2000 Seafood Industry Year in Review

A Message From the Minister of Fisheries and Aquaculture

Welcome to the 2000 Seafood Industry Year in Review!

The seafood industry in Newfoundland and Labrador today is a revitalized industry based on diversification, professionalization and sustainabflity, producing top quality fish products.

We have been successful at rebuilding our fishery by exploring new opportunities and focussing on fisheries diversification. However, there are still many challenges which face our industry and as such, we must ensure that prudent management measures are practiced as government and industry work together for the future viability of our industry.

The aquaculture industry adds new dimension to our seafood production and provides new opportunities for economic development in rural Newfoundland.

The seafood industry remains the cornerstone of the economy of Newfoundland and Labrador, and I am confident a revitalized, diversified and strengthened industry will benefit the economy and the people of Newfoundland and Labrador.

Hon. Gerry Reid, MHA
Twillingate-Fogo

Contents

Front / Back Cover
Impact Design Inc.
St. John's, NF
Bacreman@roadrunner.nf.net

Another Successful Year

The total production value for the Newfoundland and Labrador fishery again exceeded $1 billion. Strong landings were realized this past year, with 268,000 tonnes of commercial seafish harvested and a landed or dockside value of $581 million, an all-time

... Record Landed Value of $581 million ...

record and a 15 percent increase over 1999. The high landed values were primarily attributed to higher prices for crab and increased shrimp landings. Crab markets were again strong for 2000. Market

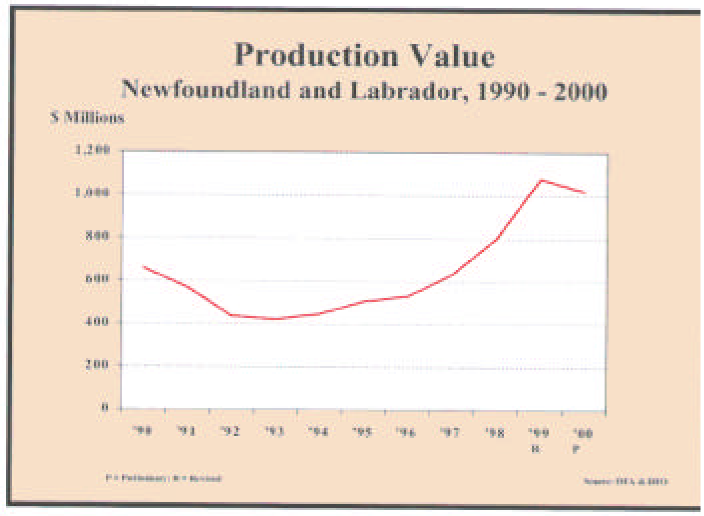
Fishing Industry Performance
Newfoundland and Labrador, (1999 & 2000)

	1999(R)	2000(P)	%change
LANDINGS (t)			
Groundfish	71,000	70,400	-1%
Pelagics Shellfish	40,200	41,700	4%
Seals (number)	160,221	155,808	-3%
Total	245,000	86,000	-65%
	271,421	**267,908**	**-1%**
LANDED VALUE	($000)	($000)	
Grotindfish	91,966	95,187	4%
Pelagics	10,122	12,078	16%
Shellfish	399,702	471,292	18%
Seals	7,500	2,100	-72%
Total	**509,290**	**580,656**	**15%**
PEAK EMPLOYMENT			
Harvesting (individuals)	10,300	12,200	18%
Processing (individuals)	16,700	10,400	-38%
ANNUALEMPLOYMENT (Person Years - PY's)			
Harvesting	8,700	8,800	1%
Processing	8,400	6,400	-24%
TOTAL INDUSTRY EMPLOYMENT (PY's)	17,100	15,200	-11%

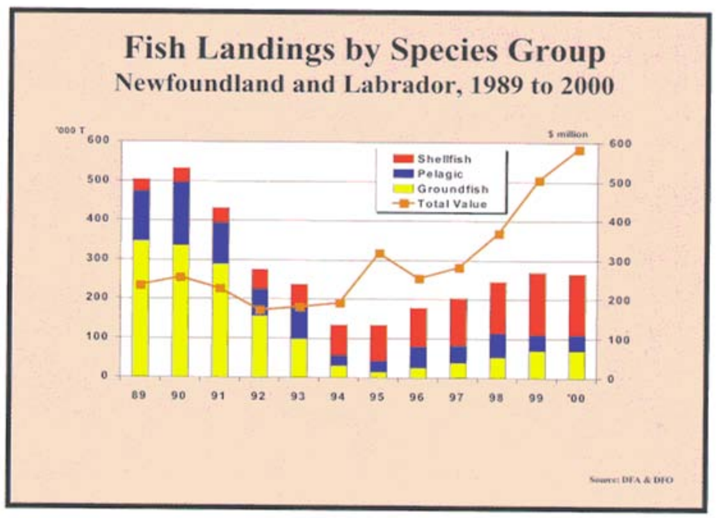
Source: DFO; DFA; Statistics Canada (March l2, 2001)

Note: R - Revised; P - Prelirninary

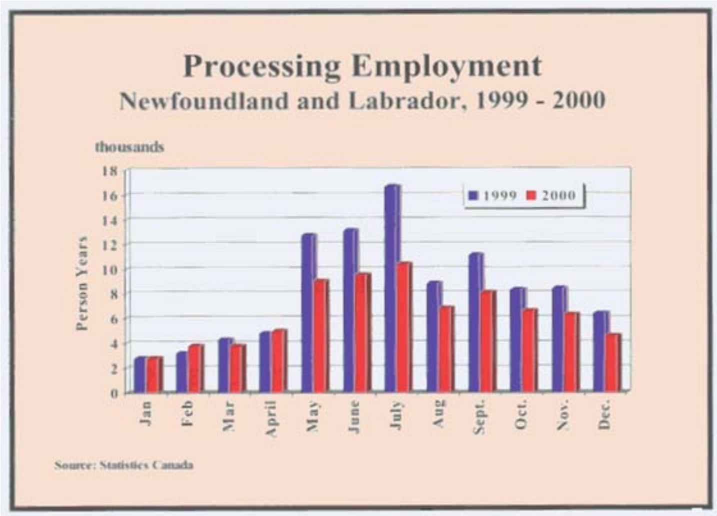
prices were generally stable for most species except for cod. Shrimp producers saw prices soften as markets responded to increased supply. Annual average



employment in the industry totaled 15,200 individuals, a 11 percent decrease from 17,100 in 1999. Peak employment also declined from 27,000 in 1999 to 22,600 in 2000. Lower employment levels were mainly a reflection of decreased employment in fish processing.



Annual average employment in fish processing declined to 6,400 person years, down from 8,400 person years in 1999. Many factors contributed to lower processing employment, including reduced quotas for cod and crab, increased mechanization in the crab sector and a change in crab pack mix to a less labor intensive product. Employment in 2000 was above



1998 levels, a period with similar quotas. Annual average employment in fish harvesting, however, increased 1 percent to 8,800 individuals. Peak harvesting employment levels increased 18 percent in 2000 to 12,200 individuals.

The export value of aquaculture decreased to $13.7 million in 2000 down 24 percent from $18 million.

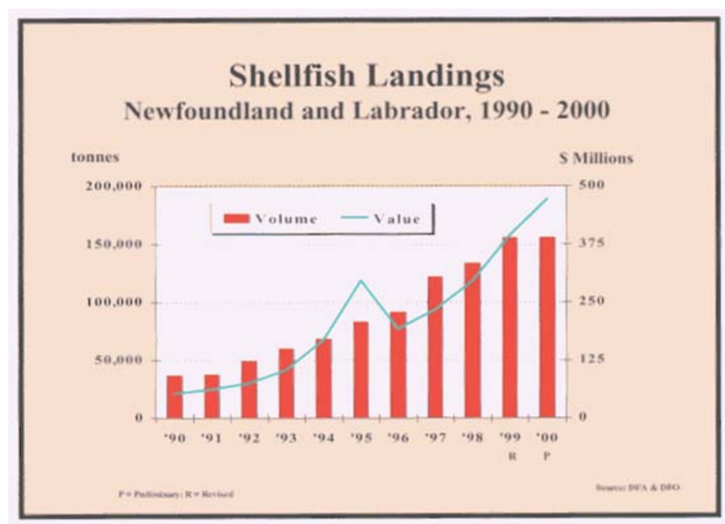
Processing Snow Crab sections

The market ready production was 5,324 tonnes in 2000 versus actual production of 4,282 tonnes in 1999. This decrease in value and volume was a response to weak market conditions, therefore, both salmonid and mussel growers elected not to harvest a portion of their product in 2000.

Sector Review

Shellfish

The shellfish sector was again the dominant force in 2000. Approximately 155,800 tonnes of product were harvested with a dockside value of $471.3 million. Overall, shellfish landings decreased 3 percent while the landed value of shellfish increased $71.6 million, an 18 percent increase. Crab and shrimp are the dominant shellfish species representing 75 percent of total landed value.



Crab

The landed value of crab increased in 2000 by $26 million to $263 million. This was due largely to average prices to fishermen rising from $1.60 per pound in 1999 to about $2.15 per pound in 2000. Crab contributed 56 percent of shellfish landed value and 45 percent of the landed value of all commercial seafish. The total allowable harvest of crab decreased by 16 percent or 10,000 tonnes because of a reduction in Total Allowable Catch. The exploratory fishing allocations also decreased by 3,700 tonnes, reducing the 2000 catch to 55,000 tonnes from 69,129 tonnes in 1999.

Approximately 6,700 individuals in the processing sector, 32 plants and 3,500 vessels were involved in the crab fishery.

Shrimp

Shrimp landings grew to 76,600 tonnes in 2000, an increase of 13,700 tonnes or 22 percent. These higher landings and a modest increase in the per unit price, increased the landed value of shrimp by $51 million to $168 million.

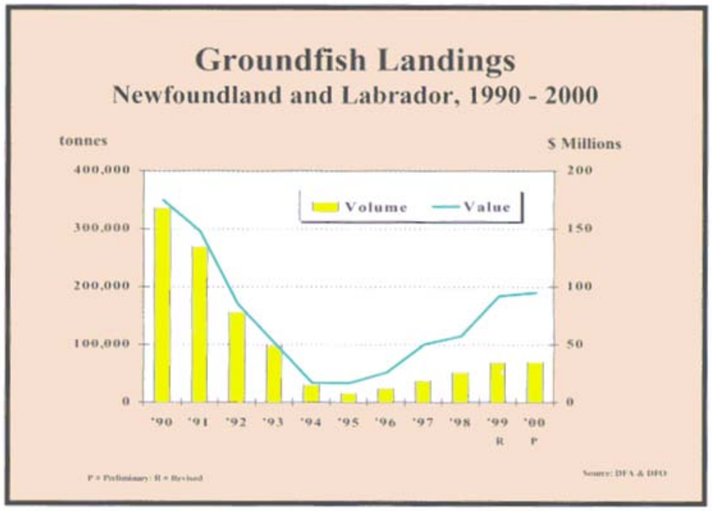
... Shrimp Landings up 22 percent ...

Approximately 340 inshore vessels in the 44 to 65 foot category held shrimp fishing licences during 2000.

Groundfish

The landed value of groundfish in 2000 increased 4% to $95 million. Groundfish landings decreased slightly in 2000 from 71,000 tonnes to 70,400. A 10,000 tonne decrease in the 3Ps cod allocation was offset by significant increases in turbot and flounder landings. Turbot landings increased 66% to 14,500 tonnes while its landed value increased 92% to $23 million.

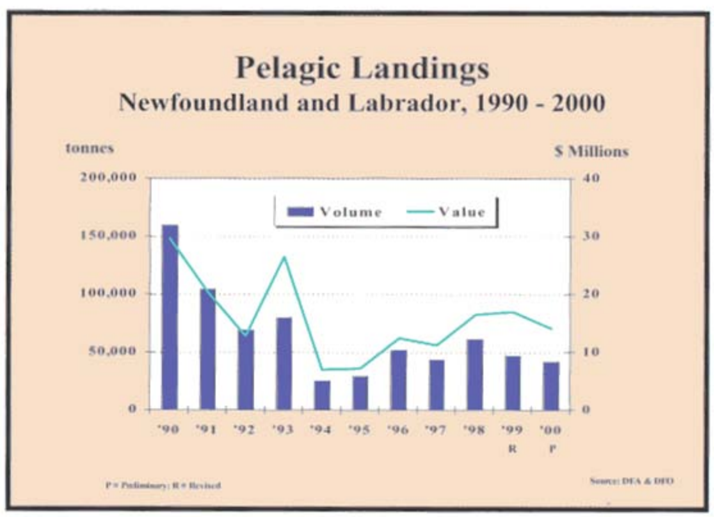
Recruitment remains a concern for most commercial cod fisheries. The 3Ps cod stock has not grown as anticipated. As such, the Fisheries Resource



Conservation Council recommended a 5,000 tonne reduction in the Total Allowable Catch for 2001. Northern cod remains at historically-low levels and shows no improvement in the short to medium term.

Polagics

The landed value of pelagics increased from $10 million to $12 million in 2000. Landings increased from 40,200 in 1999 to 41,700 tonnes in 2000. Capelin was the most significant species in the pelagics sector



comprising one-half of landings and landed value followed by herring, tunas and mackerel.

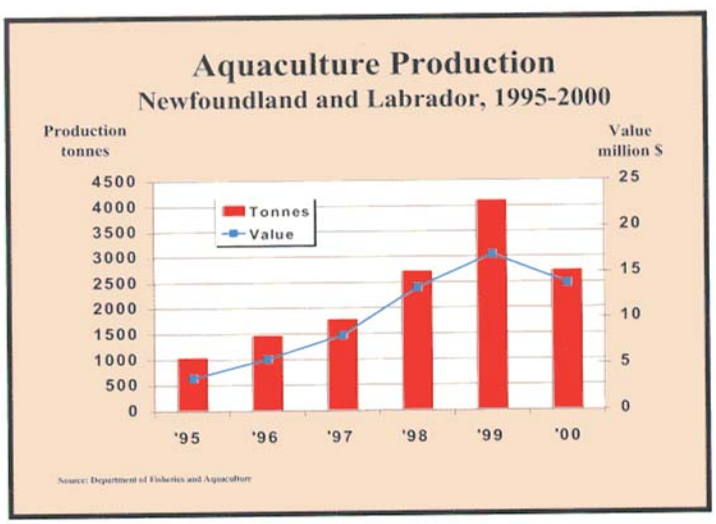
Seals

The 2000 seal fishery had landings of 86,000 animals with an estimated landed value of $2 million. This represented a substantial decline from 1999 levels of 245,000 animals. Depressed prices for products resulted in harvesters not landing the total quota. Approximately 3,000 sealers and several hundred plant workers were employed in the production of fully-cured pelts, oil products, and meat. The rapidly expanding market for seal oil capsules for human consumption was of continuing interest in 2000. Two plants produced refined seal oil products, while four plants processed finished and semi-finished seal skin and leather. Other processors continue to freeze meat products for specialty markets in the Pacific Rim.

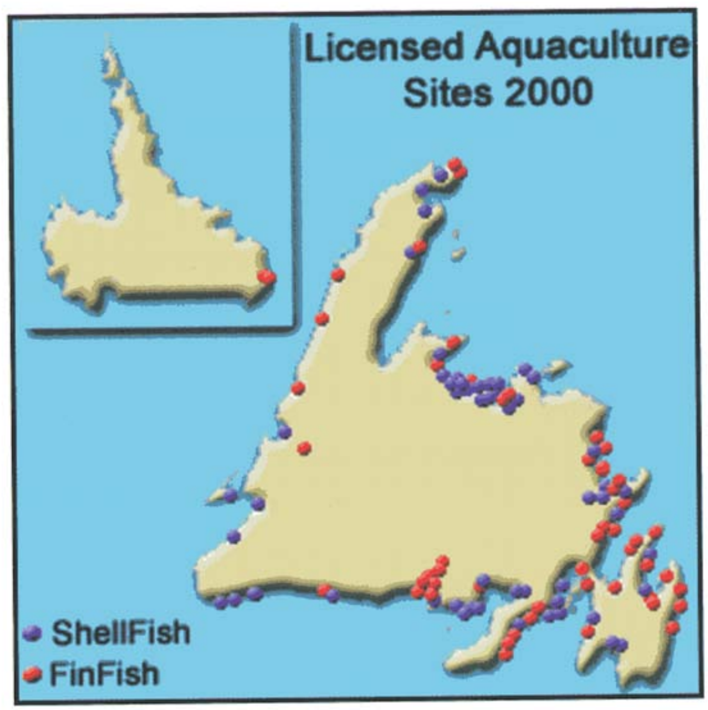
The Department of Fisheries and Aquaculture continued promotional and development initiatives and actively pursued issues relating to the review of the Marine Mammal Protection Act in the United States.

Aquaculture

The Aquaculture industry continued its development efforts with strong production growth, however, soft markets negatively impacted sales. As a result, some of last year's shellfish and finfish production has been carried forward into 2001.



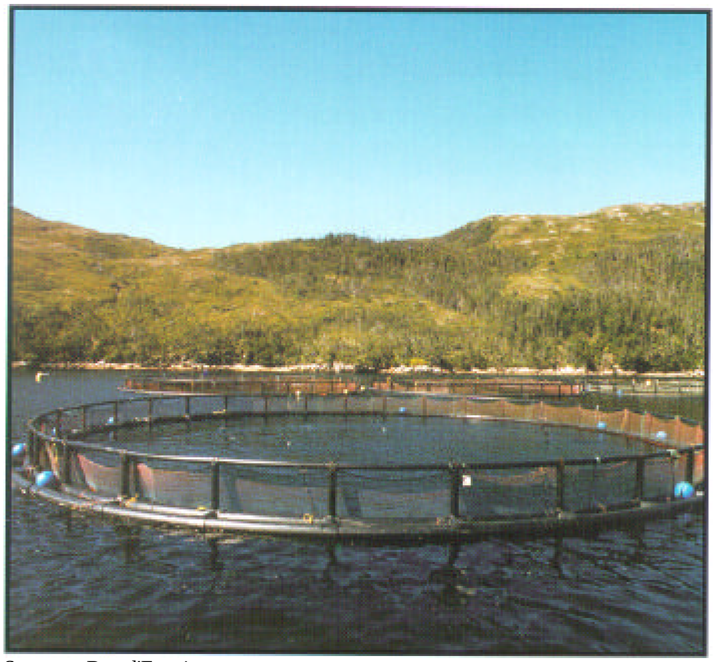
Approximately 500 people were employed directly in the aquaculture industry with 90% of these jobs located in rural areas. Substantial private sector investment in the salmonid industry located in Bay d'Espoir was initiated in 2000. One of the salmonid industry's major operations was purchased by private investors, while other operators are considering joint venture arrangements. Cod growout continued to expand primarily in Placentia Bay. The mussel industry has increased production and is focusing on consumer-ready secondary processing products to diversify its markets.



Shellfish

Blue Mussels

This sector continued to show growth in 2000 with market ready production of 2,150 tonnes. In



Seneage -Bay d'Espoir

response to decreased market returns from fresh mussels, farmers elected to leave 1,100 tonnes of mussels on their sites to be harvested and marketed in 2001. Actual mussel production in 2000 was 1,051 tonnes. As a result, export value decreased to $2.7 million from $3.8 million in 1999.

The focus in the shellfish sector for 2000 was on improved site utilization. Through increased utilization of the Shellfish Working Capital Fund, most farmers increased their effort on socking and seeding their mussel farms to increase their production for 2001 and 2002. There was continued emphasis on value-added mussel production in 2000, as traditional fish processors began to install equipment to diversify their production lines.

Finfish

Salmonids

The salmonid sector also grew in 2000 with market-ready production of 2,912 tonnes versus actual production of 2,478 tonnes in 1999. The total export for salmonids decreased to $10.45 million in 2000, down from $13.38 million in 1999. Due to poor market conditions in the last quarter of 2000, farmers chose to keep 1,500 tonnes of salmonids in their cages to be harvested and marketed in 2001. Production was approximately 1,500 tonnes in 2000. The new private sector investment in one of the salmonid industry's main processing facilities reflected the increasing interest shown in the aquaculture sector during 2000.

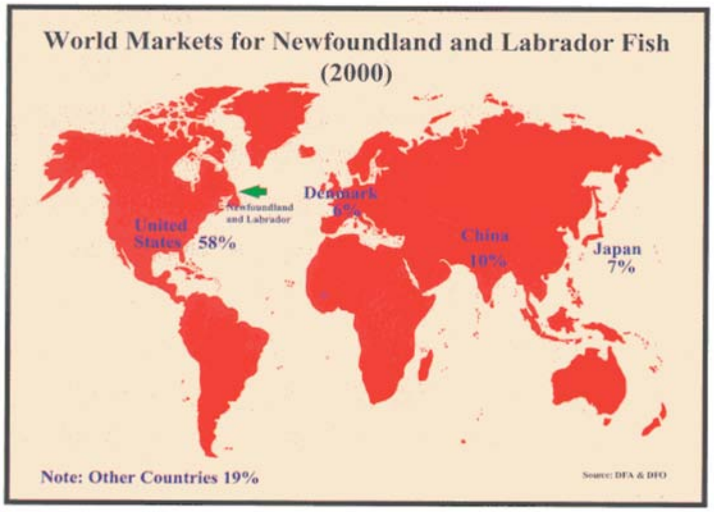
Cod Growout

Cod growout is a merger of the traditional trap fishery and aquaculture technologies. Fish caught in cod traps are held in cages and fed. Typically, these cod double their weight in a 10-12 week period.

Cod growout continued to expand during 2000 with production of 155 tonnes, up from 105 tonnes in 1999. The export value increased from $334,000 in 1999 to $495,000 in 2000. The cod growout program commenced in 1997 and 15 licences were issued to 11 participants. There were 49 cod growout licences issued in 2000, with 18 active farms located within NA,FO fishing zones 4R, 3KL and 3Ps.

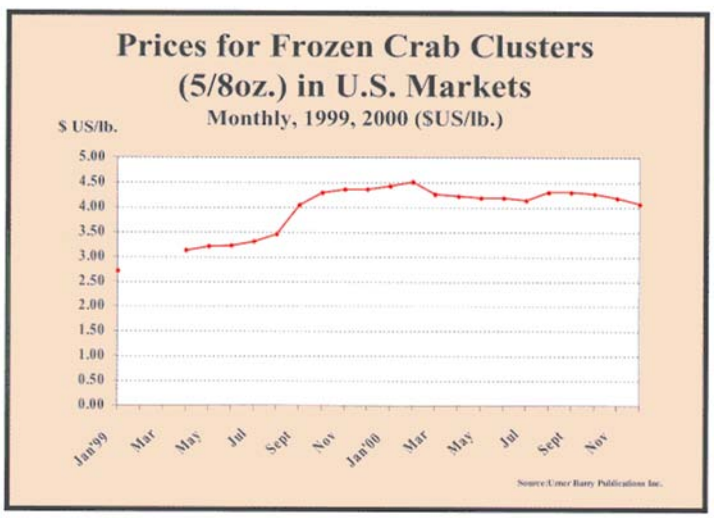
Market Overview

Most of the output from the Newfoundland and Labrador fishery is exported internationally. The United States and China are the industry's main markets followed by the European Union and other Asian countries. As such, exchange rate fluctuations and the health of economies in these countries has an impact on producer and harvester margins.



Crab

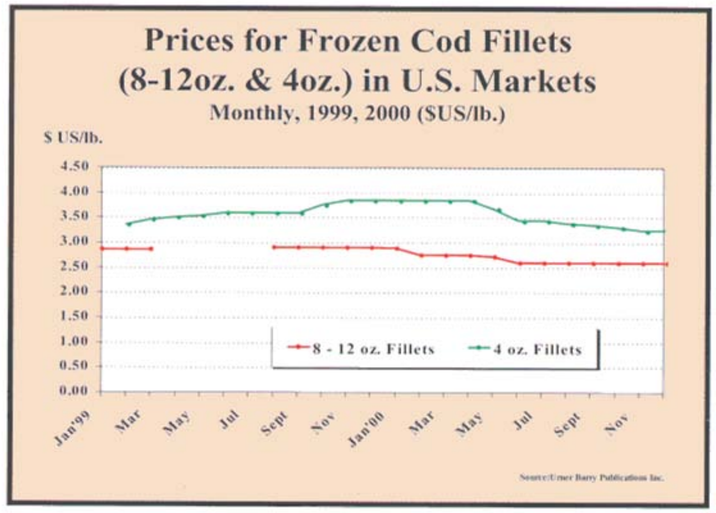
The crab market was strong and prices high in 2000 due to a reduced quota in Alaska, a strong U.S. econ- omy, and a somewhat strengthened Japanese currency The average price of a 5 to 8-ounce pack of snow crab sections in the U.S. was $US 4.25/lb., up 56



cents per pound from 1999. Unlike past years where average monthly prices usually rise from September to December, they actually declined during the Fall to Christmas period in 2000. High prices, declining usage and higher inventories factored in the decline.

Cod

The average market prices for cod were lower in 2000 relative to 1999. The average price for the popular 8



to 12-ounce shatterpack fillets declined by more than 30 cents per pound from $US 2.90/lb to $US 2.60/lb. The price of cod loins, which had increased in 1999, declined steadily in 2000. Lower-priced product from China and, to a lesser extent, Russia contributed to failing cod prices.

Shrimp

Newfoundland and Labrador is one of the world's largest producers of cold water shrimp. The United States and the United Kingdom are Newfoundland's two primary shrimp markets. Exports to the United States increased in 2000, but the shrimp on average were smaller. Inventories of smaller shrimp increased thereby negatively impacting on wholesale prices. Prices for larger shrimp were relatively stable and inventories were at more manageable levels. The European market remained challenging throughout 2000, due to declining prices, unfavourable currency exchange rates, and a continuation of restrictive import tariffs.

Blue Mussel Marketing Brochure

Marketing Developments

In 2000, the Department continued to focus on secondary and underutilized species development involving whelk and other emerging species like sea cucumber, by-products from shellfish and specialty groundfish products.

A major initiative funded this year under the Fisheries Diversification Program was a Shrimp Marketing Project initiated by the Newfoundland Seafood Market Council and several shrimp processors.

The province's large volume of shell by-products from the crab and shrimp industries have enormous potential for development, therefore, work is ongoing to establish chitin/chitosan extraction facilities in the province.

Work continued on development of innovative packaging technology and new market development initiatives for sea urchin roe. A review of saltfish processing technology and of existing and new markets was undertaken in 2000 to diversify the product fine for saltfish products.

The processing and marketing development of seal oil and seal fur products into the Far East, Russia and Western Europe continued in 2000. The diversification of sea urchin products/markets and the growth of secondary-processed mussel products also occurred.

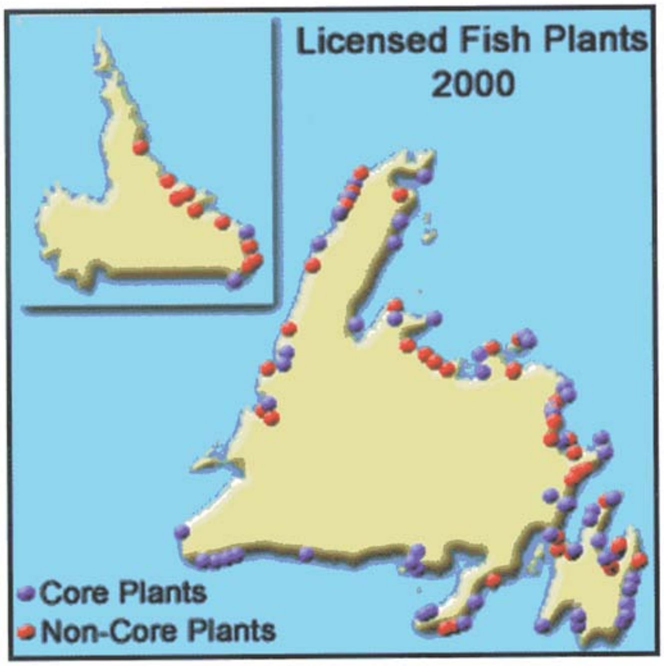
The secondary/value-added industry processed a diverse range of products in 2000. More than a dozen companies engaged in secondary processing with several thousand tonnes of production and a value of $60 million. Items produced included a broad range of marinated, pickled, smoked, surimi-based, breaded and specialty dried products.

Market Strategy for Cultivated Blue Mussels

In November 2000, the Department of Fisheries and Aquaculture, the Newfoundland Aquaculture Industry Association (NAIA), and the blue mussel industry formed an alliance to develop a marketing strategy to increase the level of blue mussel sales in 2001. The strategy will focus primarily on increasing local and international fresh blue mussel sales and on the development of new market opportunities for frozen mussels.

Processing Sector

In 2000, the Department of Fisheries and Aquaculture continued to operate under the revised licensing policy framework announced in 1997. One of the guiding principles of this policy was the focus



on full utilization of the fishery by promoting an interest in developing fisheries such as whelk, rock and toad crab and marine plants. Maximizing the value of fish products through product diversification continues to be a priority and renewed effort has been placed on by-product utilization from the shrimp, crab and seal fisheries.

Quality Assurance

Last year, the Department continued to promote quality assurance as a priority, raising Newfoundland and Labrador Is profile as a leading exporter of high quality fish products in the global marketplace.

... Continued Focus on Quality...

Under the direction of a joint government/industry working group on quality, appointed in 1999, the Department participated in the delivery of a series of quality workshops on snow crab and shrimp. These workshops were designed to encourage proper

Loading ice on vessels as part of Quality Program

onboard/offloading handling and transportation practices. Over 30 workshops were held throughout the province, with similar sessions planned for 2001.

The Department committed $250,000 to its quality assurance and inspection effort. An additional thirteen seasonal inspection officers were hired to provide support to the existing complement of staff performing quality-related inspections and initiatives. In 2000, a total of 6,704 inspections were completed, up from 4,645 the previous year. The Department's inspection personnel also provided support for the collective agreement for cod. This agreement introduced dockside grading as a criteria to determine prices.

Fisheries Diversification Program

The $10 million Fisheries Diversification Program (FDP) distributed more than $6 million of its funding up to the end of 2000. Approximately 90 projects were funded under this program in 2000, with the average FDP contribution being $70,000. Applicants were private fishing industry companies and proprietorships, research institutions, public organizations, the Department of Fisheries and Aquaculture, and other provincial government departments.

The Department of Fisheries and Aquaculture delivers the program jointly with the Atlantic Canada Opportunities Agency and the Department of Fisheries and Oceans. There are four program elements designed to address fisheries development problems and opportunities in the province.

Emerging Fisheries Development - focuses on innovative harvesting and processing technology, exploratory fishery, increased utilization of species and the growout of wild species.

Productivity and Product Enhancement - focuses on quality enhancement, secondary processing and improving processing technologies.

Market Intelligence and Trade Development - supports projects aimed at opportunity identification, market development and new marketing activities.

Environmental and Conservation Technology – deals with environmental sustainability and conservation technology.

The final date for submission of applications to the Fisheries Diversification Program is December 31, 2002. Information on the Fisheries Diversification Program is available from all offices of the Department of Fisheries and Aquaculture and the Atlantic Canada Opportunities Agency.

Emerging species - Stone Crab

Fisheries Development

Industry diversification and fishery development initiatives were again a main focus of the Department of Fisheries and Aquaculture in 2000. Considerable work was undertaken this past year involving resource identification surveys and various exploratory fishing projects. These initiatives are meant to examine commercial viability and determine fisheries diversification opportunities, particularly for the less than 35 foot vessel fleet. The Fisheries Diversification Program provided all funding for these initiatives.

Landings of whelk increased to 180,000 kilograms in 2000, up from 115,000 kilograms in 1999, due mainly

to the addition of 5,000 traps to the whelk industry's harvesting capacity.

Inshore shrimp, sea urchins, and seaweed resource identification surveys were undertaken by the Department of Fisheries and Aquaculture or through partnership with the private sector. Opportunities for inshore shrimp were identified off Hopedale and good commercial quantities of sea urchin were identified in Placentia Bay and the Port au Port area.

Full support was given to a private sector initiative to develop a new non-lethal roe extraction technique for the lumpfish roe fishery. Initial results were positive and additional design work is required to refine the process.

Support was directed to Refrigerated Sea-water Systems (RSW) for the larger fleet sector, with additional work to follow this coming year.

Cod potting technology was introduced to the inshore cod fishery in 2000, particularly on the southwest coast of the Island and Placentia Bay. Initial results were very encouraging with additional work planned for 2001.

Regional Activities

The Department delivers services through five regional offices and ten satellite offices. Each region is responsible for inspection, development and other activities. The regional offices are also the first point of contact for the general public and industry stakeholders.

Avalon/Eastern Region

A number of very successful development projects were completed on inshore shrimp in Fortune/Trinity Bays, herring in Fortune Bay and cod growout on the Avalon, Burin and Bonavista Peninsulas. The expansion of cod growout has been encouraging and the number of farms continues to increase.

Shipyards have been extremely busy in this region with dozens of new vessels completed or repaired over the past couple of years.

Shrimp plants at Port Union and Clarenville continue to make improvements in volume throughput and quality. The seal tannery at Catalina produced a finished grade product with the addition of new equipment and has a range of products ready for the garment factories in Europe and Asia.

Typical inshore vessels

Central Region

A new shrimp processing plant opened at Fogo in 2000 and a mussel processing plant was approved for Harbour Breton. Several major companies expressed interest in investing in the finfish sector of the aquaculture industry during 2000. Some fish plants on the Northeast Coast expanded into secondary processing and value-added products.

Nine boat building/fabrication yards employed over 200 workers in 2000 with close to 300 boats constructed or repaired. There were about 74 fish collection sites in the Central Region in 2000, utilizing approximately 80 trucks.

Western Region

Several development projects were undertaken in the Western Region during 2000 involving shrimp, whelk, sea urchin surveys, and a mackerel reel technology project.

The Marine Service Centres at Port Saunders and Englee worked at full production in 2000 widening and lengthening existing vessels in response to a need generated by the Northern shrimp fishery.

Labrador Region

Snow crab processing occurred in Black Tickle for the first time in 2000. Construction began on a new shrimp plant for Charlottetown this past year and is expected to be opened in 2001, generating approximately 100 new jobs.

The Department of Fisheries and Aquaculture imposed new licensing conditions on snow crab in 2000, requiring that snow crab landed in NAFO area 2J must be processed by a licensed snow crab processing facility in Labrador adjacent to area 2J.

There was considerable boat building activity in L'anse au Loup in 2000, with major vessel modifications, including the upgrading and fiberglassing of vessels participating in new shrimp and crab fisheries.

Other Developments

Price Settlement Model

The interest-based Final Offer Price Negotiation Model was enshrined in legislation in 2000. The negotiation system was used as a pilot for two years with no disruptions in the fishery. Harvesters and processors have agreed to use the model in future years.

Professional Fish Harvesters Certification Board

The Professional Fish Harvesters Certification Board had 15,964 registered members in 2000, down 1.4 percent from 1999. The number of level 11 harvesters decreased 3 percent to 8,695, whereas the number of Level I harvesters decreased 1 percent to 1,120. The decline in the Level I and Level 11 categories was offset by a 3 percent increase in the number of harvesters in the New Entrant/Apprentice category to 6,000.

The Board introduced a Maintenance of Status Policy and a Code of Ethics in 2000. Through the Maintenance of Status policy, a fish harvester's dependence and attachment to the industry during the fishing season was assessed along with guidelines being set for re-entry to the industry following any inactivity. The Code of Ethics outlines the standards of practice for fish harvesters and serves as the guiding principles under which the profession is conducted. The Board conducted community consultation workshops to discuss these initiatives in late 1998. The Board also completed a pilot project on Prior Learning Assessment and Recognition in 2000.

New Department Website

The Department of Fisheries and Aquaculture recently launched its new web site. The site contains detailed information on the Newfoundland and Labrador fishery. The address is: www.gov.nf.ca/fishaq/

Outlook for 2001

Fisheries

The year 2001 will be challenging for the industry. Lower landings are anticipated and market prices. for key products are expected to stabilize or move lower in response to slower economic growth in key markets such as the United States, Japan and Europe. As well, employment is expected to remain the same or decline slightly in response to lower quotas.

Quota reductions are expected for cod, however, this should be partially offset by higher quotas for turbot and yellowtail flounder. Shrimp landings are expected to remain on par with 2000, however, modest quota increases could be realized. Crab landings are also expected to decline. This, combined with softening seafood markets, could push the landed value downwards. Despite this, the 2001 season is expected to be strong with potentially the third highest landed value on record for the province.

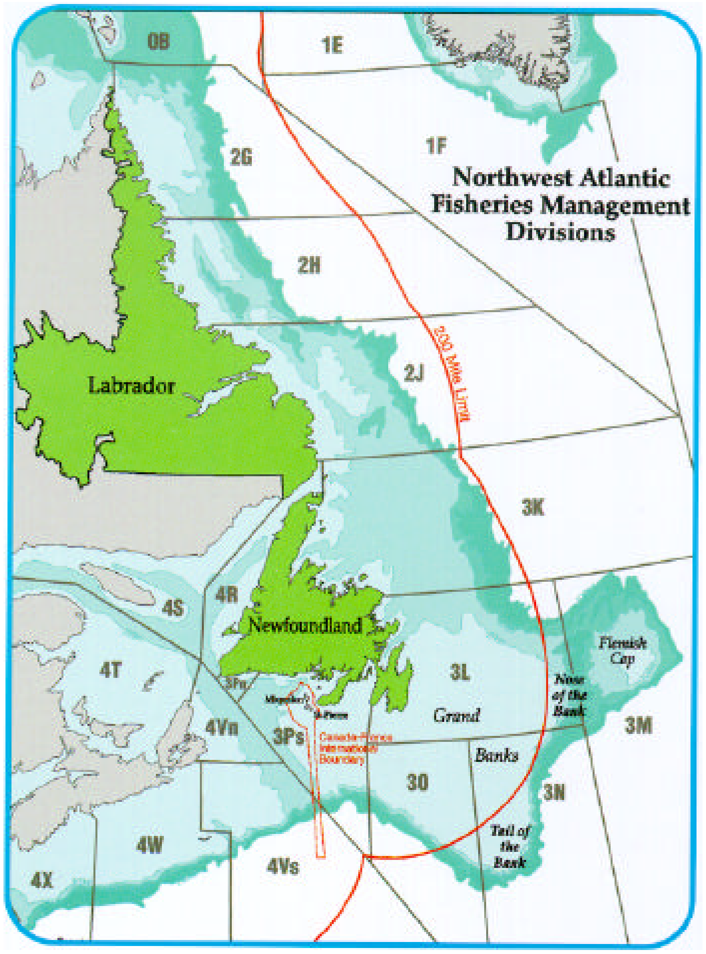
Aquaculture

The salmonid industry is expected to expand in 2001 as a result of new investment in the operation in Bay d'Espoir. The ongoing pursuit of joint ventures is also expected to contribute to this expansion. Continued private sector investment and the utilization of improved salmonid strains will greatly enhance the salmonid industry's competitiveness.

Mussel production is expected to increase substantially in 2001 to 4,000 tonnes in response to increased seeding and socking in 1999 and 2000. Cod growout is expected to experience positive growth in 2001, as more fishermen realize the economic benefits of this developing industry.

The Province is committed to focusing on species that can become commercially viable in the shortest time frame. The Aquaculture Strategic Plan, developed jointly with industry, will continue to focus on four commercial species: Atlantic salmon, steelhead, blue mussels and cod.

2000 Seafood Industry Year in Review



For more information, please contact:

Elizabeth Matthews, Director of Communications
(709) 729-3733
email: ematthews@mail.gov.nf.ca

Fisheries Contacts:

David Lewis, Assistant Deputy Minister, Fisheries
(709) 729-3713
email: davidlewis@mail.gov.nf.ca

Craig Taylor, Director (Labrador Region)
(709) 896-3412
email: ctaylor@cablelab.net

Joe Kennedy, Director (Western Region)
(709) 861-3537
email: jpkennedy@mail.gov.nf.ca

Nelson Higdon, Director (Central Region)
(709) 256-1030
email: nelson@newcomm.net

Rex Matthews, Director (Eastern /Avalon)
(709) 832-2860
email: rmatthews@mail.gov.nf.ca

Aquaculture Contacts:

Brian Meaney, Assistant Deputy Minister, Aquaculture
(709) 729-3726
email: bmeaney@mail.gov.nf.ca

Ron Scaplen, Director, Policy and Programs
(709) 729-3726
email: rscaplen@mail.gov.nf.ca