Newfoundland Labrador

2007
Seafood Industry
Year In Review

Department of Fisheries and Aquaculture

MESSAGE FROM THE MINISTER

I am very pleased to present the Seafood Industry Year in Review for 2007. This review highlights key information pertaining to our province's fishing and aquaculture sectors. The seafood industry continues to be a major contributor to the provincial economy and a most important employer to rural communities.

In 2007, the Newfoundland and Labrador seafood industry recorded an historically strong performance, surpassing $1 billion in production value. It was a particularly successful year for snow crab and shrimp. The landed value of snow crab increased by 70 percent and the landed value of shrimp increased by 14.9 percent.

Our government has undertaken many initiatives in 2007 to ensure the seafood industry remains economically viable and internationally competitive. In 2007, the province committed $15 million over three years for Fishing Industry Renewal initiatives such as enhanced marketing, and research and development. Binding agreements were also concluded in 2007 related to the sale of the assets of FPI. These agreements provide an unprecedented commitment that adjacent fish will be brought ashore for the benefit of people in this province.

Budget 2007 contained provisions for the construction of a new aquatic veterinarian diagnostic facility in St. Alban's. This facility will bring the provincial aquaculture sector into a new era of bio-security, ensure its continued expansion and assist in attracting international investment.

The department has achieved much success in expanding its seafood marketing efforts into key global markets such as Russia and China. In 2008, we will continue to explore innovative ways to develop further opportunities for our seafood products throughout the world.

Honourable Thomas G. Rideout, M.H.A.
Baie Verte-Springdale District
Minister of Fisheries and Aquaculture

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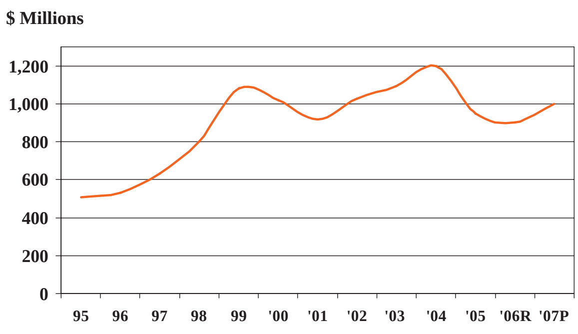
SEAFOOD INDUSTRY Performance 2007

Newfoundland and Labrador's seafood industry contributed significantly to the provincial economy in 2007 generating direct employment for approximately 25,000 residents. In spite of challenges, such as an appreciation of the Canadian dollar, competition from low-cost producers and high tariffs, production value exceeded $1 billion.

Production Value
Newfoundland and Labrador



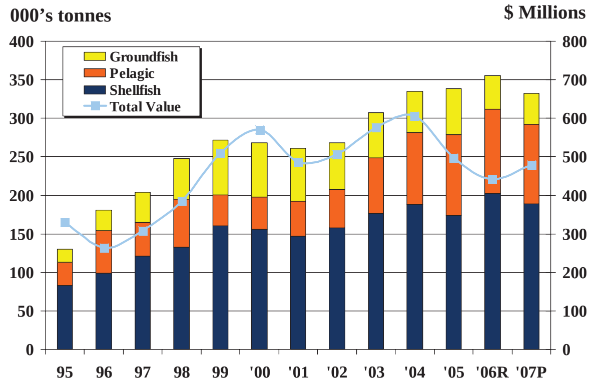
Source: DFA and DFO

R = Revised: P = Preliminary

CAPTURE FISHERIES

Overall landings decreased by 6.5 percent to 332,592 tonnes from 355,527 tonnes in 2006. Landed value, however, was up by 8.4 percent in 2007 to $478.7 million from $441.6 million in 2006. Increased shellfish landed values in 2007 more than offset lower landed values of groundfish, pelagics and seals.

Fish Landings by Species Group
Newfoundland and Labrador



Source: DFO and DFA

R = Revised: P = Preliminary

Shellfish

In 2007, shellfish landings decreased by 6.5 percent to 189,158 tonnes from 202,262 tonnes in 2006. This decrease is attributed to lower landings in all shellfish except snow crab and shrimp. The corresponding landed value of shellfish, however, increased by 22 percent to $382.9 million in comparison to $313.9 million in 2006. Higher harvesting prices for snow crab contributed significantly to the increased shellfish landed value.

Snow Crab

Snow crab landings increased by 6.2 percent to 50,165 tonnes from 47,238 tonnes in 2006. The corresponding landed value for snow crab increased significantly by 70 percent to $171.2 million from $100.7 million in 2006. Average prices paid to harvesters were approximately $1.55 per pound compared to $0.97 in 2006.

Landed Volume and Value
Newfoundland and Labrador

Species Group	2006 Revised		2007 Preliminary		2006/2007 Comparison	
	Volume (tonnes)	Value ($'000's)	Volume (tonnes)	Value ($'000's)	% Volume	% Value
Groundfish						
Cod	17,050	$19,706	17,567	$22,980	3.0%	16.6%
Redfish	6,476	$4,113	2,453	$1,618	-62.1%	-60.7%
American Plaice	714	$498	1,002	$700	40.3%	40.5%
Yellowtail Flounder	191	$152	3,601	$2,417	1785.3%	1487.6%
Greysole/Witch	743	$641	572	$499	-23.0%	-22.1%
Turbot	11,265	$28,912	9,783	$19,389	-13.2%	-32.9%
Pollock	841	$431	1,029	$522	22.4%	21.1%
Hake	2,047	$1,409	1,718	$1,193	-16.1%	-15.3%
Monkfish	1,161	$1,982	277	$477	-76.1%	-76.0%
Skate	1,156	$333	1,237	$364	7.0%	9.3%
Other	2,117	$7,124	1,266	$4,333	-40.2%	-39.2%
Total Groundfish	**43,761**	**$65,301**	**40,505**	**$54,493**	**-7.4%**	**-16.6%**
Pelagics						
Herring	24,927	$5,079	22,559	$4,626	-9.5%	-8.9%
Mackerel	44,183	$14,565	44,041	$14,272	-0.3%	-2.0%
Capelin	39,946	$11,244	35,973	$10,143	-9.9%	-9.8%
Other	448	$1,087	355	$873	-20.8%	-19.7%
Total Pelagics	**109,504**	**$31,975**	**102,928**	**$29,914**	**-6.0%**	**-6.4%**
Shellfish						
Clams	20,804	$25,402	18,442	$22,241	-11.4%	-12.4%
Scallops	2,342	$3,346	620	$946	-73.5%	-71.7%
Squid	6,879	$2,900	0	$0	-100.0%	-100.0%
Lobster	2,644	$29,138	2,581	$29,812	-2.4%	2.3%
Shrimp	106,456	$134,963	115,605	$155,088	8.6%	14.9%
Snow Crab	47,238	$100,683	50,165	$171,179	6.2%	70.0%
Other Shellfish	15,899	$17,454	1,745	$3,673	-89.0%	-79.0%
Total Shellfish	**202,262**	**$313,886**	**189,158**	**$382,940**	**-6.5%**	**22.0%**
Seals (#)	296,816	$30,455	205,267	$11,374	-30.8%	-62.7%
TOTAL	**355,527**	**$441,620**	**332,592**	**$478,720**	**-6.5%**	**8.4%**

Fishing Industry Employment

Sector	2006	2007	Percent Change
Harvesting (#)	13,090	12,725	-2.80%
Processing (#)*	12,550	12,080	-3.70%
Total (#)	25,640	24,805	-3.30%

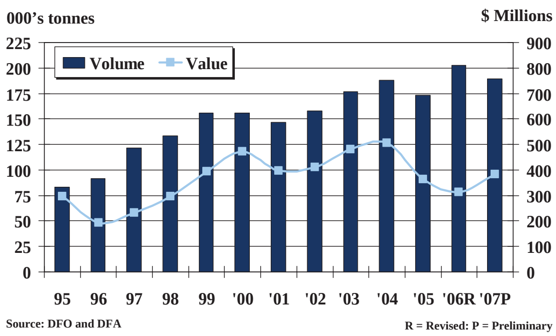
Source: Professional Fish Harvesters Certification Board, DFO and DFA

* Based on DFA annual Plant Survey

Triton, NL
Photo by Paul Paddle


Harbour Breton, NL
Photo by Trevor Thomas

Shellfish Landings
Newfoundland and Labrador



Shrimp

The shrimp fishery is prosecuted by two main fleets: the inshore wetfish fleet (<65 foot) and the offshore factory freezer trawlers. The inshore fleet lands fresh shrimp for the cooked and peeled market while the offshore trawlers mainly harvest and process at sea.

Shrimp landings increased by 8.6 percent to 115,605 tonnes from 106,456 tonnes in 2006. The associated landed value was up 14.9 percent to $155.1 million from $135 million in 2006.

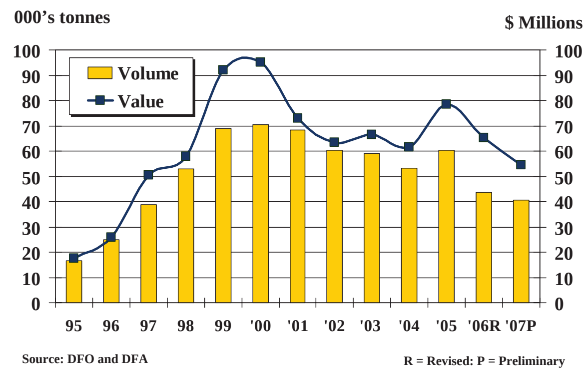
Other Shellfish

Landings of clams declined by 11.4 percent to 18,442 tonnes from 20,804 tonnes in 2006. Scallop, cockle and whelk landings declined significantly due to less fishing effort.

Groundfish

Groundfish landings and associated landed value fell in 2007. Landings were down by 7.4 percent to 40,505 tonnes from 43,761 tonnes in 2006. The landed value for groundfish declined 16.6 percent to $54.5 million from $65.3 million in 2006.

Groundfish Landings
Newfoundland and Labrador

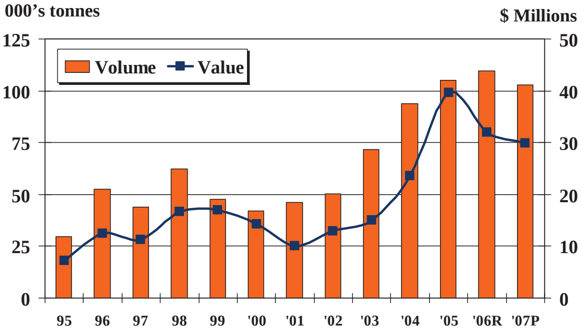


The significant decline of redfish landings from 6,476 tonnes in 2006 to 2,453 tonnes in 2007 contributed to the lower overall landings. Turbot landings decreased by 13.2 percent to 9,783 tonnes from 11,265 tonnes in 2006. Landed value of turbot decreased by 32.9 percent to 19.4 million from 28.9 million in the previous year. Cod landings, however, increased by 3 percent from 17,050 tonnes in 2006 to 17,567 tonnes in 2007. The associated landed value of cod increased by 16.6 percent from $19.7 million in 2006 to approximately $23 million in 2007.

Pelagics

Pelagic landings decreased by 6 percent to 102,928 tonnes from 109,504 tonnes in 2006. Both capelin and herring landings decreased by 9.9 percent and 9.5 percent respectively from the previous year due to low resource availability. Mackerel landings remained on par with 2006. Overall, the value of pelagics fell by 6.4 percent to $29.9 million from approximately $32 million in the previous year.

Pelagic Landings
Newfoundland and Labrador



Source: DFO and DFA
R = Revised: P = Preliminary

Seals

Due mainly to pack ice conditions, seal landings declined by 30.8 percent to 205,267 from 296,816 in 2006. The landed value declined by 62.7 percent to $11.4 million from $30.5 million, due to a substantial decline in landings and a decrease in pelt prices. Prices to sealers were $55 per pelt compared to $102 per pelt in 2006.

AQUACULTURE SECTOR

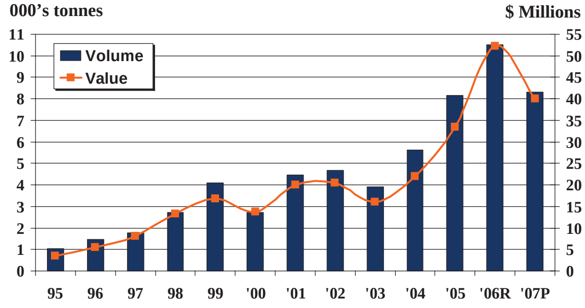
Newfoundland and Labrador's aquaculture industry produces mainly salmonids, (Atlantic salmon and steelhead trout) and blue mussels. In 2007, a small quantity of cod was produced and marketed locally. Stakeholders anticipate growth in this sector over the next few years.

Aquaculture Industry Profile Newfoundland and Labrador 2007	
Aquaculture Production	8,300 tonnes
Export Value	$40 million
Commercial Site Licences:	
Mussels	54
Salmonids	45
Employment (number)	405
* Estimate based on direct industry employment.	

Source: DFA | Preliminary

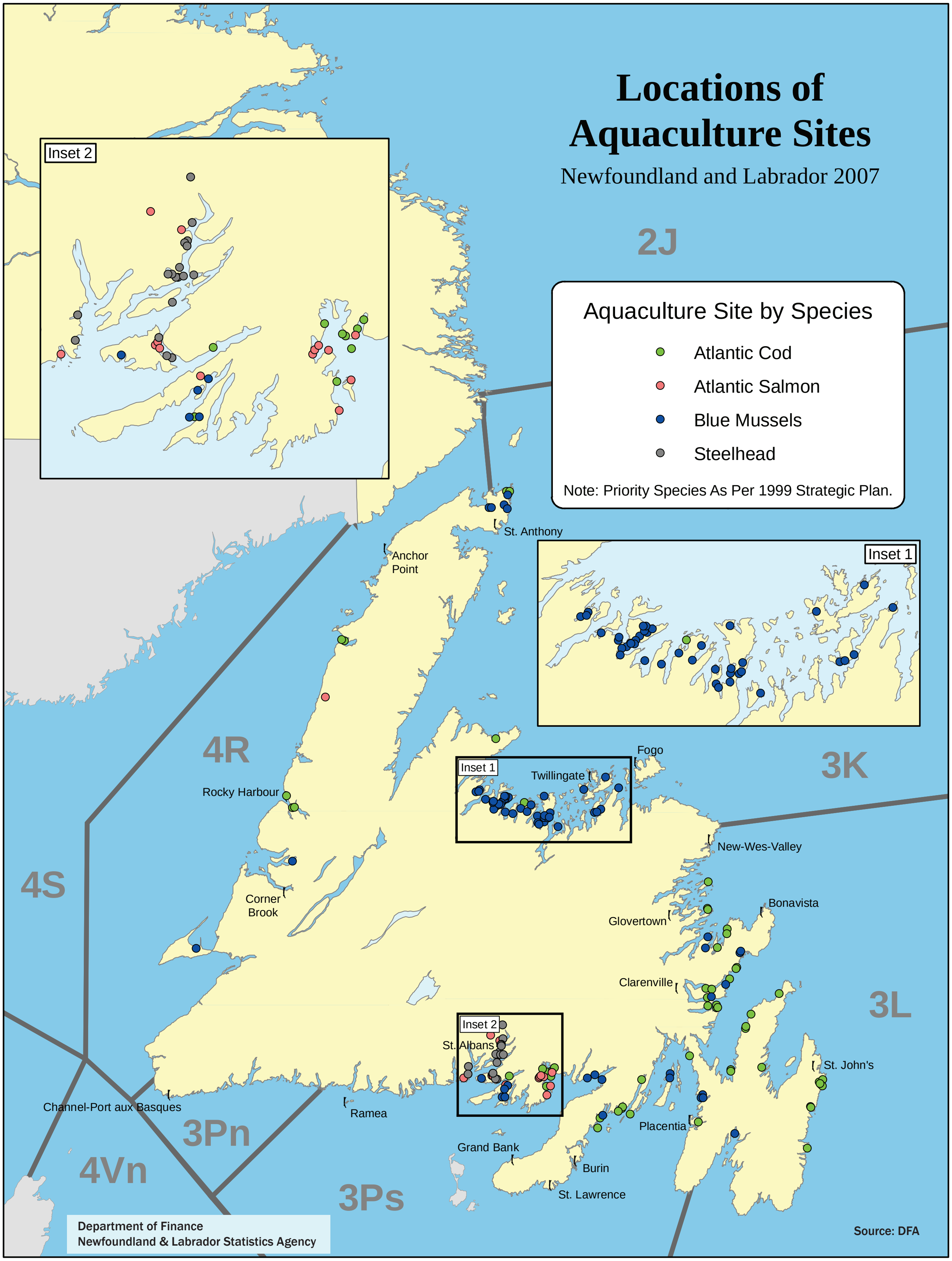
In 2007, production volume fell by 21 percent to 8,300 tonnes from 10,500 tonnes in 2006. This was due to a change in harvesting schedules in the salmonid sector. Export value decreased by 23.5 percent to $40 million from $52.3 million in 2006. The decrease in value is due to both a decline in production volume and an appreciation of the Canadian dollar.

Aquaculture Production
Newfoundland and Labrador



Source: DFA
R=Revised: P=Preliminary

Hermitage Bay, NL
Photo by Chris Hendry


Locations of Aquaculture Sites
Newfoundland and Labrador 2007
Aquaculture Site by Species
Atlantic Cod
Atlantic Salmon
Blue Mussels
Steelhead
Note: Priority Species As Per 1999 Strategic Plan.
Inset 1
Inset 2
2J
3K
3L
4R
4S
3Pn
4Vn
3Ps
St. Anthony
Anchor Point
Fogo
Twillingate
Rocky Harbour
New-Wes-Valley
Corner Brook
Bonavista
Glovertown
Clarenville
St. Albans
St. John's
Channel-Port aux Basques
Ramea
Placentia
Grand Bank
Burin
St. Lawrence
Department of Finance
Newfoundland & Labrador Statistics Agency
Source: DFA

SPECIAL DISCUSSION

AQUATIC INVASIVE SPECIES:

The Impact on Marine and Freshwater Ecosystems

The introduction and spread of non-native species in marine and freshwater environments is a world-wide problem that is increasing in frequency. Aquatic Invasive Species (AIS) are introduced by ballast water from shipping, as hitch hikers on boat hulls/trailers and in shellfish transfers. AIS can cause extensive damage to marine and freshwater ecosystems and the economies which depend on them.

Through its Aquatic Invasive Species Monitoring Program, introduced in 2005, the Department of Fisheries and Aquaculture (DFA), in collaboration with Fisheries and Oceans Canada (DFO), has identified and confirmed four AIS to date.

1) Photo by Derek Mouland, DFA

1) The Coffin Box Ectoproct was found in Merasheen Island, Placentia Bay in 2005.

It grows on kelp and has devastated kelp beds on both the west and southwest coasts of Newfoundland. Since 2005, this species has been found island-wide including coastal Labrador.

2) Photo by Terri Baines, DFO

2) The Golden Star Tunicate was found in Argentia, Placentia Bay in 2006.

In the Maritime Provinces, this colonial tunicate is one of four species of tunicate that has had minimal impact on the mussel aquaculture industry. Its potential impact in Newfoundland and Labrador is unknown and DFA has worked with the federal government to restrict movement of tunicates with mussel transfers.

3) Photo by Luis A. Solórzano (Cali forniabiota.com)

3) The Violet Tunicate was discovered in Belleoram, Fortune Bay in 2007.

This colonial tunicate has had both an ecological and economical impact on the mussel aquaculture industry in the Maritime Provinces. DFA is working, in collaboration with DFO and the Newfoundland and Labrador Aquaculture Industry Association, to assess the potential impact in Newfoundland and Labrador and to provide strategies to mitigate and possibly eradicate these two species of tunicates.

4) Photo by Derek Mouland, DFA

4) The European Green Crab was discovered in North Harbour, Placentia Bay in 2007.

This particular species preys upon small wild and cultured bi-valve shellfish such as soft shell clams, bar clams, surf clams, oysters and mussels. The European Green Crab will aggressively compete with other crabs and lobster for food, and there is evidence it will prey upon juvenile lobsters. This crab may also cause damage to eels. Its potential impact in Newfoundland and Labrador is unknown since it has only recently been discovered.

DFA works with the federal government, other provinces and the fishing industry to ensure the impact of AIS on Newfoundland and Labrador's marine and freshwater ecosystems is minimal. DFA continues to be vigilant in AIS monitoring, risk assessments and providing information to industry to ensure the Province is prepared for new AIS introductions.

Old Perlican, NL
Photo by Paul Paddle

PRODUCTION OVERVIEW

In 2007, one hundred and forty-three fish processing facilities (113 primary, 10 secondary, 5 aquaculture and 15 retail) operated in our province, employing over 12,000 individuals. Production decreased by 6.9 percent to 193,824 tonnes from 208,281 tonnes in 2006. Production value, however, was higher due to higher market prices for both snow crab and shrimp.

Shellfish processing declined as a result of lower landings in shellfish, excluding snow crab and shrimp. Production of U.S. snow crab sections increased by 16 percent to 19,759 tonnes from 17,030 tonnes in 2006. Japanese snow crab sections, however, declined by 9.7 percent to 9,743 tonnes from 10,788 tonnes in 2006. U.S. and Japanese snow crab sections combined accounted for 15.2 percent of total production in 2007. Production of cooked and peeled shrimp increased by 10.1 percent to 28,326 tonnes from 25,721 tonnes in 2006. Cooked and peeled shrimp accounted for 14.6 percent of total production in 2007.

Groundfish processing declined as a result of reductions in turbot and redfish landings. Pelagic processing also declined marginally due to decreased capelin landings. Mackerel, round frozen, accounted for 19 percent of total production in 2007. Female capelin and male capelin accounted for 7.1 percent and 5.7 percent respectively of total production in 2007.

Production Volume
Newfoundland and Labrador

PRODUCT TYPE	2006R (tonnes)	2007P (tonnes)	% Change	2007 % of Total
Mackerel, Round Frozen	36,030	36,911	2.4%	19.0%
Crab, U.S. Sections	17,030	19,759	16.0%	10.2%
Crab, Japanese Sections	10,788	9,743	-9.7%	5.0%
Shrimp, Cooked and Peeled	25,721	28,326	10.1%	14.6%
Capelin, Female	15,759	13,849	-12.1%	7.1%
Capelin, Male	12,520	11,010	-12.1%	5.7%
Herring, Round Frozen	5,123	6,471	26.3%	3.3%
Cod, Heavy Wet Salted	3,426	3,683	7.5%	1.9%
Other	81,884	64,072	-21.8%	33.1%
Total	**208,281**	**193,824**	**-6.9%**	

Source: DFA

R=Revised: P=Preliminary


Licensed Fish Processing Plants 2007
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)
Griquet
L'Anse-au-Loup
St. Anthony
Anchor Point(2)
New Ferrole
Conche
Port au Choix
River of Ponds
Fleur de Lys
La Scie
Cow Head
Baie Verte
Fogo
Jackson's Arm(2)
Twillingate
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
Carbonear(2)
Bay Roberts(3)
Port de Grave(2)
New Harbour(2)
Arnold's Cove
St. Alban's
Codroy
St. John's(3)
Ship Harbour
Dildo South(3)
Channel-Port Aux Basques(2)
Burnt Islands
Burgeo(2)
Ramea
Harbour Breton
Witless Bay
Marystown
Grand Bank(2)
Fermeuse
Burin
St. Bride's
St. Mary's
St. Lawrence
Department of Finance
Newfoundland & Labrador Statistics Agency
source: DFA

Fresh Seafood destined for Europe
Photo by David Lewis

TRADE

Tariff and non-tariff barriers continue to impede access to key seafood markets. The Department of Fisheries and Aquaculture (DFA) ensures the province's seafood industry's views are represented at international forums such as the World Trade Organization (WTO) and bilateral trade negotiations to address these barriers. Also, DFA works with industry to develop trade opportunites such as recent missions to China and Russia.

Tariffs

Tariffs remain a major barrier to the future growth of the province's seafood industry. The European Union (EU) maintains very high tariffs on groundfish, pelagics, shrimp and mussels. In addition, some competitors have preferential market access into the EU which hinders our producers' ability to compete. The province also faces high tariffs in China and Russia.

European Union ATRQ

The 2007-2009 EU Autonomous Tariff Rate Quota (ATRQ) provides Newfoundland and Labrador producers with tariff relief. Under this ATRQ, 20,000 tonnes of cooked and peeled shrimp may enter the EU at a reduced rate of 6 percent, as opposed to the usual 20 percent. Also, a change to the end-use restrictions allowing modified atmospheric packaging (MAP) is expected to open the market to new customers. DFA and industry work closely to have the ATRQ changed. This has included a high level ministerial visit to the EU Commission.

EU Bans of Seal Products

In 2007, both Belgium and the Netherlands passed legislation banning the importation of seal products. Other European countries are considering similar bans. This type of ban violates international trade obligations under WTO. The seal hunt is based on humane and sustainable harvesting practices. The Government of Canada attended WTO consultations in 2007 to address these bans.

Air Transport Service between Newfoundland and Labrador and Europe

DFA provided assistance to industry through a logistics company (Fly Fresh Freight Inc.) to develop an air freight service for fresh seafood to Europe. When fully implemented, Newfoundland and Labrador producers will have an opportunity to market products in Europe utilizing this service.

Eco-labels

Eco-labels are becoming widely acknowledged as companies and customers are increasingly concerned over whether the products they purchase are from sustainable resources. In 2008, the Canadian coldwater shrimp fishery is expected to receive Marine Stewardship Council (MSC) accreditation.

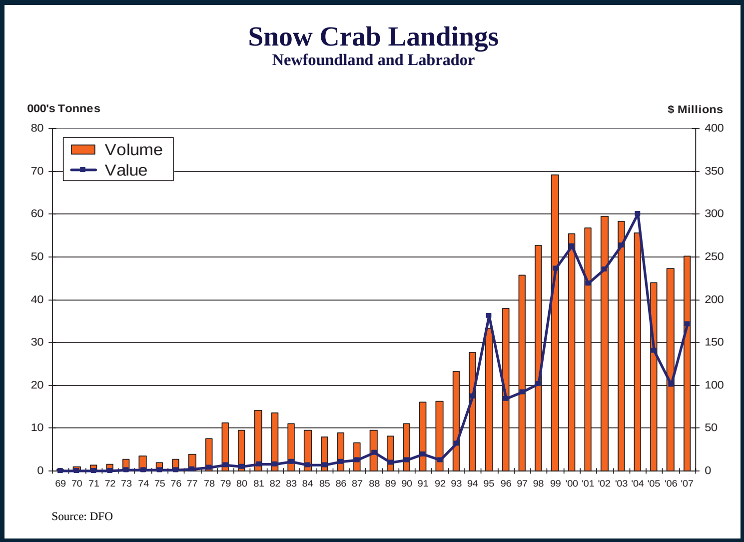
SPECIAL DISCUSSION

SNOW CRAB:
CELEBRATING 40 YEARS

In 2007, snow crab celebrated its 40th anniversary as an industry in Newfoundland and Labrador. To commemorate this milestone, the Department of Fisheries and Aquaculture hosted a gala dinner which was attended by over 300 industry veterans. Snow crab has evolved to become one of the most important fisheries in the provincial economy.

Harvesting

The industry began in 1967 in Trinity Bay. Initially, snow crab was caught by gill-net fishermen in the 1960s as by-catch. However, within several years a directed trap fishery developed. By 1985, there were 402 licenses (67 full-time, 335 supplementary). The industry expanded rapidly after the collapse of the cod fishery. The decline in the Northern cod and other groundfish stocks is believed to have had a positive impact on the recruitment to the snow crab fishery. In 1988, supplementary permits were issued and the number of total licenses and permits expanded from approximately 700 in 1989 to over 3,000 by 1997. In 2007, there were over 3,400 licenses.



In 1999, landings peaked at 69,120 tonnes. Landed value peaked in 2004 at $300.7 million. In 2007, landings were 50,165 tonnes and landed value was $171.2 million.

Processing

In 1967, Ed and Max Janes of P. Janes and Sons Limited began looking into the potential of snow crab. In the same year, the company hired the husband and wife team of Sam and Jessie Simpson from British Columbia to develop a production line in its plant at Hant's Harbour. The industry developed throughout the 1970s and by 1978 there were 8 plants processing crab. By 1983 there were 17 plants and by 1995 there were 21 plants. In 2007, 36 plants processed snow crab.

Since the 1970s, Newfoundland and Labrador producers have won gold medals for the production of quality snow crab meat. These include Lake Group Limited (1971) and Atlantic Queen Seafoods Limited (1983). In 1993, there was a movement from production of canned meat and combo packs to the production of primarily sections. In 2007, sections accounted for approximately 90 percent of production.

Markets

Newfoundland and Labrador exports over ninety percent of its snow crab to the United States and China. The majority of snow crab exported to China is reprocessed for the Japanese market.

Photo by Darrell Sharpe

40th anniversary

Hickman's Harbour, NL
Photo by Darrell Sharpe

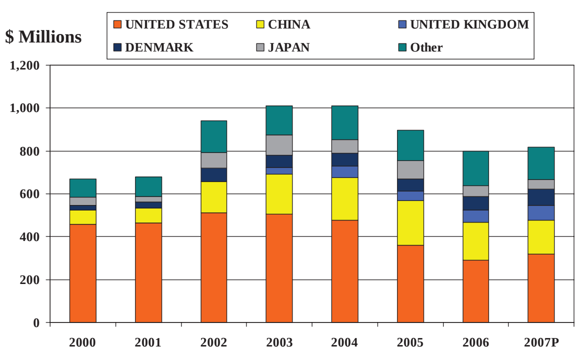
MARKET OVERVIEW

The United States and China continued to be the province's largest seafood markets in 2007 accounting for 39.1 percent and 19 percent respectively of export value. Other key markets included Denmark, United Kingdom and Japan which accounted for 9.3 percent, 8.5 percent and 5.4 percent respectively. These top five markets accounted for 81.3 percent of the province's export value. The remaining 18.7 percent was exported to over 45 countries.

Exchange rates remained a major issue in 2007. Newfoundland and Labrador exporters to the United States, in particular, registered considerable declines on their returns from seafood sales. In the fall of 2007, the Canadian dollar surpassed parity with the United States dollar. This appreciation of the Canadian dollar, relative to the U.S. dollar, negatively affected profit margins on all products traded in exchange for U.S. currency.

Seafood Export Value by Major Destination

Newfoundland and Labrador

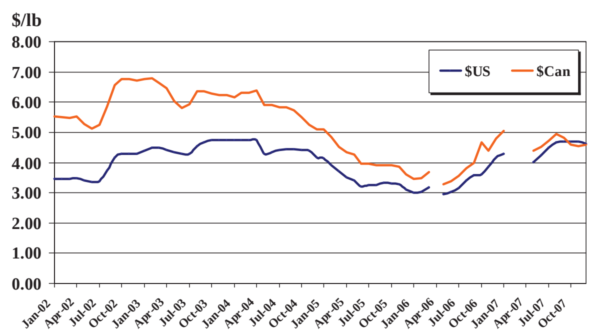


Source: Statistics Canada
P = Projected

Snow Crab

Market prices for snow crab increased substantially in 2007 compared to 2006. According to Urner Barry Publications, the average price for 5-8 ounce sections in 2007 increased by 33.6 percent to USD $4.49 from USD $3.36 in 2006. The exchange rate, however, impacted negatively on producers' margins in Canada.

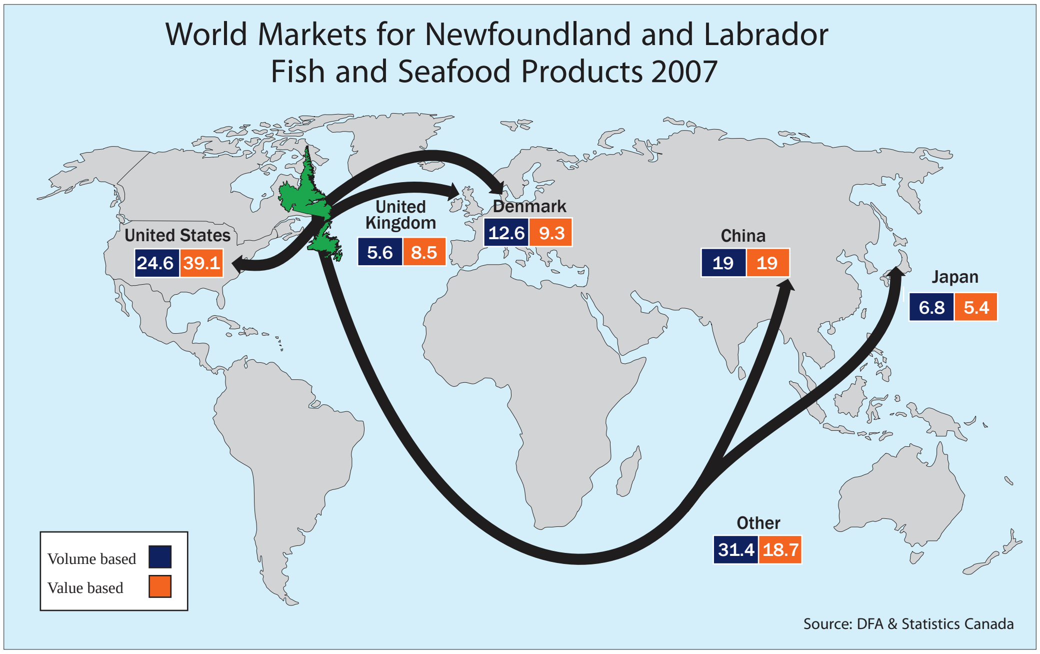
Monthly Prices for Frozen Snow Crab Sections (5-8) ounce



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

Shrimp

Shrimp prices remained relatively stable in 2007 and markets were able to absorb available supplies. The European Union (EU) continues to be a major market for cooked and peeled coldwater shrimp. The increase in the EU ATRQ to 20,000 tonnes bodes well for Newfoundland and Labrador producers.



RESOURCE STATUS

The Total Allowable Catch (TAC) for selected species is set and regulated by the federal government through the Department of Fisheries and Oceans. Most key shell-fish stocks remain healthy. Most ground-fish stocks appear stable at low levels with the exception of yellowtail flounder on the Grand Banks which has fully recovered.

Total Allowable Catch (tonnes)

Species Group	2006	2007
Groundfish Stocks		
3Ps Cod	13,000	13,000
3Pn 4RS Cod	6,000	7,000
Redfish Unit 2	8,500	8,200
NAFO Stocks		
2+3KLMNO Turbot (CAN 36%)	18,500	16,000
3LNO Yellowtail Flounder (CAN 97.5%)	15,000	15,500
3O Redfish (CAN 30%)	20,000	20,000
Pelagic Stocks		
Herring	29,750	30,400
Mackerel (Atlantic Wide)	75,000	75,000
Capelin	41,600	41,600
Shellfish Stocks		
Crab	46,233	47,663
4R (Gulf) Shrimp (Atlantic Wide)	9,350	9,350
Northern Shrimp		
- inshore	64,000	64,000
- offshore/special allocations (Atlantic Wide)	102,500	102,500

Source: DFA & DFO

Snow Crab

The TAC was set at 47,663 tonnes in 2007, up 3.1 percent from 46,233 tonnes in 2006.

The entire crab quota was caught in 2007, similar to 2006. The snow crab resource is expected to be relatively stable over the next few years with some possible growth in the northern areas.

Northern Shrimp

The Northern shrimp resource, which extends from the Grand Banks to the Davis Strait, appears healthy. Biomass estimates in the southern areas continue to be at historical high levels. In 2007, Northern shrimp landings by the Newfoundland and Labrador inshore and offshore sectors reached approximately 110,000 tonnes. The inshore fleet landed 58 percent of the overall total.

Gulf Shrimp

The Newfoundland and Labrador fleet fish in the Esquiman Channel portion of the Gulf of St. Lawrence. The fleet's TAC of 6,140 tonnes was taken in 2007. This stock is stable at a healthy level.

Square Islands, NL
Photo by Wanda Wiseman

Cod

The offshore portion of the 2J3KL cod stock has remained under a fishing moratorium since 1992. A limited inshore fishery was conducted from 1998 to 2002 and again in 2006 and 2007. It appears some recovery has occurred in the inshore areas of the southern range of the stock. The overall stock, however, remains at a very low level, particularly in the offshore.

The TAC for 3Ps cod was set at 15,000 tonnes from 2001 until 2006 when it was adjusted down to 13,000 tonnes based on scientific information. The TAC remained at 13,000 tonnes for 2007.

In 2003, the 4RS3Pn cod stock was placed under moratorium for one year, as scientific evidence indicated the stock was declining. The fishery reopened in 2004 with a TAC set at 3,500 tonnes. The TAC was increased to 6,000 tonnes in 2006, following signs of recovery. In 2007, the TAC was increased once again to 7,000 tonnes.

Unit 2 Redfish

Unit 2 redfish is located on the south coast of the island and parts of the Laurentian Channel. Newfoundland and Labrador fleets traditionally harvest between 35 and 40 percent of the Unit 2 redfish TAC. The stock has been relatively stable over the past 12 years with little growth due to poor recruitment. The TAC for 2007 was set at 8,200 tonnes.

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 place in 2002. The reduction was in response to a dramatic decline in the stock and the establishment of a four-year rebuilding plan. The 2007 TAC, under the rebuilding plan, was set at 16,000 tonnes. The TAC will remain at 16,000 tonnes in 2008. Canada's allocation is 36 percent of the quota.

3LNO Yellowtail

The yellowtail flounder resource in 3LNO has experienced growth in the past few years. The 2007 TAC was set at 15,500 tonnes and will remain at this level in 2008. Stock indicators continue to be positive, and this stock is considered to have recovered to levels of the 1980s. Canada's allocation is 97.5 percent of the quota.

Other Groundfish

All other NAFO-managed straddling groundfish stocks remain under moratoria. These stocks are: 3NO cod, 3NO witch flounder, 3LNO American plaice and 3LN redfish.

SPECIAL DISCUSSION

THE IMPACT OF EXCHANGE RATES

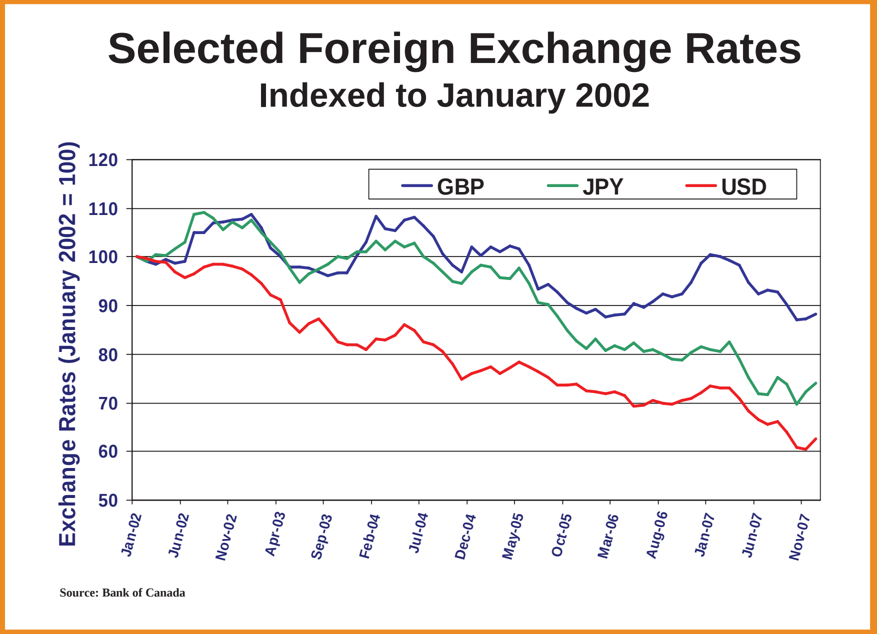
on the Newfoundland and Labrador Seafood Industry

Newfoundland and Labrador is a net exporter of seafood products and, as such, is subject to fluctuating exchange rates. An appreciation of the Canadian dollar against other currencies results in seafood exports from the province becoming relatively more expensive.

The appreciation of the Canadian dollar against the U.S. dollar began in 2002 and this trend has continued through to 2007. In the fall of 2007, the Canadian dollar reached a high by hitting and surpassing parity with the United States dollar. In 2007, the U.S. exchange rate averaged $1.07 compared to $1.57 in 2002. This results in a decline of almost 32 per cent, or a net loss of 50 cents on each U.S. dollar of sales.

The United States is the province's largest seafood export market accounting for 39.1 per cent of 2007 export value. China was the second largest market accounting for 19 percent. China's currency is fixed to the U.S. dollar. Therefore, when the Canada-U.S. exchange rate falls, so do the returns from seafood sales to both the United States and China.

To quantify the negative impact of the appreciation of the Canadian dollar against the U.S. dollar on the seafood industry, 2007 seafood exports are expressed at 2002 currency levels. In 2007, seafood products sold in exchange for U.S. currency totaled approximately $500 million. If 2002 exchange rates were applied to 2007 products, the value of these sales would have been $785 million compared to $535 million at 2007 exchange rates (a net loss of $250 million). This fall in the U.S. dollar against the "loonie" is effectively pricing Newfoundland and Labrador seafood producers out of the U.S. market forcing them to look to Europe and other non-traditional markets.



Similarly, any rise in the Canadian dollar against other currencies will also negatively impact returns on sales in these countries. Other major markets include Denmark, the United Kingdom, and Japan. In 2007, the United Kingdom and Japan accounted for 8.5 and 5.4 percent respectively of the province's seafood export value.

Despite these adverse exchange rate pressures market prices for some species have remained high. This, coupled with the expanding European market, has kept production value relatively high and allowed the industry to avoid a potentially detrimental financial situation caused by unfavourable currency exchanges. This does not mean, however, that the industry is safe from the perils of exchange rate pressures. Economic forecasts suggest that the strength of the Canadian dollar is likely to continue into 2008. This will put pressure on Newfoundland and Labrador seafood producers to lower prices and seek new markets in order to remain competitive.

2007 INITIATIVES

Major initiatives by the Department of Fisheries and Aquaculture (DFA) in 2007 included:

- ***Fishing Industry Renewal:*** The province has invested $15 million directly into renewal initiatives; plus an estimated $25 million for the new capital gains measures announced by the federal government. The provincial government is also assuming a potential liability of $100 million under the Fisheries Loan Guarantee Program as a result of changes to harvesting policies announced by the federal government.
- ***Aquatic Veterinary Diagnostic Facility:*** Funds were allocated in Budget 2007 to establish a new aquatic veterinary diagnostic facility in St. Albans.
- ***Expanded Aquaculture Production:*** Government and industry efforts have resulted in a significant increase in salmonid placements which should result in a boost in future production.
- ***Marketing Efforts:*** DFA participated in trade shows including: International Boston Seafood Show, European Seafood Exposition, Aqua Nor and China Fisheries and Seafood Expo to promote provincial seafood products.
- ***Air Freight Service to Europe:*** DFA worked with the seafood industry to develop an air freight service for fresh seafood to Europe.
- ***Sale of FPI:*** Assets of FPI have been sold to Ocean Choice International and High Liner Foods.

OUTLOOK FOR 2008

Capture Fisheries

Fish landings are expected to increase marginally in 2008. Groundfish landings are projected to rise mainly due to expected increased yellowtail landings. Pelagic landings will remain dependent on market conditions and resource availability. Shellfish landings are expected to rise moderately as a result of increased inshore shrimp quotas. Snow crab landings will likely be similar to 2007.

External competition from low cost producers, exchange rate impacts, fuel costs and landed prices for major species will challenge processor margins in 2008. No major price fluctuations, however, are projected for the 2008 fishing season and landed value is expected to be on par with 2007 figures. Crab prices have rebounded from historical lows registered in 2006 and are expected to be relatively stable for 2008.

The higher EU ATRQ and changes to the end-use restrictions have improved market access. Shrimp producers, however, will continue to be challenged by exchange rates and strong competition from warmwater shrimp. Despite these challenges, shrimp prices may increase slightly.

Aquaculture Sector

Additional investment in the aquaculture sector is expected in 2008. A rise in production is anticipated due to increased harvests of salmonids. Mussel production is expected to rise moderately with prices remaining on par with previous years. Growth in cod aquaculture will be limited in 2008; work will continue towards commercialization.

Export value is expected to increase due mainly to higher production levels and relatively stable prices. The aquaculture industry, however, will continue to be challenged by exchange rates as the majority of production is exported to the United States. The air freight service for fresh seafood to Europe, when fully implemented, will aid access to the European market.

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