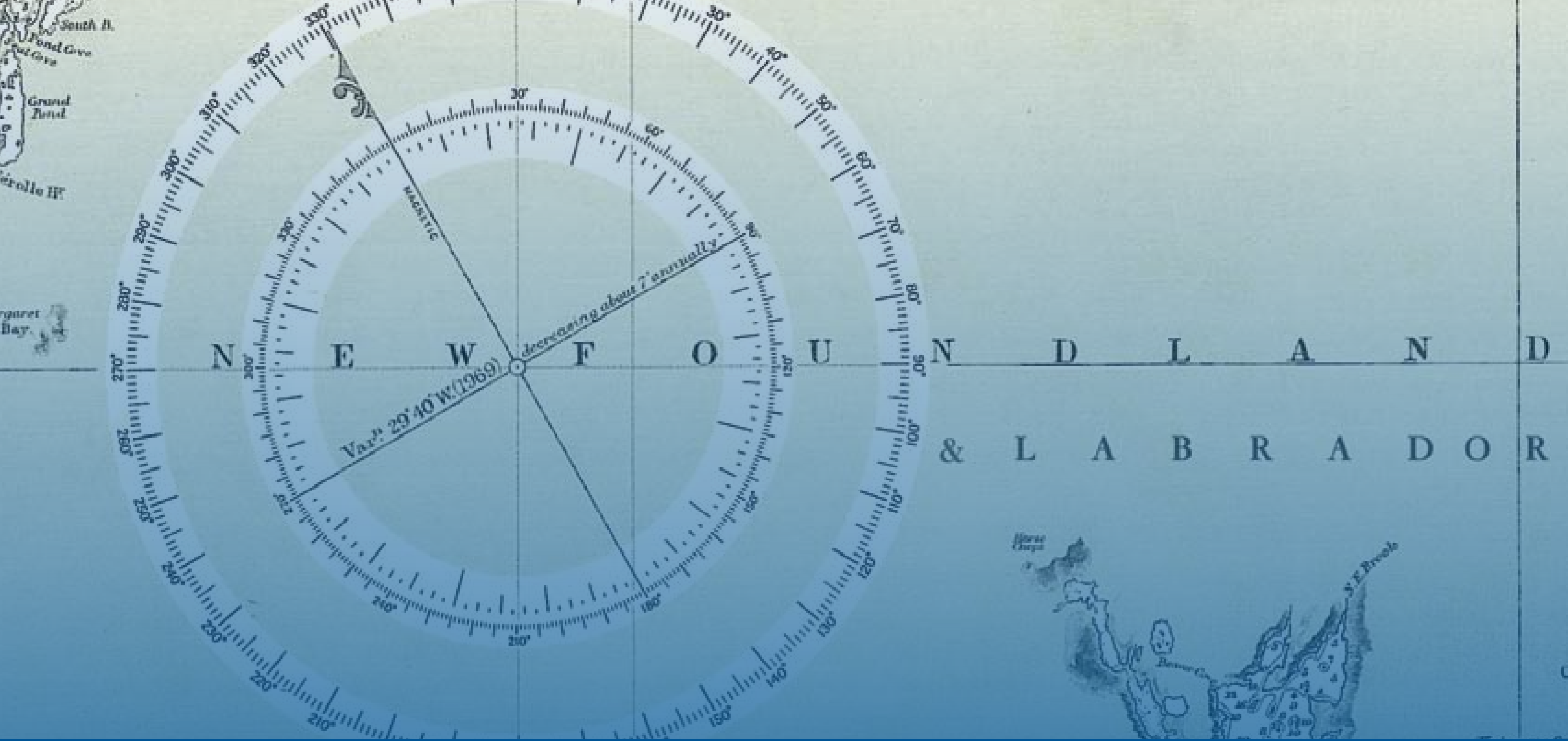

Seafood Industry Year in Review 2009

Newfoundland Labrador
Fisheries and Aquaculture

Message from the Minister

On behalf of the Department of Fisheries and Aquaculture (DFA), I am pleased to present the 2009 Seafood Industry Year in Review. This publication highlights the performance of both the capture fisheries and aquaculture sectors, and it provides statistics for the 2009 Newfoundland and Labrador (NL) Seafood Industry.

A number of factors combined to make 2009 a challenging year for our seafood industry. The global recession, the rising Canadian dollar and a weakened demand for food service products were but a few of the factors preventing the industry from achieving optimal results. The seafood industry was valued at $827 million in production value in 2009, falling below approximately $1.0 billion experienced in 2008.

Our aquaculture industry has become a key pillar supporting economic growth. In 2009, aquaculture production reached a record level of 13,625 tonnes, valued at $92 million. Aquaculture is a rapidly growing industry throughout the world and our department is working to ensure such growth continues here in Newfoundland and Labrador.

Given the potential growth of the aquaculture sector, support for investment is essential. To this end, departmental representatives attended Aqua Nor again in 2009, an industry trade show in Norway with 440 exhibitors from 23 countries. In the meantime, work continues on the site preparations for the Centre for Aquaculture Health and Development to further support the industry. New wharfs are being constructed and further developments are pending.

In response to a changing marketplace for seafood products, our department has invested considerably in promoting NL seafood to emerging and existing markets. A highlight of this past year was participation in World Food Moscow, an annual event attended by industry leaders from around the globe. DFA also continues to work with the province's seafood exporters to develop emerging markets in Asia. For the fourth year in a row, representatives from DFA and industry participated in the China Fisheries and Seafood Exhibition.

Through continued commitment to industry collaboration, support and innovative marketing, we will advance the seafood industry in our province. In 2009, our government signed a Memorandum of Understanding (MOU) on fishing industry restructuring with industry stakeholders. This is a continuation of work that commenced under the Canada-NL Fishing Industry Renewal Initiative. The key objective is to create an economically viable, internationally competitive and regionally balanced industry. Our government is committed to ensuring that a sustainable fishing industry and a vibrant aquaculture sector continue to be integral parts of the economic future of our province.

Clyde Jackman

Honourable Clyde Jackman, M.H.A.
Burin-Placentia West
Minister of Fisheries and Aquaculture

SEAFOOD INDUSTRY YEAR IN REVIEW 2009

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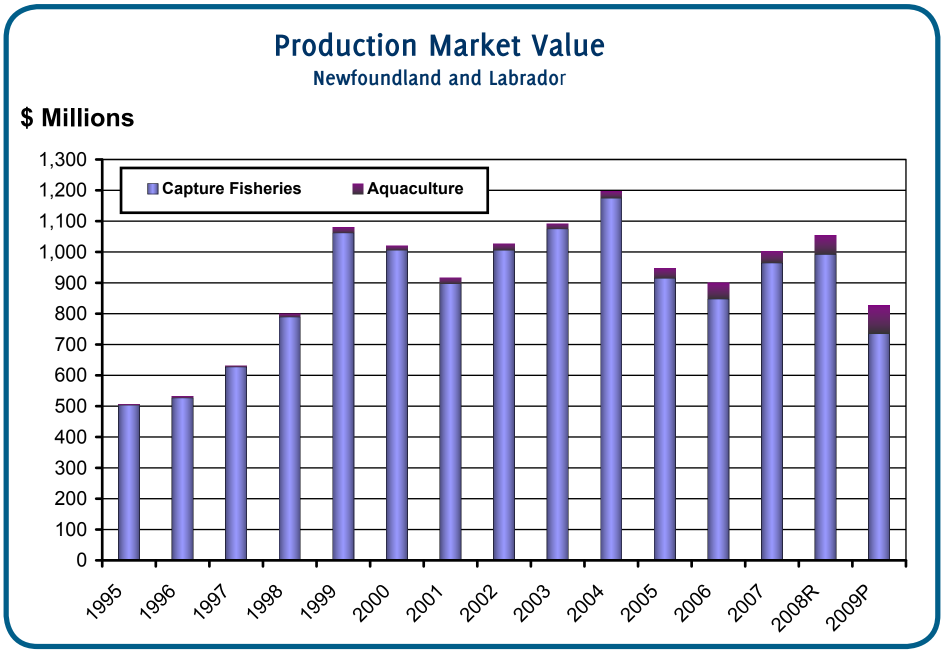
Publication Prepared by:
Planning Services Division
Department of Fisheries and Aquaculture
March 2010

Newfoundland Labrador

Seafood Industry

Performance 2009

The seafood industry experienced a challenging year in 2009, with low market prices, high fuel costs and a relatively strong Canadian dollar. Total production was valued at $827 million, marking a decline of 21.6% over 2008. The capture fisheries sector recorded a notable decline in production value, while, in contrast, the market value in the aquaculture sector experienced a significant rise over 2008 levels.



Source: DFA; Department of Fisheries and Oceans Canada (DFO) **R = Revised: P = Preliminary**

In 2009, NL seafood products were exported to over 55 countries as well as shipped to other parts of Canada. The United States and China remain our primary export markets.

Overall, production volume declined 4.3%, to 176,377 tonnes from 184,254 tonnes in 2008. The fall in production of capture fisheries landings was partially offset by a rise in aquaculture production. The top five species produced, by value, include snow crab, shrimp, Atlantic salmon, cod and surf clam.

Employment

Overall employment in the capture fisheries sector totalled 22,271 individuals in 2009, down 6.1% compared to 2008. The number of fish harvesters in the province decreased 6.2% relative to 2008, to 11,566 in 2009. Employment in the fish processing sector also recorded a decline, down 5.9% to 10,705 persons. Aquaculture employment remained unchanged with an estimated 655 full-time equivalencies reported to be directly employed. Industry has indicated that growth in employment has been slowed to some extent by out-migration and competing employment opportunities in other industries and other regions of the country.

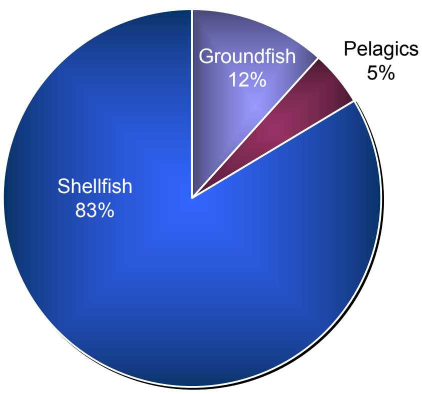
Seafood Industry Employment
Newfoundland and Labrador

	2008	2009	% Change
Capture Fisheries	23,707	22,271	-6.1%
Harvesting	*12,330*	*11,566*	*-6.2%*
Processing	*11,377*	*10,705*	*-5.9%*
Aquaculture	655	655	0.0%

Source: DFA; Professional Fish Harvesters Certification Board

Capture Fisheries

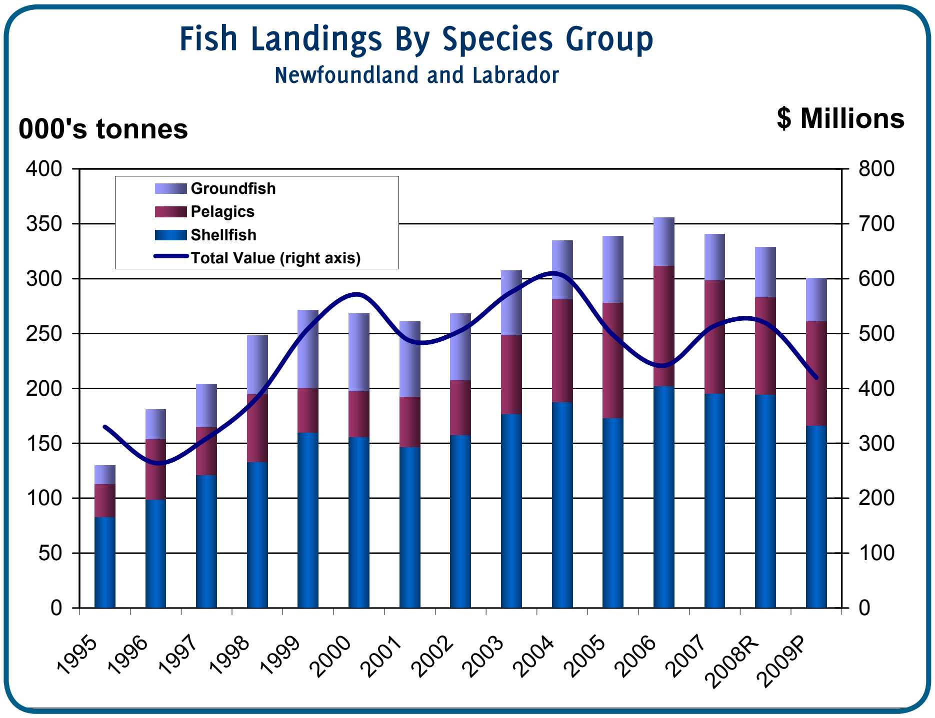
Capture Fisheries Landed Value by Species Group



Note: Total landed value = $420 million.
Source: DFO; DFA

Overall landings decreased in 2009, dropping 8.5% to 300,664 tonnes from 328,705 tonnes in 2008, marking the lowest level recorded since 2002. While the level of groundfish landings declined, the fall in overall landings was mainly the result of a lower volume of shrimp harvested. The corresponding landed value of total landings also decreased in 2009, down to $420 million. This represents a drop of 19.2% relative to 2008, a result of lower shrimp landings and reduced prices for key species.

Seafood prices were largely impacted by the global economic recession. This resulted in depressed prices for key species, particularly snow crab, shrimp and lobster. Exporters in the province were at a disadvantage, with the Canadian dollar remaining relatively high compared to both the US dollar and the Euro, translating into lower returns to industry participants.



Source: DFO; DFA

R = Revised: P = Preliminary

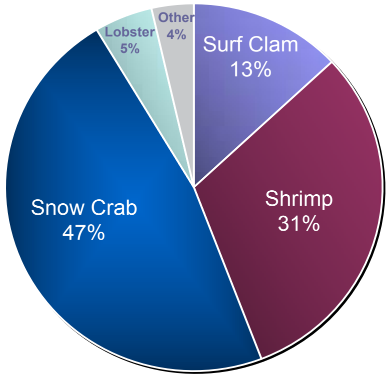
Shellfish

The shellfish fishery continued to be a major player in capture fisheries in 2009, comprising 55.3% of total landings and generating 83.3% of the total landed value. The past year was challenging for the shellfish fishery. Landings declined to 166,191 tonnes, down 14.5% compared to 2008, and the corresponding landed value dropped 18.0% to $350 million. Much of this decline was due to lower landings of shrimp, which was slightly offset by an increase in surf clam landings.

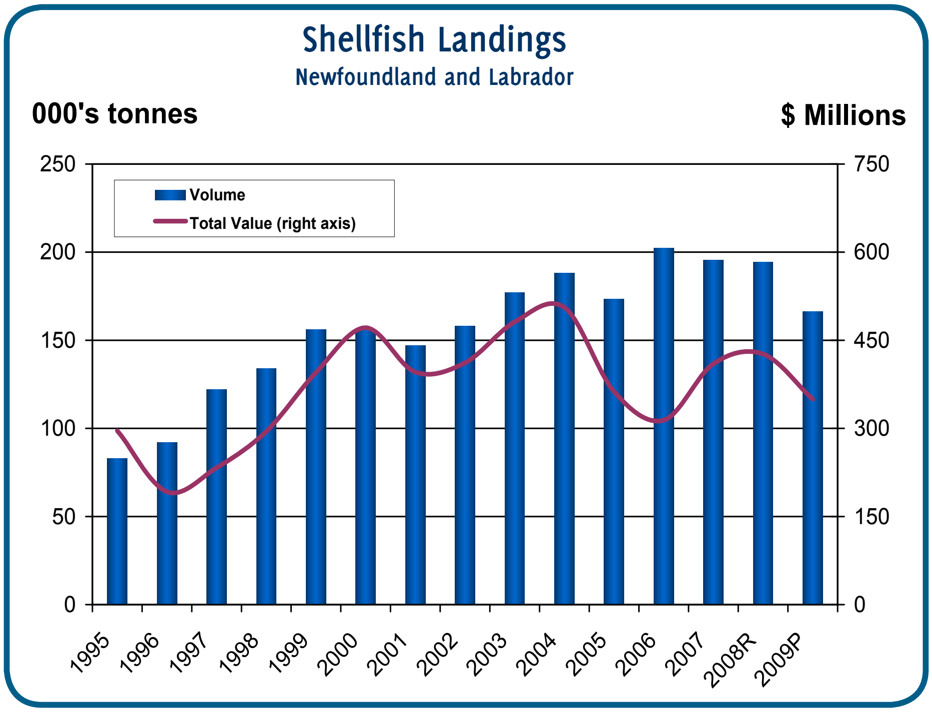
Snow Crab

In 2009, snow crab landings increased 1.3%, to 53,452 tonnes from 52,749 tonnes in 2008. The associated landed value declined 8.3%, from $180 million in 2008 to $165 million in 2009. This was due to lower raw material prices paid to harvesters as a result of weak market prices. Overall, snow crab generated 39.2% of the total landed value in 2009 and 47.1% of the shellfish landed value.

Shellfish Landed Value by Species



Note: Shellfish landed value = $350 million.
Source: DFO; DFA



Source: DFO; DFA

R = Revised: P = Preliminary

Capture Fisheries

Shrimp

Overall shrimp landings (inshore and offshore) fell significantly, by 30.1%, to 77,663 tonnes in 2009 from 111,095 tonnes in 2008. This was mainly the result of a 43.7% drop in northern inshore shrimp landings, while the volume of offshore shrimp landings was down 5.3%. The overall landed value of shrimp declined by 38.9%, from $179 million in 2008 to $109 million in 2009.

Shrimp landings fell short in 2009 due to a combination of occurrences, including poor weather in the Fall, the relatively small size of shrimp caught, lower catch rates and continued pressure from the European Union (EU) tariffs, which contributed to higher operating costs. Another significant factor was the price dispute between harvesters and processors that resulted in harvesters tying up their boats at the beginning of the summer. Overall, shrimp accounted for 25.8% of total landings and 26.0% of total landed value in 2009.

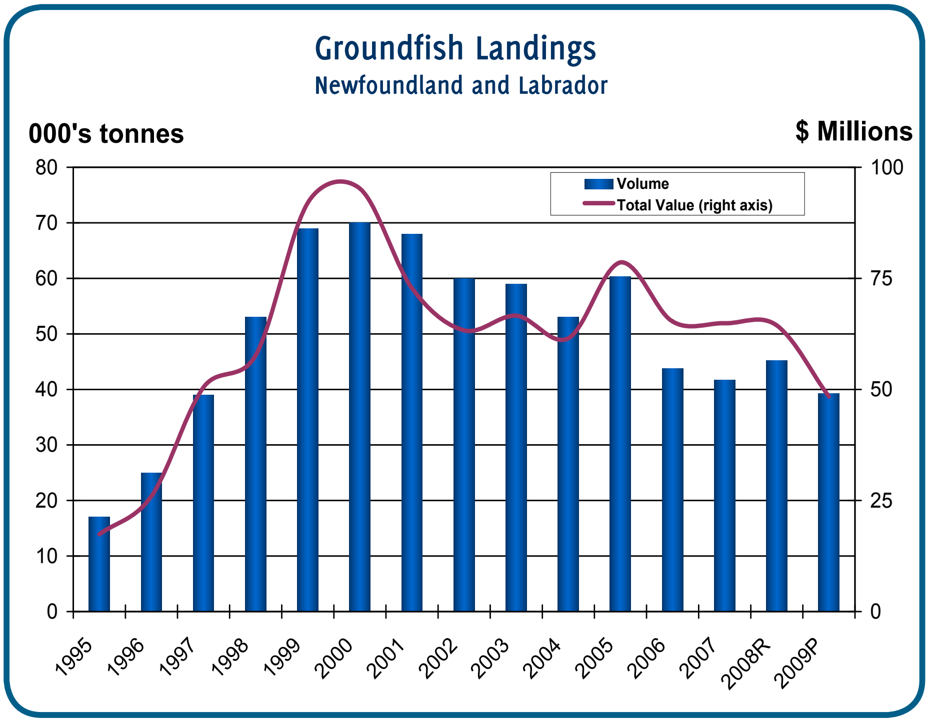
Other Shellfish

Surf clam landings recorded a 27.4% increase, from 19,336 tonnes in 2008 to 24,637 tonnes in 2009. The associated landed value reached $45.4 million, up 60.1% from 2008. Lobster landings decreased by 16.0% to 2,497 tonnes, which was mainly due to decreased effort and declining catch rates in some areas. Landed value for lobster was recorded at $18.1 million in 2009, marking a 35.3% drop relative to the previous year.

Groundfish

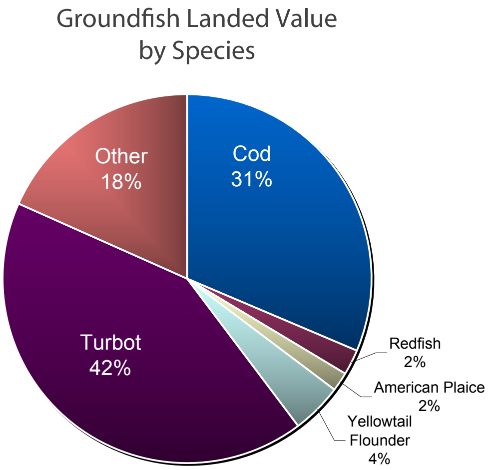
Groundfish accounted for 13.1% of total capture fisheries landings in 2009 and 11.5% of total landed value. Landings decreased 13.0%, from 45,217 tonnes in 2008 to 39,326 tonnes in 2009, and the corresponding landed value decreased 24.9% to $48 million. The decline in yellowtail flounder landings and cod landings more than offset a rise in landings of redfish and turbot, which rose 82.3% and 17.7% respectively.

Yellowtail flounder landings dropped by 47.3%, from 10,303 tonnes in 2008 to 5,434 tonnes in 2009, mainly the result of less fishing effort. Cod landings decreased 17.2%, to 14,565 tonnes in 2009. This decline was due to a quota cut on the south coast combined with lower catch rates and reduced effort. Weak markets negatively impacted cod prices, making cod less attractive to harvest. The landed value of cod dropped by 46.4%, to $15.2 million in 2009.



Source: DFO; DFA

R = Revised: P = Preliminary

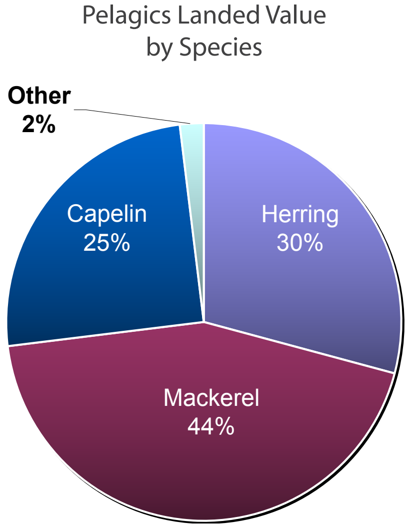


Note: Groundfish landed value = $48 million.
Percentages may not sum due to independent rounding.
Source: DFO; DFA

Pelagics

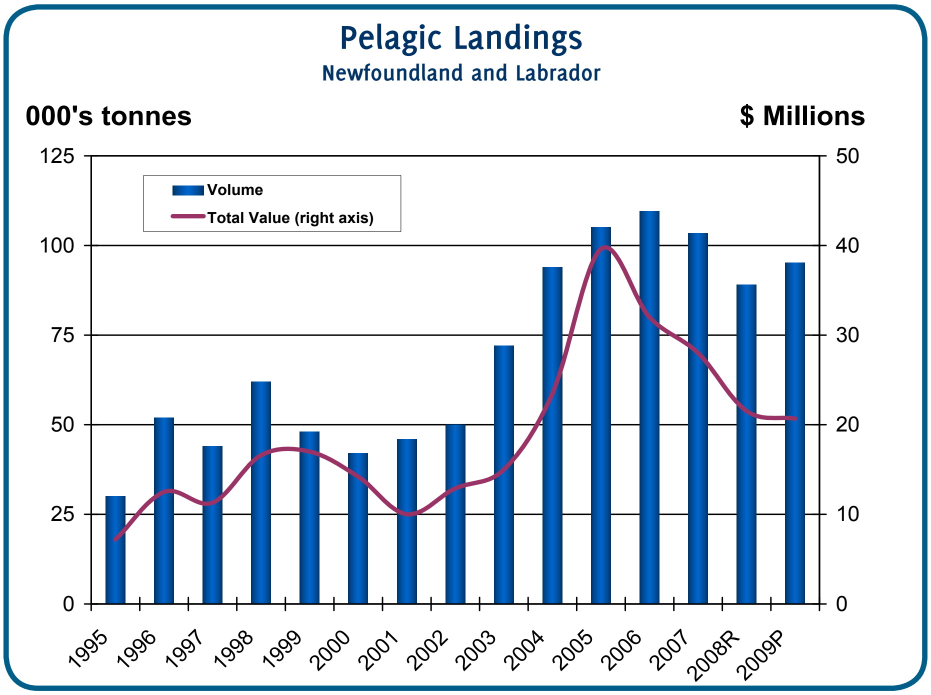
Pelagics comprised 31.6% of total capture fisheries landings in 2009 and 4.9% of total landed value. Landings increased by 6.9%, from 89,024 tonnes in 2008 to 95,147 tonnes in 2009. However, corresponding landed value declined 3.9%, to $21 million in 2009. An increase in

Capture Fisheries



Note: Pelagics landed value = $21 million.
Percentages may not sum due to independent rounding.
Source: DFO; DFA

mackerel landings contributed to the higher landings of pelagics. Mackerel landings increased 47.8%, from 23,036 tonnes in 2008 to 34,049 tonnes in 2009. This rise was tempered by a decline in capelin landings, down 11.5% to 33,224 tonnes in 2009, from 37,561 tonnes in 2008.



Source: DFO; DFA

R = Revised: P = Preliminary

Seals

The demand for seal products in 2009 declined due to the global economic recession. This resulted in significantly lower landings of seals, which fell 74.2% to 53,531 seals, compared to 207,527 the previous year. The associated landed value also recorded a large decline, down 87.5%, from $6.7 million in 2008 to $829,000 in 2009.

Landed Volume and Value

Newfoundland and Labrador

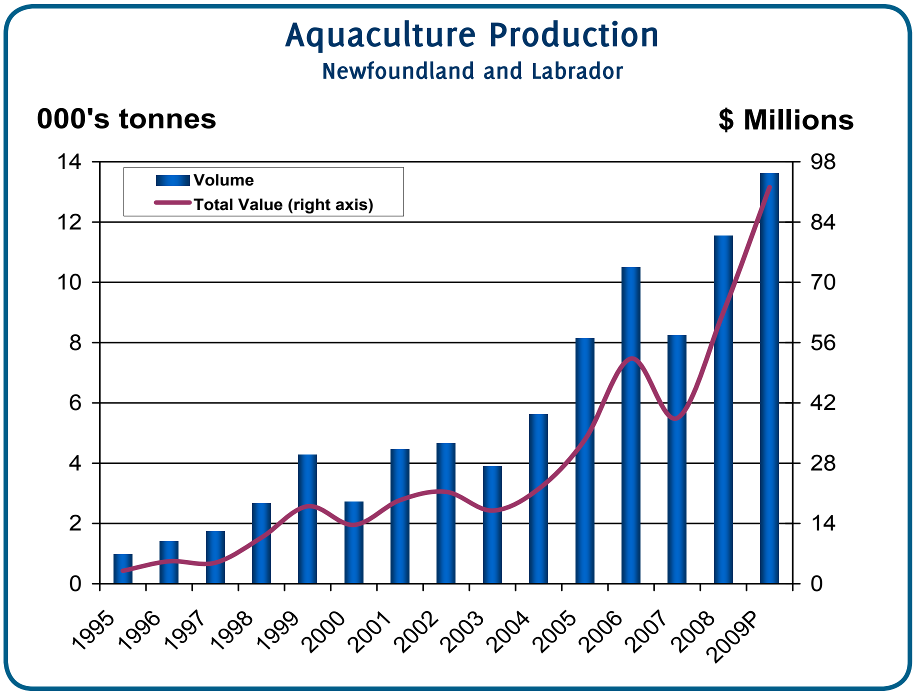
Species	2008 Revised		2009 Preliminary		2008/2009 Comparison	
	Volume (tonnes)	Value ($000's)	Volume (tonnes)	Value ($000's)	% Volume	% Value
Cod	17,599	$28,278	14,565	$15,166	-17.2%	-46.4%
Redfish	1,493	$757	2,721	$1,146	82.3%	51.3%
American Plaice	1,435	$886	1,693	$813	18.0%	-8.3%
Yellowtail Flounder	10,303	$6,384	5,434	$2,107	-47.3%	-67.0%
Greysole/Witch	654	$465	774	$419	18.3%	-9.9%
Turbot	8,833	$17,409	10,400	$20,300	17.7%	16.6%
Pollock	623	$373	291	$173	-53.3%	-53.7%
Hake	1,397	$1,169	696	$347	-50.2%	-70.3%
Monkfish	236	$206	297	$259	25.8%	25.2%
Skate	995	$367	1,075	$301	8.0%	-17.8%
Other	1,649	$8,147	1,380	$7,396	-16.3%	-9.2%
GROUNDFISH	**45,217**	**$64,441**	**39,326**	**$48,426**	**-13.0%**	**-24.9%**
Herring	28,323	$5,279	27,796	$6,128	-1.9%	16.1%
Mackerel	23,036	$6,252	34,049	$9,007	47.8%	44.1%
Capelin	37,561	$9,673	33,224	$5,127	-11.5%	-47.0%
Other	104	$323	78	$422	-25.0%	30.5%
PELAGICS	**89,024**	**$21,527**	**95,147**	**$20,683**	**6.9%**	**-3.9%**
Surf Clam	19,336	$28,356	24,637	$45,411	27.4%	60.1%
Scallops	448	$763	681	$1,107	52.0%	45.0%
Squid	516	$220	404	$147	-21.7%	-33.2%
Lobster	2,972	$27,933	2,497	$18,063	-16.0%	-35.3%
Whelk	6,030	$6,638	5,060	$4,654	-16.1%	-29.9%
Shrimp	111,095	$178,692	77,663	$109,248	-30.1%	-38.9%
Snow Crab	52,749	$179,515	53,452	$164,691	1.3%	-8.3%
Other Shellfish	1,318	$4,458	1,797	$6,480	36.3%	45.4%
SHELLFISH	**194,464**	**$426,575**	**166,191**	**$349,802**	**-14.5%**	**-18.0%**
Seals (Number)	207,527	$6,651	53,531	$829	-74.2%	-87.5%
TOTAL	**328,705**	**$519,193**	**300,664**	**$419,740**	**-8.5%**	**-19.2%**

Note: Shrimp includes inshore and offshore.
Source: DFO; DFA

Aquaculture

In 2009, the Newfoundland and Labrador aquaculture industry reached record levels of production and market value. Production of aquaculture species rose to 13,625 tonnes, an increase of 18.0% over 11,544 tonnes in 2008, largely due to significant growth in the salmonid sector. Shellfish sales declined in 2009, leaving a large volume of product in the water, due to weakened consumer demand related to the global financial crisis. This trend is anticipated to rebound as global economies recover from the recession.

The 2009 market value increased to $92 million, a rise of 45.9% over $63 million in 2008. The increase in market value is attributable to a combination of higher production levels and strong market prices for salmonid products. Although the demand for cultured shellfish was down in 2009, market prices were unexpectedly stable.



Source: DFO; DFA

P = Preliminary

Salmonids

The salmonid sector produces two main commercial species, Atlantic salmon and steelhead trout. In 2009, there were 68 commercial salmonid sites with a combined area of 1,698 hectares (see map on page 33). Continued expansion is occurring, with new opportunities for site development being explored in the outer Bay d'Espoir region, along with investment into steelhead trout production. Smolt introductions in the salmonid sector have increased significantly over the past three years. In 2009, the stocking levels were approximately four times the 2004 levels. This bodes well for future expansion.

Despite challenges in global markets, demand for salmonid products remained high in 2009. This is in contrast to what was observed in other consumer and commodity markets. The decline of the Chilean salmon industry in late 2008 drastically reduced the global supply of farmed salmon. The sharp drop in supply and the sustained demand for product resulted in market prices remaining strong in 2009.

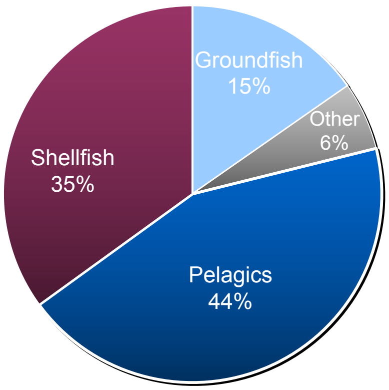
Shellfish

Blue mussels are the main commercial species produced by the NL aquaculture shellfish sector. Unlike the salmonid sector, the shellfish sector did experience a drop in consumer demand in 2009. However, market prices for product remained unchanged. In 2009, there were 51 commercial shellfish sites, with a total area of 3,689 hectares (see map on page 33).

Growth in mussel sales slowed due to recent challenges with demand and market access. The sector has responded by forming a regional Mussel Industry Council. The council is working to improve demand and promote market access through generic mussel promotion (www.discovermussels.com).

Production Overview

Production Volume
by Species Group



Note: Total production volume = 176,377 tonnes.
Source: DFA

In 2009, there were 118 processing facilities (101 primary, 4 secondary, 5 aquaculture and 8 retail) operating in the province (see map on page 32), employing 10,705 people. As previously noted, total seafood production declined by 4.3%, from 184,254 tonnes in 2008 to 176,377 tonnes in 2009. This is consistent with the decline experienced in total capture fisheries landings. This decline was partially offset by an increase in Atlantic salmon production.

Shellfish

Shellfish production dropped by 18.7%, from 74,936 tonnes in 2008 to 60,922 tonnes in 2009. Shellfish represented 34.5% of total production in 2009, compared to 40.7% in 2008. Snow crab sections for the U.S. market rose 28.6%, from 17,602 tonnes in 2008 to 22,636 in 2009. Production of Japanese sections, however, declined by 36.1%, to 8,148 tonnes in 2009. Japanese and U.S. sections combined accounted for 17.5% of seafood production. Cooked and peeled shrimp production decreased 45.1%, from 28,249 tonnes in 2008 to 15,512 tonnes in 2009, while accounting for 8.8% of total seafood production.

Pelagics

Production of pelagics increased by 11.6%, from 69,588 tonnes in 2008 to 77,641 tonnes in 2009. There was a significant fall in capelin production, dropping 19.5%, from 30,797 tonnes in 2008 to 24,782 tonnes in 2009. This decline was offset by an increase in mackerel and herring production, which increased by 31.3% and 30.4% respectively. Mackerel production in 2009 was 29,465 tonnes compared to 22,443 tonnes in 2008. Processing of herring in 2009 totalled 19,344 tonnes, while in 2008 production of herring was 14,830 tonnes. In total, pelagics comprised 44.0% of the total seafood produced.

Groundfish

In 2009, the amount of groundfish processed decreased by 10.6% from the previous year, mainly due to a reduction in cod and yellowtail flounder catches. Groundfish production accounted for 15.4% of the 2009 total.

Production Volume by Selected Product Type

Newfoundland and Labrador

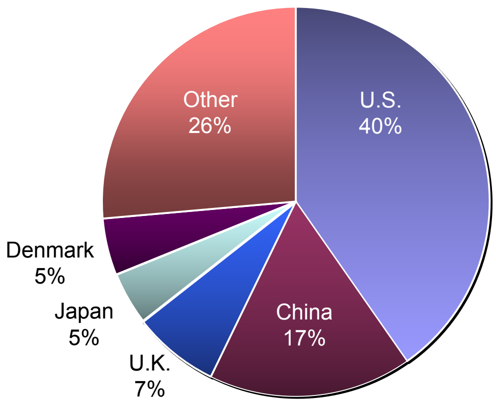
Product Type	2008R (tonnes)	2009P (tonnes)	% Change	2009 % of Total
U.S. Snow Crab Sections	17,602	22,636	28.6%	12.8%
Japanese Snow Crab Sections	12,745	8,148	-36.1%	4.6%
Cooked and Peeled Shrimp	28,249	15,512	-45.1%	8.8%
Round Frozen Mackerel	20,091	26,412	31.5%	15.0%
Female Capelin	13,586	11,263	-17.1%	6.4%
Male Capelin	11,966	10,952	-8.5%	6.2%
Round (Frozen and Fresh) Herring	11,310	13,518	19.5%	7.7%
Other	68,705	67,936	-1.1%	38.5%
Total	**184,254**	**176,377**	**-4.3%**	**100.0%**

Source: DFA

R = Revised: P = Preliminary

Market Overview

2009 Seafood Markets by Export Value

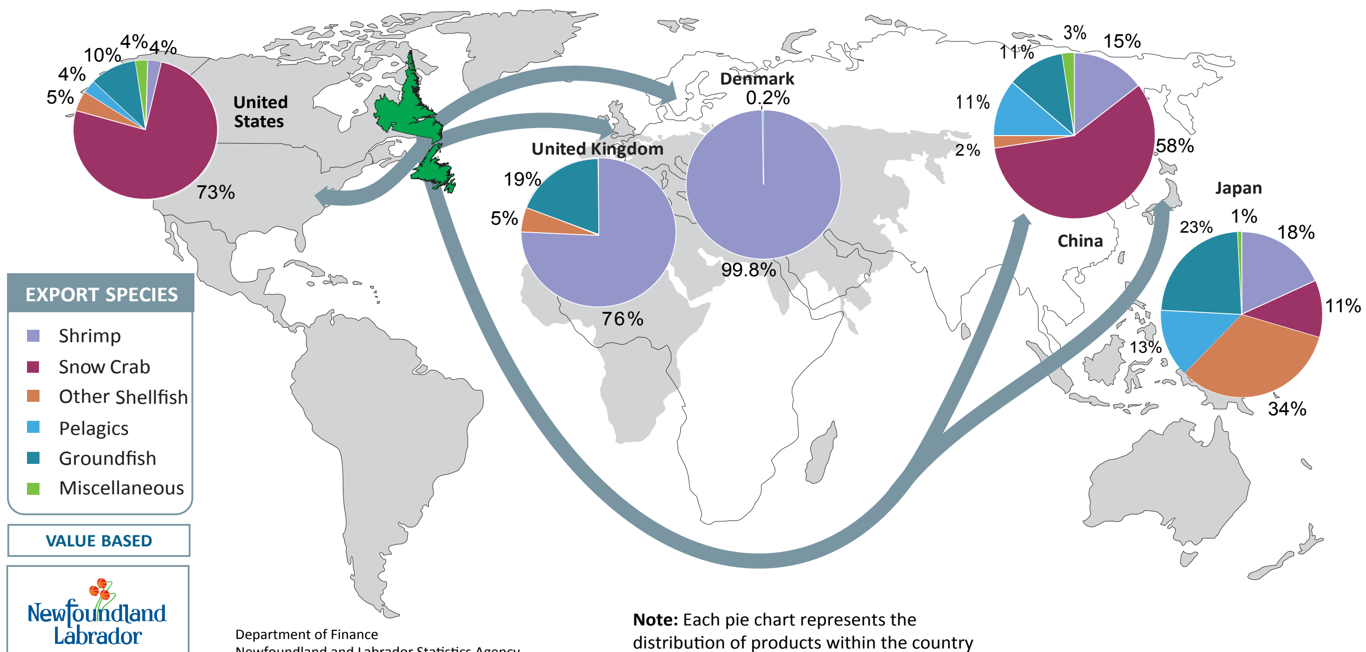


Note: NL export value = $721 million. Percentages may not sum due to independent rounding.
Source: Statistics Canada

The worldwide economic recession, combined with a strengthening Canadian dollar, negatively impacted provincial seafood exporters in 2009. According to Statistics Canada, NL seafood exports fell 4.4% to 167,691 tonnes in 2009, from 175,452 tonnes the previous year. The corresponding value dropped 11.2% to $721 million. Export figures were expected to be significantly lower; however, inventory build-up from 2008 and an increase in salmonid exports offset some of the expected decline.

The United States and China continued to be the largest seafood markets for the Newfoundland and Labrador seafood industry in 2009. The U.S. accounted for 40.3% of the province's total export value in 2009 compared to 31.9% in 2008. China accounted for 16.9% of the total provincial export value in 2009, and 20.5% in 2008. Other key export markets in 2009 included the United Kingdom, Japan and

World Markets for Newfoundland and Labrador Fish and Seafood Products 2009



Department of Finance
Newfoundland and Labrador Statistics Agency

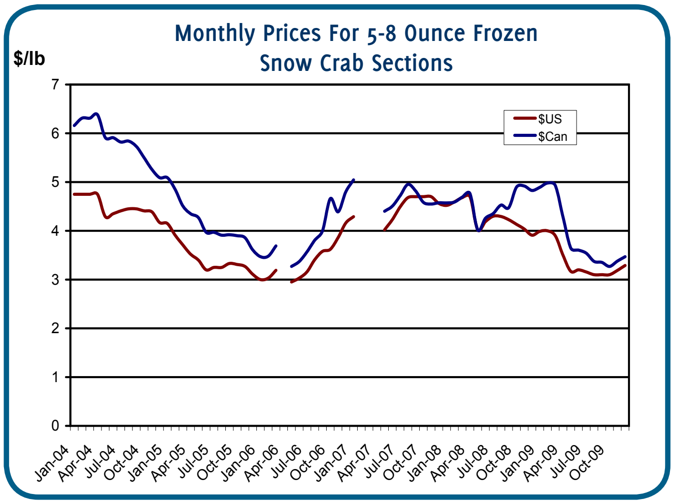
Note: Each pie chart represents the distribution of products within the country based on export value.

Source: DFA; Statistics Canada

Denmark. These top five markets comprised 73.6% of the province's export value. The remaining 26.4% was exported to approximately 50 other countries.

Snow Crab

Market prices for snow crab declined in 2009. According to Urner Barry Publications Inc., the average price for 5-8 ounce sections in 2009 decreased 14.9% to CAD $3.89 per pound from CAD $4.57 per pound in 2008. Fewer products went to Japanese markets as compared to previous years, with more product exported to the U.S., despite an unfavourable exchange rate for Newfoundland and Labrador producers. Despite the decrease in market price, crab was the highest valued product exported by the Newfoundland and Labrador fishing industry in 2009, valued in excess of $285 million.



Source: Urner Barry Publications Inc.; Bank of Canada

Shrimp

Market prices for cooked and peeled shrimp declined in 2009 due to the world economic downturn and a build up of 2008 inventory. There was a decline in price for 150/250 count from CAD $4.30 per pound in 2008 to CAD $3.89 per pound in 2009.

The EU is still the major market for cooked and peeled coldwater shrimp, the main product type sold by provincial producers. The EU Autonomous Tariff Rate Quota (ATRQ) allowed 20,000 tonnes of cooked and peeled shrimp to enter at a reduced tariff rate of 6%, as opposed to 20%, thereby increasing Newfoundland and Labrador producers' competitiveness in the European market. High volumes of offshore frozen shrimp were exported to Russia, China, Iceland and Denmark. While this was the first full season of the Marine Stewardship Council (MSC) certified Canadian northern shrimp trawl fishery, the impact of the eco-label on the market is difficult to gauge due to other negative factors that affected the fishery in 2009.

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 Canada (DFO). While there appears to be some evidence of decline, key shellfish stocks remain healthy. Most groundfish stocks appear stable at low levels, but several stocks on the Grand Banks appear to be improving. The yellowtail flounder stock is considered to be fully recovered.

Total Allowable Catch (tonnes)

Species Group	2008	2009
Groundfish Stocks		
3Ps Cod (15.6% allocated to St. Pierre et Miquelon, France)	13,000	11,500
4RS3Pn Cod (NL & Québec)	7,000	7,000
Unit 2 Redfish	8,500	8,500
NAFO Managed Stocks		
2+3KLMNO Turbot (CAN 36%)	16,000	16,000
3LNO Yellowtail Flounder (CAN 97.5%)	15,500	17,000
3O Redfish (CAN 30%)	20,000	20,000
Pelagic Stocks		
Herring (NL Stocks + 4R)	30,415	30,990
Mackerel (Atlantic Wide)	75,000	75,000
Capelin (NL stocks + 4R)	41,691	41,691
Shellfish Stocks		
Snow Crab	54,338	54,110
Gulf (4R) Shrimp (NL Allocation)	6,141	6,227
Northern Shrimp		
- Inshore	72,403	74,799
- Offshore/special allocation (Atlantic Wide)	103,132	102,068

Source: DFO

Cod

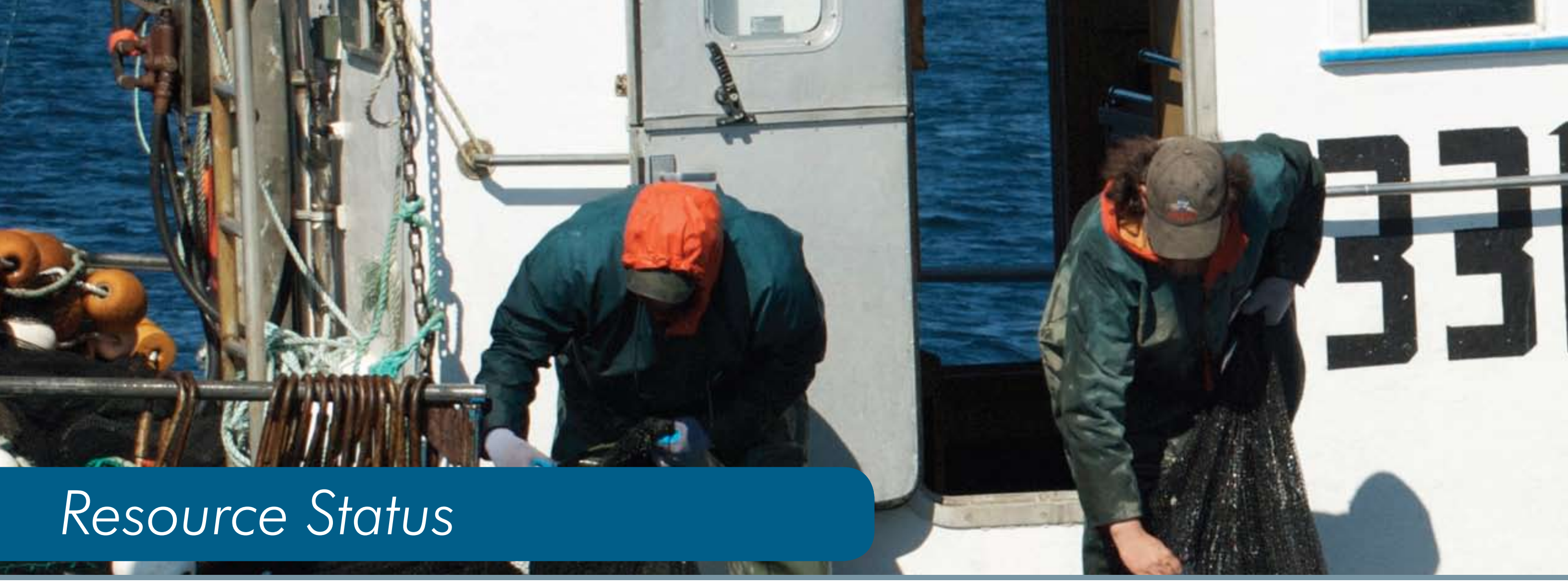
The northern cod (2J3KL) stock consists of an inshore and offshore component. The offshore fishery has been under a moratorium since 1992, but the biomass has increased in recent years. A limited inshore fishery was conducted from 1998 to 2002, and again from 2006 to 2009. The stock as a whole, while improving, remains significantly below historic levels.

The TAC for the south coast cod (3Ps) stock was set at 15,000 tonnes from 2001 to 2006, and it was adjusted down in 2007 to 13,000 tonnes based on scientific information. The TAC remained at 13,000 tonnes for 2008, but dropped to 11,500 tonnes in 2009.

The status of the northern Gulf of St. Lawrence cod (4RS3Pn) stock remains well below historic levels. In 2003, the stock was placed under a moratorium, but reopened in 2004 with a TAC of 3,500 tonnes. The TAC was increased to 6,000 tonnes in 2006, due to signs of recovery. In 2007, the TAC was increased once again to 7,000 tonnes and remained at this level for 2008 and 2009.

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% 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 2008 and 2009 was set at 8,500 tonnes. Landings increased in 2009, but remained low due to limited fishing effort.



Resource Status

NAFO-Managed Stocks

2+3KLMNO Turbot (Greenland Halibut)

The overall TAC was set at 20,000 tonnes in 2004, less than half of the 42,000 tonne quota that was in place in 2003. 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 and remained at this level for 2008 and 2009. The TAC will stay at 16,000 tonnes in 2010. Canada's allocation is 36% of the total quota and is fished mainly by Newfoundland and Labrador-based vessels.

3LNO Yellowtail

The yellowtail flounder resource in 3LNO has experienced growth in the past few years. The 2007 and 2008 TACs were set at 15,500 tonnes. Stock indicators continue to be positive, and this stock is considered to be recovered to levels equivalent to those of the 1980s. The TAC increased to 17,000 tonnes in 2009 and will remain at this level for 2010. Canada's share of this stock is 97.5%, which is harvested by offshore vessels based in Newfoundland and Labrador.

Other Groundfish

The following NAFO-managed straddling groundfish stocks will remain under moratoria in 2010: 3NO cod, 3NO witch flounder and 3LNO American plaice. The 3LN redfish stock, which was under moratoria in 2009, will reopen in 2010 with a TAC of 3,500 tonnes. Canada's share of this stock is 42.6%.

Snow Crab
The snow crab resource has been relatively stable over the past several years. The TAC has been set at approximately 54,000 tonnes in 2008 and 2009, up from 47,000 tonnes in 2007. Reductions in some quotas offshore have been offset by increases in northern (2J3K) and southern (3Ps) quotas in some areas.

Northern Shrimp
The northern shrimp resource extends from the Grand Banks to the Davis Strait. Biomass estimates in some areas are declining from historically high levels. In 2009, northern shrimp landings by the Newfoundland and Labrador inshore and offshore sectors dropped to approximately 70,000 tonnes. This reduction was attributed to market conditions and declining catch rates. The inshore fleet landed approximately 57% of its available quota in 2009.

Gulf Shrimp
Newfoundland and Labrador's shrimp fleet fishes in the Esquiman Channel portion of the Gulf of St. Lawrence. The fleet's TAC of 6,141 tonnes was taken in 2007 and 2008. Although the stock appears to be stable, landings declined in 2009 to approximately 5,600 tonnes due to reduced effort.

Departmental Initiatives

During 2009, the department continued initiatives to support NL capture fisheries and aquaculture sectors. DFA worked with stakeholders in response to challenges, ensuring the long-term viability of the province's seafood industry.

Aquaculture

The aquaculture sector continued to make substantial progress in the areas of industry diversification and infrastructure, which will support the long-term sustainability and viability of the industry. Departmental initiatives included:

- a cod demonstration farm project to assess the economic viability of farmed cod;
- the design and construction tender process for the Centre for Aquaculture Health and Development in St. Alban's, which was completed in 2009 and included site preparation; and
- working with industry to address infrastructure requirements such as wharfs, hatcheries, net cleaning and transportation.

Memorandum of Understanding (MOU) on Fishing Industry Restructuring

- This MOU was signed on July 14, 2009, between DFA, the Fish, Food and Allied Workers (FFAW) and the Association of Seafood Producers (ASP). The MOU focuses on addressing long-standing structural challenges that have hindered industry viability. A proposal is expected to be presented for Government's consideration early in 2010.

Fisheries Technology and New Opportunities Program (FTNOP)

- The Program was successful in meeting its fisheries development objectives, with strong industry participation and support, and commitments of over $1.9 million in project funding in 2009.
- It also contributed approximately $426,000 to help reduce energy costs and reduce the carbon footprint of the NL fishing industry.

Trade

In 2009, the department supported efforts to remove tariff and other trade barriers which impede market access.

- DFA continued to work towards the elimination of tariffs on all products entering the EU.
  - » The EU announced they will reduce the 20% tariff to 0% on the first 20,000 tonnes of shrimp entering the EU market under the ATRQ, effective January 2010.
  - » Yellowtail flounder is now eligible, under the ATRQ, at a 0% tariff rate. Prior to this, the tariff was set at 15%.

Sealing Industry

In 2009, DFA continued to implement the Sealing Industry Communications and Advocacy Strategy. This $100,000 strategy is designed to support the province's humane, sustainable and economically important sealing industry. It included the following key activities:

- the preparation and distribution of information on the province's sealing industry to counter the misinformation being presented by animal rights organizations;
- discussions with EU officials and Members of Parliament as they considered the proposed ban on the trade in seal products;
- supporting the federal government in its legal action through the World Trade Organization to remove the ban, following the decision by the EU to implement the ban;
- funding, under FTNOP, for the successful Sealer Information Sessions held as part of the industry's training and professionalization activities;
- industry-led product and market development activities; and
- a presentation, delivered by Minister Clyde Jackman, on the Newfoundland and Labrador seal harvest at the General Assembly of the International Council for Game and Wildlife Conservation in Paris, France. The Council adopted a recommendation supporting the seal harvest.

Marketing

The global recession created challenging market conditions in 2009. DFA assisted industry's marketing efforts in a number of key areas as outlined below.

- In an effort to explore new markets, DFA and three NL seafood companies exhibited at World Food Moscow, an annual event attended by industry leaders worldwide.
- DFA provided assistance to industry stakeholders towards the attainment of Marine Stewardship Council certification of yellowtail flounder.
- DFA, with the NL mussel industry, initiated a Farmed Mussel Market Study to determine market constraints.
- DFA supported the establishment of the Mussel Industry Council of Canada with a $28,000 investment.
- In partnership with the Atlantic lobster industry, the federal government, the other Atlantic provinces and Quebec, DFA was very active in the marketing and promotion of lobster.
  - » $25,000 was provided to the Lobster Council of Canada, as part of a $50,000 commitment over two years.
  - » $13,000 was given towards the Atlantic Lobster Marketing Strategy.
  - » $24,000 was contributed towards a major Canadian lobster promotion initiative, known as the Four City Lobster Promotion.

Departmental Initiatives

Compliance and Enforcement

DFA continued its compliance and enforcement measures in 2009.

- Inspectors conducted over 3,700 inspections to ensure the province's wild and farmed seafood products were handled and processed in a safe and sanitary environment.
- In April 2009, inspectors began issuing Summary Offence Tickets (SOTs). Other enforcement measures included formal warnings and administrative penalties.
- The department's auditors conducted 32 audits of fish processing facilities to ensure compliance with reporting requirements, departmental policies, the *Fish Inspection Act*, associated regulations and directives.
- Inspectors participated in training modules under the Quality Compliance and Enforcement Program at the College of the North Atlantic in Stephenville and at the Fisheries and Marine Institute of Memorial University in St. John's.

Powers of Inspectors

- All inspectors carry an identification card and a numbered badge.
- An inspector may:
  - » enter a premises or vehicle or anywhere fish is stored for the purpose of ensuring compliance with the Act and regulations, without a warrant;
  - » require any documents for inspection or make copies, without a warrant;
  - » take, without charge, a minimum sample for inspection;
  - » detain a vehicle to conduct an inspection or obtain samples;
  - » detain fish or marine plants or the cartons or containers for the purpose of preserving their identity;
  - » order fish to be disposed of if it is tainted, decomposed or unwholesome (TDU), which includes dead crab; and
  - » search a place and seize fish and/or documents under a warrant.
- A person shall not hinder, obstruct, interfere with, threaten, harass, refuse to admit, or give false information to an inspector.
- A person may appeal a decision of an inspector to the Minister of Fisheries and Aquaculture, as outlined in the regulations. Individuals may not appeal a ticket to the Minister.
- For more information see: www.fishaq.gov.nl.ca/fisheries/enforcement/index.html.

Outlook for 2010

Capture Fisheries

The Newfoundland and Labrador fishing industry faced a challenging year in 2009. It is expected that in 2010 the provincial capture fisheries sector will face similar challenges and will continue to adjust to the changing global economy.

Total fish landings in 2010 are expected to be similar to those experienced in 2009. Market prices are expected to improve slightly as the economy recovers, but potential gains to producers and harvesters may be eroded by higher fuel costs and a higher valued Canadian dollar.

Aquaculture

Aquaculture production is expected to increase in 2010, mainly due to a significant increase in smolt stocking. Retail markets for Atlantic salmon will likely remain strong due to continued supply shortages from Chile.

Mussel production will remain unchanged as the industry seeks new market opportunities. DFA and the Newfoundland and Labrador Aquaculture Industry Association are collaborating to further enhance market access opportunities for NL aquaculture exporters.

AUTONOMOUS TARIFF RATE QUOTA (ATRQ)

Left: Offloading shrimp in Port Union.

Newfoundland and Labrador is a major producer of coldwater shrimp, with exports valued at $191 million in 2009. There were 13 shrimp plants operating during the year, employing almost 2,700 people from over 150 communities throughout the province. During this time, there were 265 vessels actively harvesting shrimp for the cooked and peeled sector. This provided further employment for approximately 1,600 harvesters.

The EU continues to be a major market, accounting for more than 50% of the province's cooked and peeled shrimp export value. Newfoundland and Labrador's key markets for coldwater shrimp within the EU, in 2009, were the United Kingdom, Denmark, Germany, Sweden, the Netherlands and Estonia.

Producers from this province, however, must compete with other countries, such as Iceland and Norway, which enjoy reduced or duty-free tariff arrangements with the EU. The province has actively lobbied the EU for the elimination of tariffs and non-tariff barriers on seafood products.

Under the 2007-2009 Autonomous Tariff Rate Quota (ATRQ), 20,000 tonnes of coldwater shrimp could enter the EU at a 6% tariff. Once this quota is reached, all additional cooked and peeled shrimp imported to the EU is subject to a 20% tariff.

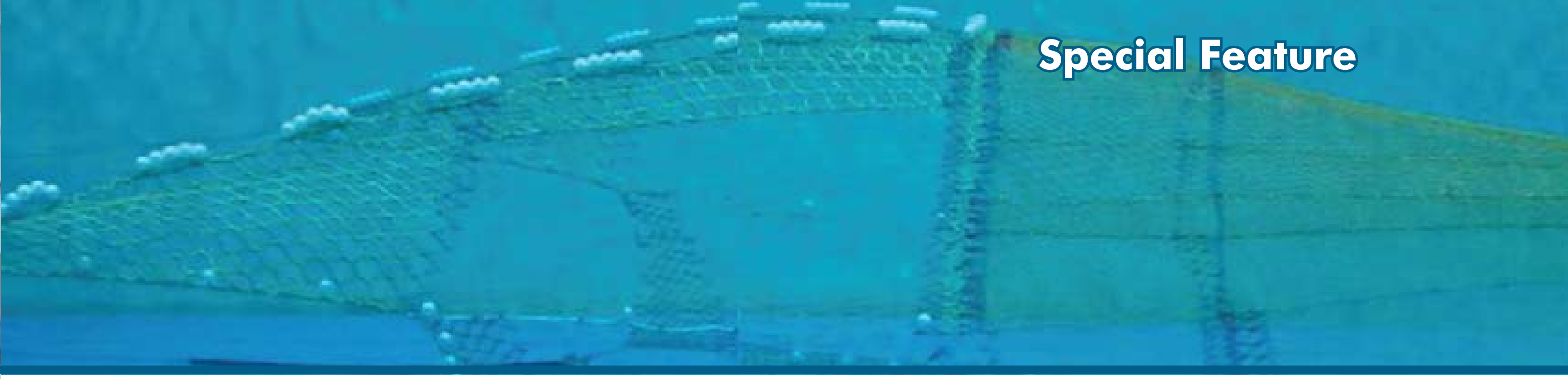
In October 2009, the EU announced a new ATRQ for the period 2010 to 2012, which will reduce the rate applied to the first 20,000 tonnes of shrimp to 0%. European fish producers have supported the elimination of the 6% duty previously applied. While the new ATRQ is welcome news to the NL shrimp industry, the ATRQ still has end-use restrictions which limit NL producers to selling bulk shipments only. All cooked and peeled shrimp *[Pandalus borealis]* products must be designated for further processing. Branded or further processed product is not eligible under the ATRQ. This limits market access and the possibility of further branding of consumer packs.

Currently, Canada and the EU are negotiating a Comprehensive Economic and Trade Agreement. This is an excellent opportunity for Canada to work towards the elimination of tariffs and non-tariff barriers on seafood, affording our industry the same access to the EU marketplace as our competitors. A Canada-EU agreement, with real market access, will aid in the long-term viability of the NL seafood industry.

DID YOU KNOW?

- *The ATRQ uses a competitive tracking system which logs all imports in real time against the alotted quota for that product.*
- *The EU announced the inclusion of yellowtail flounder under its flatfish import category, for the 2010-2012 ATRQ. Under this category, 10,000 tonnes of flatfish may enter at a 0% tariff.*
- *The new rates provide cost savings to European producers and consumers, and improved revenues to Canadian processors.*
- *DFA supported the Canadian northern shrimp fishery in attaining Marine Stewardship Council certification, enhancing the competitiveness of NL shrimp in the global marketplace.*

ENERGY EFFICIENCY IN THE SEAFOOD INDUSTRY



Left: DFA supports testing essential to energy efficient bow design. Above: A scale model of a shrimp trawl in a flume tank. The net is being measured for lift, spread, and towing resistance. The purpose is to optimize the performance of the net, with respect to energy efficiency, without reducing the ability of the net to catch shrimp.

Energy efficiency is an increasingly important issue to all sectors as we develop a viable and environmentally friendly seafood industry. To respond to this issue, the department has contributed approximately $426,000 to various initiatives to support energy reduction and reduce the carbon footprint of the industry. These initiatives were funded under the Fisheries Technology and New Opportunities Program (FTNOP).

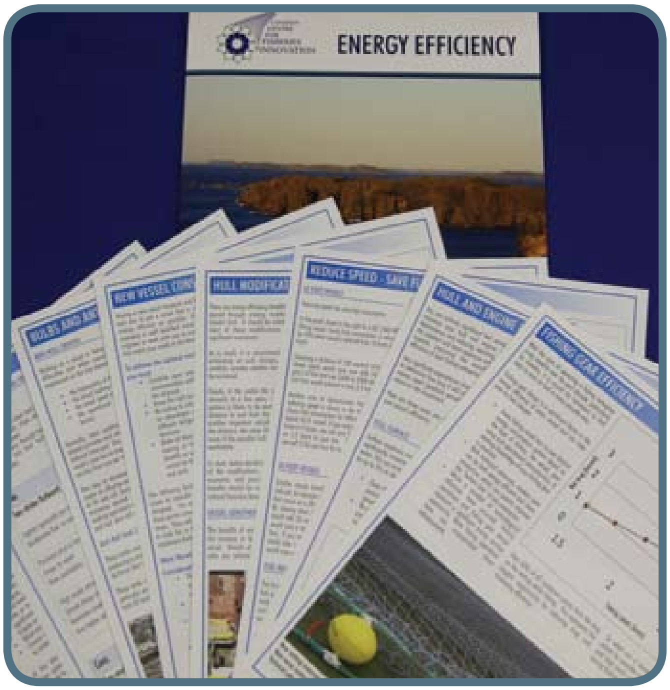
One such initiative included an energy audit at two major multi-species facilities, which was led by the Association of Seafood Producers (ASP). The resulting "Energy Reduction Handbook" will be rolled out to industry through a series of workshops in early 2010.

In the harvesting sector, several initiatives carried out under FTNOP identified short, medium, and long-term cost-saving measures:

- Work is ongoing to modify fishing gear such as shrimp trawls. This work researches modified twine surface and modified trawl doors, with a focus on reducing drag, thereby decreasing fuel consumption.
- In 2009, the department engaged a consultant to design an energy audit template for various fleet sectors and fisheries. Data collected will be used to provide options to reduce energy consumption by fishing vessels.
- Funding was also provided to establish a pilot bio-diesel demonstration system at the Fisheries and Marine Institute of Memorial University to investigate the use of fish oils as an alternative energy source.

These various activities were carried out in collaboration with the FFAW, Fisheries and Marine Institute, Canadian Centre for Fisheries Innovation, Memorial University of Newfoundland, ASP and the National Research Council Canada.

In addition, the province supported the delivery of a number of workshops across the province for harvesters, as well as the development of a series of "Energy Fact Sheets" for public dissemination. For more information see: www.fishaq.gov.nl.ca/research_development/research/energyefficiencyfacts.html.



PROMOTING INTERNATIONAL OPPORTUNITIES

DFA and NL seafood industry representatives have participated in:

- European Seafood Exposition
- International Boston Seafood Show
- China Fisheries and Seafood Expo
- World Food Moscow

Left: DFA booth at the International Boston Seafood Show 2009. Above: The China Fisheries and Seafood Expo 2009.

DFA is committed to working with the Newfoundland and Labrador seafood industry to promote the province's seafood locally, nationally and internationally. DFA and industry representatives attend world class seafood events each year. The goals of attending these events are to maximize the value of provincial fish and seafood resources, diversify seafood exports to international markets, and support capacity building for the industry.

DFA participates in three major shows annually:

- The International Boston Seafood Show attracts 900 exhibitors from over 90 countries, and 17,000 visitors. In 2009, over 40 companies from Newfoundland and Labrador attended, with four exhibiting in the space sponsored by DFA. The Newfoundland and Labrador networking reception is a major event in Boston. It provides a forum for producers, buyers and government to discuss the upcoming season and reconnect while enjoying delicious NL seafood. There were approximately 400 attendees in 2009.
- Europe is a key market for NL seafood products. The European Seafood Exposition held in Brussels gives companies the opportunity to follow up with existing clients, generate new sales leads, and gain exposure at an international level.
- The third major event is the China Fisheries and Seafood Expo, and the venue alternates between Qingdao and Dalian. The province participated in this venue for the past four years. In 2009, there were 735 exhibitors from 84 countries, and 15,000 visitors. Five Newfoundland and Labrador companies travelled to China to take part in the show.

DFA also participates in shows in emerging markets where producers can expand their market base and promote non-traditional products. For example, in 2009, we participated in World Food Moscow.

Industry participants had a positive response to the Chinese Fisheries and Seafood Expo:

"China is a fast growing market with great opportunities for the future," said Blaine Sullivan, Chief Operating Officer of Ocean Choice International. *"No doubt, China will be extremely important for commodity items as well as high quality Canadian seafood. There were a number of serious buyers providing real opportunities at this year's show."*

"China has become a very important market for Newfoundland and Labrador seafood and particularly for pelagic species such as capelin and mackerel," said Paul Grant, Executive Vice-President of Beothic Fish Processors Limited. *"As competition with other producing nations intensifies, China's importance to us as a seafood market will only grow."*

"The show has been very beneficial to our business during the past few years," said Phil Barnes of the Fogo Island Cooperative. *"It has opened new doors and enhanced opportunities especially for underdeveloped species such as sea cucumber. Our presence at this event has also strengthened our ability to market all of our products globally."*

AQUACULTURE SUCCESS STORY

Left: Northern Harvest Sea Farms, Harvey Hill site. Above: Scenic St. Alban's.

The Coast of Bays region, which includes the Fortune Bay north shore, Bay d'Espoir and the Connaigre Peninsula, has historically depended on the forestry, inshore and offshore fisheries and hydro-electric development for its economic well-being. In the mid-1980s, a local development association approached government with a concept to grow Atlantic salmon in the region. It was this initiative that started the success story that we see today.

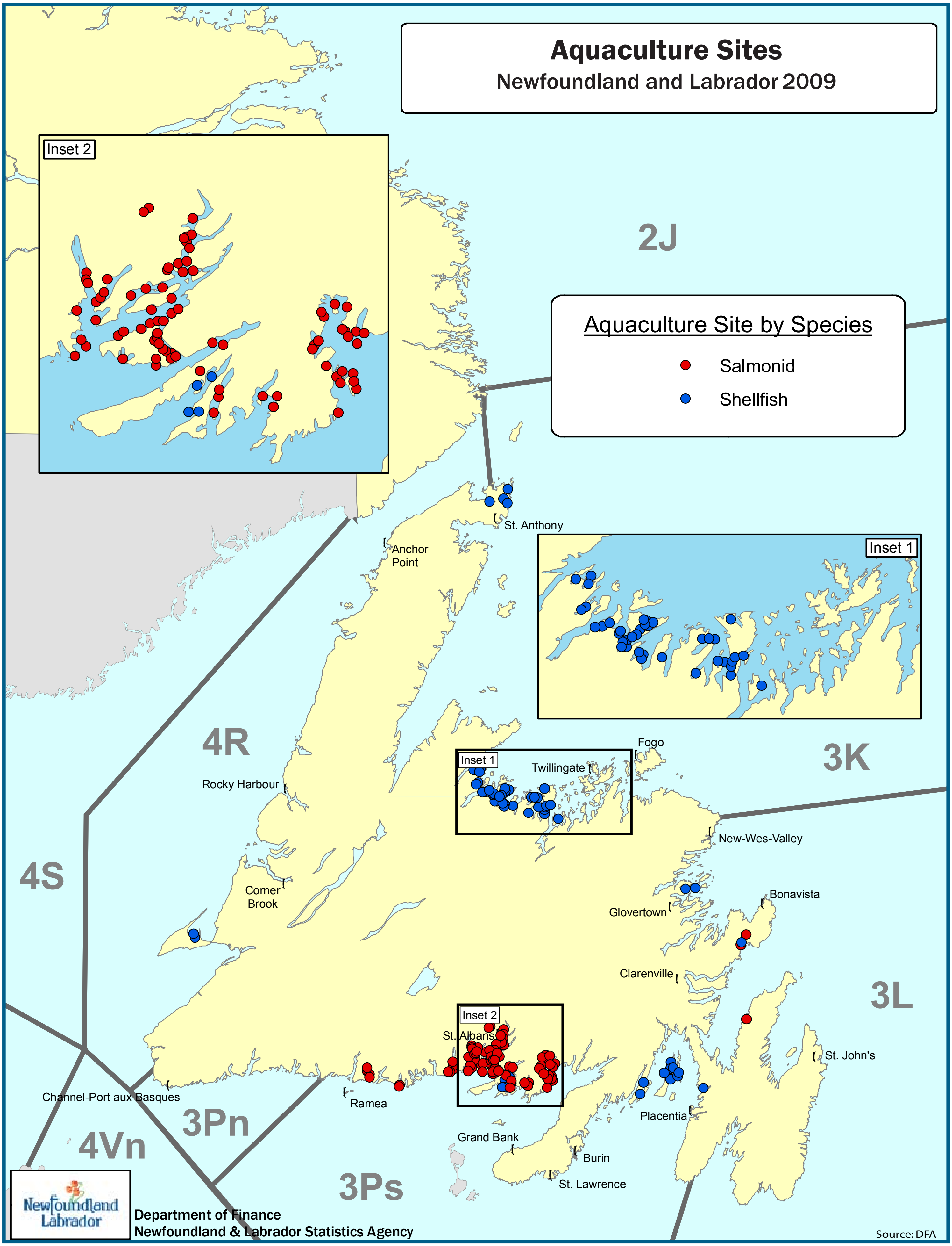
Prior to 2000, there were 13 aquaculture species being developed in the province. In order to focus private and public sector resources to achieve a commercial industry, a strategic plan for Newfoundland and Labrador aquaculture was completed. The strategy recommended that Atlantic salmon, steelhead trout, blue mussels and Atlantic cod be the priority species for development. This plan was adopted by industry, government and financial support agencies.

In 2003, the Government of Newfoundland and Labrador began an aggressive investment prospecting campaign that targeted national and international aquaculture investors. In addition, programs were created and implemented to enable investors to leverage commercial capital. To date, these programs have enabled the private sector to secure and place over $300 million in investment.

This approach has enabled salmonid aquaculture in the Coast of Bays region to flourish. Production has more than tripled since 2003, reaching 13,625 tonnes in 2009 with a value of over $90 million. Direct and indirect employment opportunities have been created in communities throughout the region. In addition to the 655 full-time equivalents that are directly employed, additional employment has been created in the supply and service sectors both within and outside the region. Communities such as Glovertown and Bishop's Falls have companies supplying metal fabrication and packaging to aquaculture companies on the south coast. More opportunities are available today in supply and service sectors and in farming operations, including hatchery development. The economic impacts are providing positive benefits throughout the province.

To achieve long-term sustainability, the sector requires greater levels of aquaculture-specific marine infrastructure capacity and superior fish health capability. In 2009, the province commissioned a study to examine the need for marine infrastructure in the region and started designing four new wharf facilities. These will be key facilities in improving biosecurity for the industry. In addition, to enhance the health capacity, design and site development work was completed for the construction of the new Centre for Aquaculture Health and Development in St. Alban's. In 2010, the Centre and the wharves will be constructed to support the development of a sustainable industry.


Licensed Fish Processing Plants
Newfoundland and Labrador 2009
Location of Plant
Nain
Makkovik
0 50 100 200
Kilometers
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 Ferolle
Conche
Port au Choix
River of Ponds
Fleur de Lys
La Scie
Cow Head
Baie Verte
Jackson's Arm
Fogo
Twillingate
Seldom
Rocky Harbour
Triton(2)
Trout River
Greenspond
Cox's Cove
Centreville(2)
Benoit's Cove(2)
Corner Brook
Bonavista
Glovertown(2)
Clarenville
Old Perlican(2)
Carbonear(2)
Bay Roberts(2)
Port de Grave(2)
New Harbour
Arnold's Cove
Codroy
St. Alban's
Fair Haven(2)
St. John's(3)
Ship Harbour
Dildo
South(3)
Witless Bay
Channel-Port Aux Basques
Burnt Islands
Burgeo(2)
Ramea
Harbour Breton(2)
Marystown
Grand Bank(2)
Burin
St. Bride's
St. Mary's
Fermeuse
St. Lawrence
Department of Finance
Newfoundland & Labrador Statistics Agency
Edited by Fisheries and Aquaculture
Source: DFA


Aquaculture Sites
Newfoundland and Labrador 2009
Aquaculture Site by Species
Salmonid
Shellfish
Inset 2
Inset 1
2J
3K
3L
4R
4S
3Pn
4Vn
3Ps
St. Anthony
Anchor Point
Rocky Harbour
Corner Brook
Fogo
Twillingate
New-Wes-Valley
Bonavista
Glovertown
Clarenville
St. Albans
St. John's
Channel-Port aux Basques
Ramea
Placentia
Grand Bank
Burin
St. Lawrence
Newfoundland Labrador
Department of Finance
Newfoundland & Labrador Statistics Agency
Source: DFA

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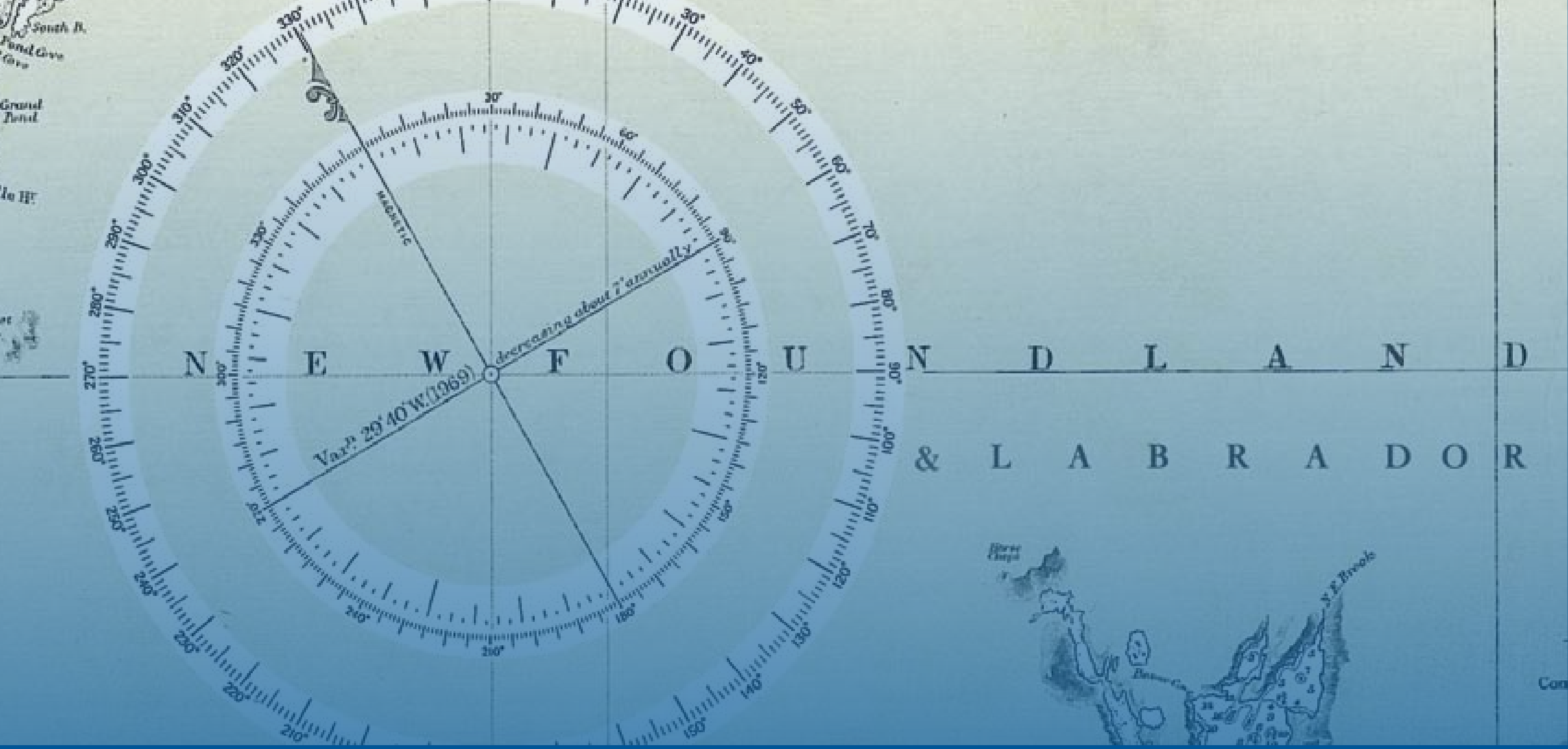
Pg. 3: Inset: Jamie Baker - Ern and Vina - Courtesy of FFAW
Pg. 5: Inset: Jamie Baker - Capelin Jayn - Courtesy of FFAW
Pg. 6: Inset: Donna Grimes - Black Duck Cove
Pg. 22: Bobbi Smith - Sunrise Fish Farm, Pilley's Island
Pg. 23: Inset: Donna Grimes - Black Duck Cove
Pg. 27: Shrimp Trawl Net - Courtesy of Canadian Centre for Fisheries Innovation
Pg: 28: Mike Warren - International Boston Seafood Show 2009
Pg: 29: Mike Warren - China Fisheries and Seafood Expo 2009
Cover : Lisa de Leon



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