

The Newfoundland and Labrador fishery faced several challenges in 2008, including continued competition from low-cost producers, as well as high fuel costs and unfavourable exchange rates for most of the fishing season. Preliminary estimates place total fish landings at 329,700 tonnes last year, down 3.2% from 2007. Nevertheless, higher landings of some species and price increases resulted in an almost 3% rise in the value of landings.

Employment in the fishing industry declined in 2008 to average 12,000¹, down from 13,200 in 2007. Declines occurred on both the harvesting and processing sides of the industry.

Harvesting

Shellfish landings in 2008 were stable as higher crab landings offset a drop in the volume of shrimp. Crab landings increased by approximately 5% to 52,800 tonnes. Shrimp landings declined by 2.6% to 112,300 tonnes. The decline originated in the offshore fishery, as inshore landings grew on the strength of a 9,000 tonne increase in the inshore shrimp quota.

Groundfish catches increased by 8.8% last year to 45,400 tonnes. This gain was mainly due to higher yellowtail flounder landings. Cod landings in 2008 were slightly lower than in 2007.

Pelagic landings dropped considerably last year—landings were about 89,600 tonnes compared with 103,400 tonnes in 2007. Lower mackerel catches were the main factor behind the decline. The capelin fishery, with landings of about 37,200 tonnes, was up slightly over 2007.

¹ This figure is from the 2008 Statistics Canada Labour Force Survey and is the average of the 12 months. The actual number of people that work in the fishery at some point in the year is between 23,000 and 24,000.



Snow Crab
Professional Fish Harvesters Certification Board

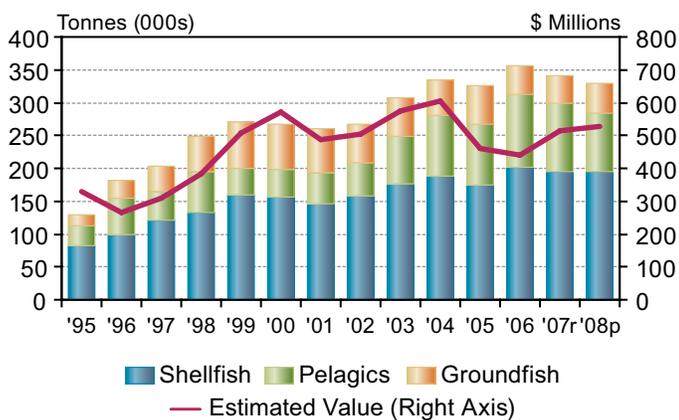
Fish Landings

	2007r	2008p	Actual Change	% Change
Landings (000s Tonnes)				
Shellfish	195.4	194.7	-0.7	-0.3%
Groundfish	41.7	45.4	3.7	8.8%
Pelagics	103.4	89.6	-13.9	-13.4%
Total	340.5	329.7	-10.8	-3.2%
Seals (# 000s)	205.5	207.5	2.0	1.0%
Value (\$ Millions)				
Shellfish	410.0	435.9	25.8	6.3%
Groundfish	64.9	64.5	-0.4	-0.6%
Pelagics	28.0	21.7	-6.3	-22.6%
Seals	11.4	6.7	-4.7	-41.6%
Total	514.3	528.7	14.4	2.8%

r: revised; p: preliminary; totals as well as actual and percent changes calculated on unrounded figures.

Source: Department of Fisheries and Aquaculture

Volume and Value of Fish Landings



r: revised; p: preliminary

Source: Department of Fisheries and Aquaculture

The estimated number of seals harvested last year was 207,500, slightly higher than the previous season. However, a drop in pelt prices paid to sealers from \$55 in 2007 to \$32 in 2008 caused the value to decline considerably. The value of seals harvested was \$6.7 million, compared with \$11.4 million in 2007.

Total landed value in the fishery increased from \$514.3 million in 2007 to \$528.7 million in 2008. This performance was largely driven by higher shrimp prices, although higher cod prices and the increases in crab and yellowtail flounder volumes also played a role. Shrimp prices were up between 25% and 27% last year depending on the type of shrimp fishery referenced (i.e., inshore/Gulf or offshore). Crab prices were down slightly in 2008—the average price paid to harvesters was around \$1.54 per pound compared with \$1.60 in 2007.

Processing and Marketing

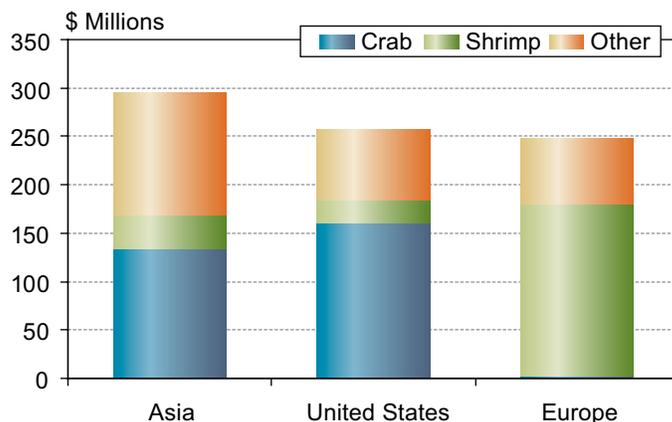
There were 115 primary processing facilities operating in the province in 2008. Fish production for the year was about 181,700 tonnes, down about 5% from 2007.

Most of the industry's product is sold in international markets. In 2008, about 37% of international fish exports went to Asia, 32% to the U.S. and 31% to Europe. Crab and shrimp accounted for the majority of exports with the product mix varying considerably by market as indicated in the chart. The vast majority of shrimp was sold in Europe, in particular to Denmark, Russia and the United Kingdom. The U.S. and Asia accounted for most of the crab sales—the U.S. accounted for 54% of the value of crab exports and Asia (mostly China and Japan) accounted for 45%.

Within the U.S. market, overall snow crab prices were down in 2008. Prices for 5-8 ounce crab sections averaged US\$4.27 per pound, down 4.0% from 2007. The high value of the Canadian dollar in the first three quarters of the year further reduced what producers received for their product—the price of the product in Canadian dollars declined by 4.6% in 2008.

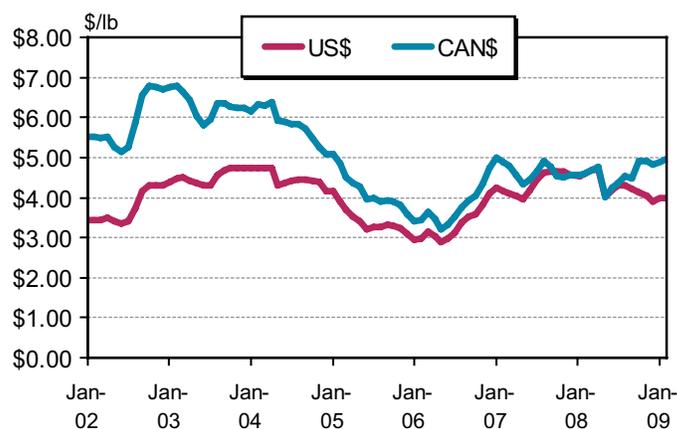
In recent months, the depreciation of the Canadian dollar has helped the industry. Prices in the U.S. crab market have been declining since last summer and this trend has continued into 2009. However, the depreciation of the Canadian dollar over the period helped mitigate the drop in market price. For example, over the last six months, the year-over-year U.S. price for crab has declined about 12% on average. At the same time, the price to producers in Canadian dollars has risen about 5% on average as indicated in the chart. There may be continued downward pressure on crab prices in 2009 as the U.S. market weakens.

International Fish Exports



Source: Industry Canada; Department of Finance

Prices for Frozen Crab Sections Sold in the U.S. (5-8 ounce)



Note: Price data were not available from Urner Barry Publications for several months. These data were estimated by the Department of Finance.

Source: Urner Barry Publications Inc.; Bank of Canada; Department of Fisheries and Aquaculture; Department of Finance



Crab fishing
Professional Fish Harvesters Certification Board



Hermitage Bay salmon site

Chris Hendry

The European Union (EU) continues to be a major market for cooked and peeled coldwater shrimp. However, some of the product is subject to substantial punitive tariffs which put Canadian exporters at a competitive disadvantage. Some improvement in this situation has occurred in recent years with the amount of Canadian shrimp that can be sold to the EU under the lower 6% tariff increasing from 7,000 to 20,000 tonnes. Canadian shrimp sold above the quota are subject to a 20% tariff while many foreign competitors have *preferred market access* (e.g., zero tariffs for a portion or all of their shrimp sales).

Marketing efforts of the shrimp fishery received another boost in August last year with international certification of the Canadian northern shrimp trawl fishery from the Marine Stewardship Council. This certification indicates that the industry meets environmental standards for being well-managed and sustainable in the capture of wild fish. This move bodes well for the sustained competitiveness of the province's shrimp fishery as retailers in Europe and the U.S. have become increasingly concerned about the environmental sustainability of their seafood products.

Aquaculture

Aquaculture production and value rose to record levels in 2008. Production rose from 8,300 tonnes in 2007 to an estimated 11,545 tonnes in 2008. Similarly, value increased from \$40 million in 2007 to over \$63 million in 2008. This growth largely reflected the harvesting and processing of salmon on the South Coast and is the result of significant investments over the last several years.

Another significant aquaculture investment was announced last June. Gray Aqua Group Limited of New Brunswick will establish a \$16 million, four-site salmon aquaculture operation in the Bay d'Espoir region.

Gray Aqua Group is a subsidiary of Gray Aquaculture Limited which has been an active participant in the salmon industry in New Brunswick for 18 years. The company owns a salmon hatchery operation and has been supplying smolt to Newfoundland and Labrador for many years. The provincial headquarters for the company is located in Conne River and its new farming sites are located in the Bay d'Espoir region near Conne River.

Outlook 2009

Fish landings are expected to decline slightly in 2009 due to lower shellfish catches.

Landings of some species, such as yellowtail flounder and American Plaice are expected to rise.

The current global recession is introducing considerable uncertainty into the industry outlook for 2009. Some downward pressure on fish prices is expected, however, uncertainty over the extent of this pressure presents downside risks to the outlook.

The appreciation of the Canadian currency vis-à-vis the British pound could dampen exports to the United Kingdom in 2009. Conversely, the depreciation of the currency compared with the U.S. dollar and the Japanese Yen may yield an enhanced return on seafood sold in those markets.

The sealing industry could be impacted if the EU proceeds with legislation to prohibit the importation and transshipment of seal products.

The provincial aquaculture industry is expected to post increases in both production and value for 2009. This is based upon recent investment into expanding the salmonid sector of the industry, sustained market demand for aquaculture products and a positive outlook for salmon pricing.