gulf shrimp TAC, which occurs in the Esquiman Channel, was 6,140 tonnes in 2006, unchanged from 2005. Scientific evidence indicates that this stock is at a sustainable level.

Snow Crab

The provincial snow crab resource has continually declined over the past several years. The TAC was set at 46,233 tonnes in 2006, falling by almost 4,000 tonnes from 2005. The entire crab quota was caught in 2006 in comparison to only 90 percent the year before. This resource is expected to be relatively stable over the next few years.

Snow Crab Quotas
Newfoundland and Labrador



Source: DFO

Bonavista Bay, NL
Photo by Ingrid Connors

Middle Cove Beach, NL
Photo by John G. Oliver

Cod

The offshore portion of the 2J3KL cod stock has been under a moratorium since 1992. A limited inshore fishery took place from 1998 to 2002 and again in 2006. A slight recovery has occurred in the inshore areas of the southern portions of the stock. The overall stock, however, remains at low levels.

The 3Ps cod TAC fell in 2001 from 20,000 tonnes to 15,000 tonnes, due to recruitment issues. The TAC remained at 15,000 tonnes through to 2005. Based on scientific information, the TAC was adjusted down in 2006 to 13,000 tonnes.

The 4RS3Pn cod stock was under moratorium in 2003 for one year, as scientific evidence indicated a decline in resource levels. The following year the fishery reopened with a 3,500 tonne TAC. This quota increased to 6,000 tonnes in 2006, due to signs of recovery.

Unit 2 Redfish

Unit 2 redfish is located on the South Coast of the Island and portions of the Laurentian Channel. Newfoundland and Labrador harvesters traditionally catch between 35 and 40 percent of the redfish quota. The stock remains relatively stable; however, there is little sign of recruitment. The quota for 2006 increased to 8,500 tonnes to allow for an offshore survey.

NAFO-Managed Stocks

2+3KLMNO Turbot

The TAC was set at 20,000 tonnes in 2004, less than half of the 44,000 tonne quota in 2002. The stock had declined dramatically and, in response, a four-year rebuilding plan was established and the quota was substantially reduced. Under the rebuilding plan, the quota was set at 18,500 tonnes for 2006. Canada's allocation was 36 percent of the quota.

3LNO Yellowtail

The yellowtail flounder resource in 3LNO has experienced growth in the last few years. The TAC was 14,500 tonnes in 2003 and 2004 and rose to 15,000 tonnes for the past two years, due largely to increasing biomass levels. This catch level is consistent with the historical average seen prior to the general collapse of groundfish in the late 1980s and early 1990s. The stock appears healthy and stable.

Other Groundfish

All other NAFO-managed straddling groundfish stocks remain under moratoria including 3NO cod, 3NO witch flounder, 3LNO American plaice and 3LN redfish. These stocks are not showing signs of recovery.

Special Discussion

The Seal Industry

Sealing has existed in Newfoundland and Labrador for hundreds of years. The seal harvest continues to provide individuals with a significant resource. In fact, the seal resource played a critical role in the evolution of many of the province's coastal and rural regions.

The seal resource is vital to many Newfoundlanders and Labradorians. It is intricately linked to the economy and culture, especially for communities along the East and Northeast Coast of the Island and along the coast of Labrador.

Harp seals are the main species harvested because they are abundant and easily accessible. The latest survey for harp seals indicates a population of 5.4 million animals.

The Government of Newfoundland and Labrador supports a seal harvest and is committed to further development based on three guiding principles: a sustainable harvest which is supported by science; the full utilization of the animal; and, the use of humane harvesting methods with zero tolerance for any inhumane practices.

These principles are complemented by the management measures of the Government of Canada to regulate the industry. Government and industry will continue to work together to ensure the most humane harvest possible.

The Newfoundland and Labrador Seal Harvest…

is Humane

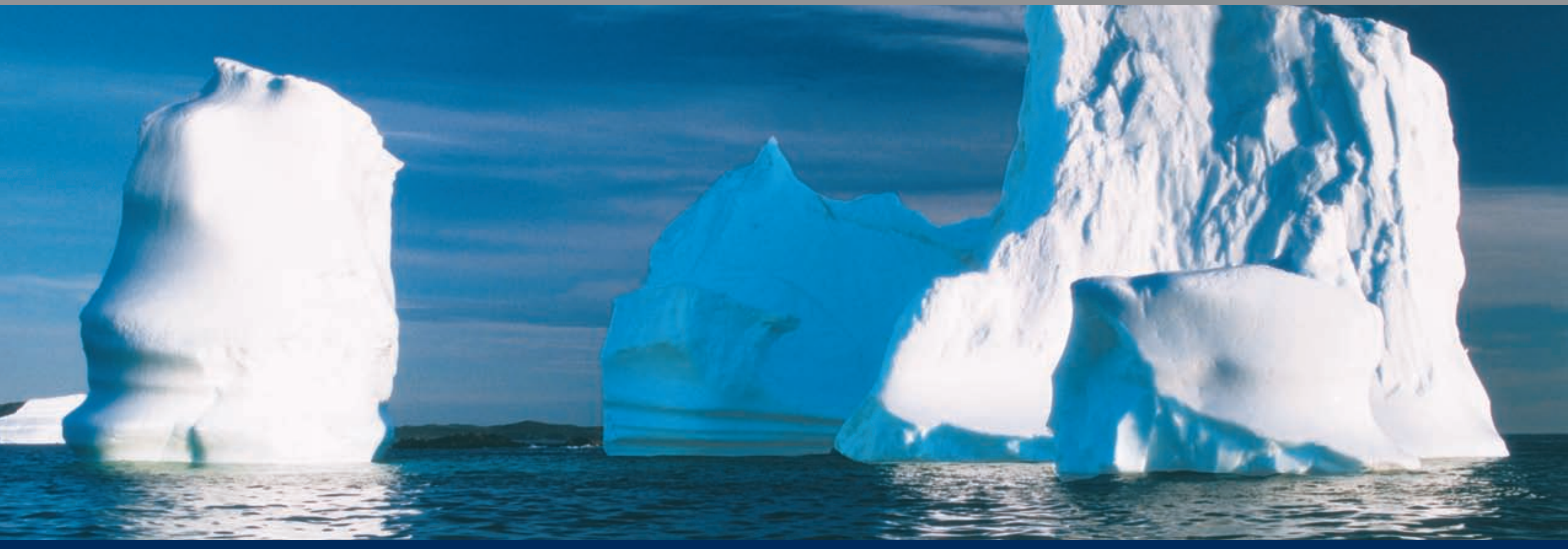
- Humane harvesting practices are supported by all industry stakeholders and are strictly enforced.
- Veterinary experts have confirmed that seals are harvested in a humane manner.
- It is illegal to harvest white coats and bluebacks.

is Sustainable

- The number of seals allowed to be harvested is based on scientific evidence and sound conservation principles.
- Since the 1970s, the harp seal population has more than doubled and currently stands at 5.4 million animals.

is a Significant Source of Income

- The seal harvest provides annual employment income for over 6,000 people in Newfoundland and Labrador, most of whom live in rural areas, where few economic alternatives exist.
- For many individuals, income derived from sealing represents over 25 percent of their income.
- In 2006, the harvest generated approximately $30 million in landed value and contributed approximately $55 million to the provincial economy.



2006 Initiatives

The Department of Fisheries and Aquaculture continued with a number of major initiatives in 2006 to strengthen the fisheries and aquaculture sectors. These include:

- ***Fishing Industry Renewal:*** Both the federal and provincial governments, in consultation with industry, began an industry renewal process. Results of the work are expected in time for the 2007 season.
- ***Fish Price Setting Panel:*** Government implemented most of the recommendations of the Raw Material Sharing (RMS) Review Committee in 2006, including the establishment of a standing Fish Price Setting Panel. The Panel has the authority to set fish prices when harvesters and processors are unable to agree. This ensures that the season commences on time, helps bring stability to the industry, and, thereby provides a predictable supply of quality seafood to our customers world-wide.
- ***Aquaculture Expansion:*** Major developments occurred in the aquaculture sector. This sector saw substantial private sector investments in 2006, with major projects initiated by Cooke Aquaculture and the Barry Group that should see production triple over the next few years.
- ***Expansion of Marketing Efforts:*** Government expanded its trade show participation in 2006 and is looking at further expansion of activity in 2007. As well, a number of international development activities occurred including meetings with the Fisheries Committee of the European Union Parliament, meetings with senior commission staff and meetings promoting provincial seafood products.
- ***Developments in NAFO:*** Internationally, progress was made on the NAFO file as stronger conservation and enforcement measures were adopted. The Department participated on the NAFO Reform Working Group and at the NAFO annual meeting. NAFO has also agreed to a binding dispute settlement procedure which will limit the use of the objection procedure. This should be a positive development.
- ***Cod Recovery Plan:*** In partnership with DFO and Memorial University, the Government of Newfoundland and Labrador committed $1.5 million to implement the Cod Recovery Implementation Plan.
- ***Technology and Diversification:*** Initiatives related to research and development continued throughout the year. Projects focused on technology development and the identification of new fisheries opportunities. Project funding increased to $700,000 in 2006 from $450,000 in 2005.
- ***Enforcement and Compliance Measures:*** The Department continued to improve its quality control measures in 2006. Audits of fish processing facilities were conducted to ensure compliance with the Act and associated regulations. In addition, over 6,000 inspections were conducted. As well, three new inspection supervisory positions were hired as part of the Department's overall quality assurance plan.

Outlook for 2007

Capture Fishery

Moderate gains are expected in the seafood sector in 2007. Landings should be on par with 2006, or rise slightly, while overall value is expected to increase. The crab and shrimp resources appear to be healthy and are likely to remain near 2006 harvest levels. Prices appear to have stabilized for shrimp, and low inventories of snow crab signal a price increase for 2007. The export value is projected to increase because of higher market prices. Overall, industry returns are predicted to rise as a result of a more positive market outlook.

The industry will remain challenged by exchange rate pressures and the supply of raw material from other jurisdictions. Capelin, herring and mackerel landings will be driven by market factors. High landings in other regions will likely depress prices and this will limit local supply. Groundfish landings and value are expected to increase. Quotas left in the water in 2006, due to a labour dispute, are expected to be harvested in 2007.

The European Union will remain an important and challenging market. The ATRQ for cooked and peeled shrimp is expected to remain at 10,000 tonnes or potentially rise in 2007. Competition from warmwater shrimp species is expected to continue to affect consumer demand for coldwater shrimp and this will, in turn, challenge producer margins. High tariffs on other species such as groundfish and mussels will continue to limit market access to Canadian processors. New market opportunities are expected to grow in developing economies. China is expected to remain a significant market for local product as processors take advantage of new opportunities.

Aquaculture Sector

The aquaculture sector is expected to continue to expand in 2007. Continued growth in the salmonid sector is anticipated, while mussel production is expected to remain on par with current levels. Strong markets are expected, and product prices are projected to be similar to 2006 figures.

The salmonid aquaculture industry projects steady growth in 2007 and expects that production figures could double by 2008. Additional industry infrastructure including hatcheries, docking facilities, and processing capacity will be required as the industry develops.

The mussel industry expects an increase of 10 percent annually in collection gear being deployed from 2007 and beyond. As the production increases, restricted access to larger sites may limit further growth. As well, marine infrastructure and product handling capacity will need to expand.

Cod aquaculture has not reached commercialization. Efforts continue to develop a cod aquaculture demonstration farm. Private sector investment and local expertise will be required to further advance cod aquaculture in the province.

Bay d'Espoir, NL
Photo by Elizabeth Barlow

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