
Cod. Courtesy: Department of Fisheries and Land Resources

Fishery and Aquaculture

The seafood sector—consisting of the harvesting and processing of both wild and farmed fisheries—is an important part of Newfoundland and Labrador's economy, particularly for rural communities. The sector experienced another successful year in 2016, with the total value of seafood production reaching a historical high of over $1.4 billion. This equates to growth of 8.9% in comparison to the previous year, due mainly to a rebound in aquaculture production. Aquaculture represented 19.2% of total seafood production value in 2016, in comparison to 12.2% in 2015.

The number of people employed in the sector in 2016 remained virtually unchanged as a slight decrease in processing plant workers was offset by a slight increase in harvesters. The processing sector employed approximately 7,600 workers, down 2.1% from 2015, while the number of harvesters increased 1.6% to almost 9,500. Direct employment for the aquaculture industry in 2016 was estimated at about 425 persons, slightly below the previous year.

Wild Fisheries

Recent stock assessments indicate that many of the province's groundfish stocks continue to show signs of rebuilding. While the northern cod stock is far from full recovery, it has increased considerably over the past decade and is expected to grow further over the next few years. Meanwhile, warmer water temperatures appear to be having a negative impact on the abundance of some key shellfish resources. Recent assessments indicate that the snow crab resource continues to decline. As well, the northern shrimp stock continues to decline off the east coast of the island and southern Labrador.

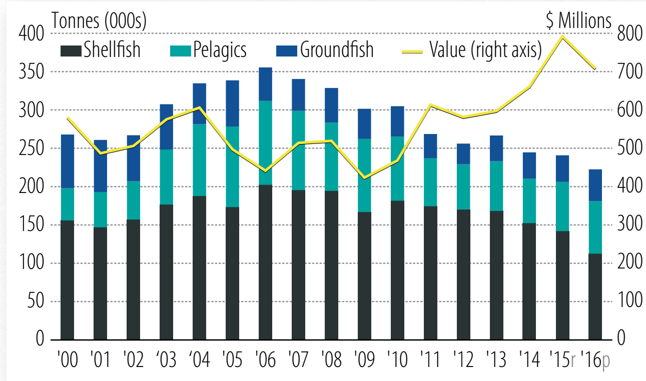
Announced in Budget 2016, Newfoundland and Labrador's Seafood Innovation and Transition Program has provided over $2 million to support innovation and development for 37 initiatives throughout the province's seafood industry. The program focuses on helping the seafood industry transition to a groundfish-based fishery.

Total fish landings decreased to approximately 222,700 tonnes in 2016, a 7.6% decline compared to 2015, largely due to resource supply constraints, particularly for shrimp and snow crab. Total landed value was $708.3 million in 2016, a 10.6% decline from the previous year, but still high by historical standards (see chart).

Shellfish

The shellfish sector continued to account for the majority of landings and value of the commercial fishery in 2016, accounting for 50.5% of total fish landings and 80.2% of the associated value. Shellfish landings declined 20.8% to 112,500 tonnes due to lower catches of shrimp and snow crab. The corresponding landed value for shellfish declined 13.5% to around $568 million. Value fell by less than volume due to higher raw material prices for crab.

Wild Fishery Landings



r: revised; p: preliminary
Source: Fisheries and Oceans Canada; Department of Fisheries and Land Resources

Shrimp landings declined by 33.8% to 47,900 tonnes last year due to quota reductions. In July of 2016, Fisheries and Oceans Canada set the total allowable catch (TAC) for shrimp in Shrimp Fishing Area (SFA) 6 at 27,825 tonnes (a 42.3%

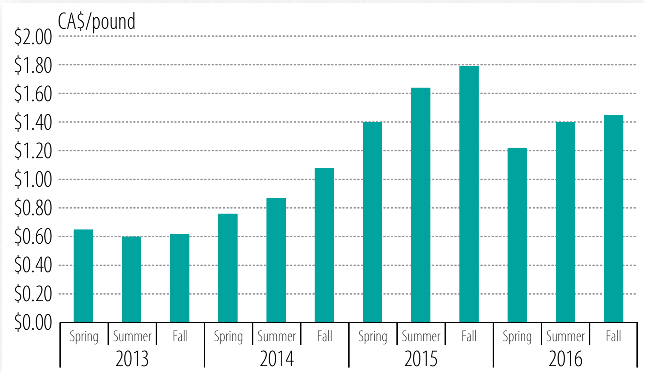
Wild Fishery Landings and Landed Value

	2015 Revised		2016 Preliminary		2015/2016 Comparison	
	Volume (tonnes)	Value ($000s)	Volume (tonnes)	Value ($000s)	% Volume	% Value
Shellfish						
Shrimp	72,303	317,373	47,865	203,919	-33.8	-35.7
Snow Crab	47,302	257,571	41,726	273,875	-11.8	6.3
Other Shellfish	22,439	81,346	22,945	89,998	2.3	10.6
Total Shellfish	142,044	656,289	112,536	567,792	-20.8	-13.5
Groundfish						
Turbot	11,051	67,017	10,281	57,021	-7.0	-14.9
Cod	10,723	14,336	16,285	21,631	51.9	50.9
Flounders	7,008	9,916	8,969	12,743	28.0	28.5
Other Groundfish	5,863	25,755	6,076	26,466	3.6	2.8
Total Groundfish	34,646	117,023	41,611	117,860	20.1	0.7
Pelagics						
Capelin	36,501	10,220	36,722	11,333	0.6	10.9
Herring	26,859	6,691	27,179	6,771	1.2	1.2
Other Pelagics	814	960	4,627	2,944	468.6	206.8
Total Pelagics	64,173	17,870	68,527	21,048	6.8	17.8
Harp Seals (Number)	35,842	1,123	66,504	1,608	85.5	43.2
TOTAL	240,863	792,306	222,674	708,308	-7.6	-10.6

Notes: Species components may not sum due to independent rounding. Total volume does not include the number of seals.

Source: Fisheries and Oceans Canada; Department of Fisheries and Land Resources

Minimum Landed Price Paid to Harvesters, Inshore Shrimp



Source: Fish Food & Allied Workers

year-over-year reduction).[1] The minimum landed price paid to harvesters for inshore shrimp in the 2016 spring fishery was $1.22/pound, down from $1.40/pound in 2015. Summer and fall prices were also down last year (see chart). Nonetheless, shrimp prices were still relatively high in a historical context.

Snow crab landings also decreased in 2016, down 11.8% to 41,700 tonnes compared to 2015. This decline was due mainly to a 15% decrease to the Newfoundland and Labrador quota. However, the corresponding landed value increased 6.3% to $274 million due to higher prices. The 2016 landed price for snow crab averaged $2.98/pound compared to $2.47/pound in 2015, reflecting higher market prices. Lower global supply of snow crab last year put upward pressure on market prices.

Groundfish

Groundfish represented 18.7% of total fish landings in 2016, and 16.6% of landed value. Groundfish landings rose 20.1% to 41,600 tonnes, driven by increased catches of cod (+51.9%) and flounders (+28.0%). Despite the substantial increase in catches, the corresponding landed value increased only slightly (0.7%) due primarily to lower turbot and halibut prices.

[1] SFA 6 is located adjacent to the northeast coast of Newfoundland and the southeast coast of Labrador.

Pelagics

Pelagics accounted for 30.8% of total fish landings and 3.0% of total value in 2016. Pelagic landings increased 6.8% to 68,500 tonnes compared to 2015. Landings of capelin and herring were similar to 2015 volumes, while mackerel landings were up significantly. The corresponding landed value for pelagics increased by 17.8% to around $21 million.

Aquaculture

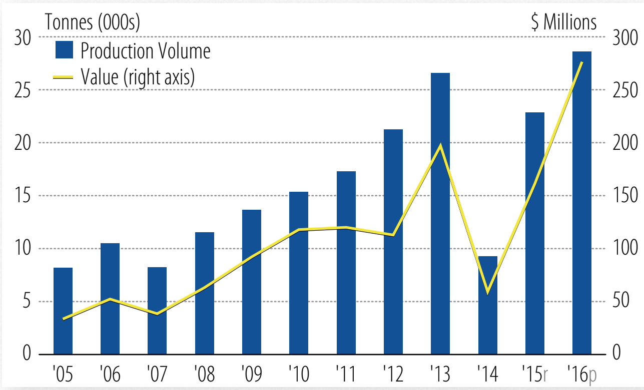
Aquaculture production has fully recovered after a challenging year in 2014, stemming from a super-chill event and the detection of the virus that causes Infectious Salmon Anaemia. Total production increased to approximately 28,600 tonnes in 2016, up from 22,800 tonnes in 2015 (see chart). This level surpassed the previous peak level of production of 26,550 tonnes in 2013. The corresponding value of production reached over $276 million, an increase of more than 70% from 2015 and more than 40% higher than the previous peak in 2013.

Increased salmonid production was the main driver of growth in aquaculture production in 2016, with production volume reaching approximately 25,400 tonnes, a 29% increase from the previous year. Salmonid market value also increased substantially to approximately $263 million, up from $149 million in 2015 due to both higher volume and prices. The average market price for 8-10 pound fresh whole-fish Atlantic salmon was $4.57/pound in 2016, up 42% over the 2015 average.

Mussel production increased 2.6% to approximately 3,200 tonnes in 2016. The corresponding production value reached $13.6 million (+5.6%). Mussel prices remained stable over the past year, averaging $1.92/pound with small fluctuations due to changes in exchange rates.

Direct employment for the aquaculture industry in 2016 is estimated at 425 persons, similar to last year's levels.

Aquaculture Production Volume and Value (all species)



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Source: Department of Fisheries and Land Resources

On December 20, 2016, Northern Harvest Sea Farms announced a $6 million expansion to its salmon hatchery in Stephenville. This expansion will result in the company increasing its production capacity by an additional 6,000 tonnes of harvested product annually.

Grieg NL Seafarms Ltd. and Marine Harvest ASA have both expressed significant interest in the aquaculture development opportunities in Newfoundland and Labrador. Grieg NL Seafarms has proposed a $250 million salmon farm in Placentia Bay which includes a $75 million hatchery in Marystown. The project would generate an estimated 325 direct and 235 indirect/induced person years of employment. Marine Harvest, the world's largest producer of Atlantic salmon has invested $15 million to purchase the assets of the Gray Aqua Group of Companies in Atlantic Canada. This includes seven farming licences, 17 site applications and the Hermitage processing plant. These projects could potentially double the province's current aquaculture production and expand the industry into a new area of the province. In order to facilitate this expansion, the Provincial Government is reviewing aquaculture site licensing policies to ensure all aquaculture sites are fully utilized.

Processing and Marketing

There were 92 licensed fish processing plants in the province in 2016 about the same as the previous year. Of these, 73 were primary processing facilities, two were secondary, six were aquaculture and 11 were in-province retail establishments.

Preliminary estimates indicate that seafood production increased 5.8% to 143,000 tonnes in 2016 due to higher production of pelagics (+17.5%) and aquaculture product (31.5%). These increases offset an 11.2% decline in shellfish production attributable to lower landings of shrimp and snow crab. Groundfish production declined slightly (-1.4%).

Global seafood demand has grown steadily in recent years and this growth is expected to continue, supported by increased health consciousness and the desire for quality seafood among newly affluent consumers. Snow crab, lobster and salmon prices were higher in 2016 primarily due to supply shortages and a favourable Canada/US exchange rate.

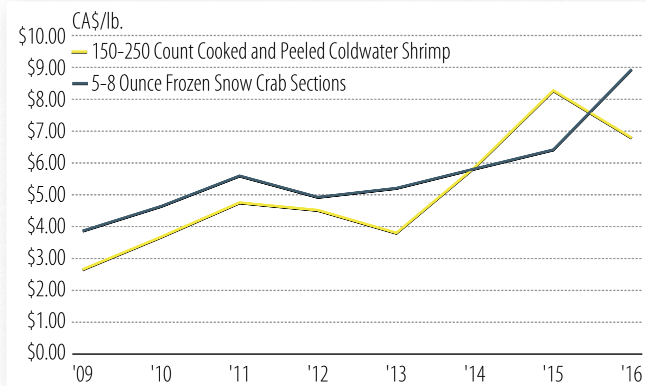
Together, the United States and China accounted for almost 70% of the international export value of the province's seafood products in 2016. The United States remained the largest market and represented 50.0% of total export value, while China accounted for 17.3%. The continued emergence of China as a leading market for seafood consumption bodes well for the Newfoundland and Labrador seafood industry. Other major markets in terms of export value included the United Kingdom (7.0%), Japan (4.3%) and Hong Kong (3.7%). Newfoundland and Labrador international seafood product exports were valued at approximately $1.0 billion in 2016, on par with 2015.

Snow crab processors benefitted from the lower Canadian dollar and higher market prices in 2016. Prices rose in the face of a 19% decline in global supply, largely the result of quota reductions in Alaska. The average market price for 5-8 ounce sections was 34.5% higher in 2016 compared to 2015

(US$6.75/pound compared to US$5.02/pound); in Canadian dollars, market prices increased 39.3% (see chart).

The record high market prices for shrimp experienced throughout much of 2015 began to drop towards the end of 2015 and into the early part of 2016. The price of 150-250 count shrimp in the Danish market averaged $6.76/pound in 2016, down 18.4% compared to 2015.

Shrimp and Snow Crab Average Market Prices



Source: Urner Barry Publications Inc.; Gemba Seafood Consulting; Bank of Canada

2017 **OUTLOOK**

- Total fish landings are expected to decline relative to 2016. An anticipated rise in groundfish landings will be offset by declines in both pelagics and shellfish landings.
  - Both shrimp and snow crab will likely be subject to further quota reductions due to diminishing stocks.
- The Canada-European Union Comprehensive Economic and Trade Agreement signed on October 30, 2016 and ratified on February 15, 2017, will provide Newfoundland and Labrador seafood producers with considerable market opportunities in the European Union.
- On January 1, 2017, China implemented a range of tariff reductions that will see the shell-on frozen shrimp tariff reduced from 5% to 2% and tariffs on frozen turbot reduced from 10% to 5%. It is estimated that the enhanced market access has the potential to generate over $3.5 million annually to Newfoundland and Labrador seafood producers.
- The global supply of snow crab will continue to be impacted by quota cuts — the Alaska Bering Sea snow crab quota for the 2017 season has been reduced by 50% and is the lowest it has been in 45 years at 21.5 million pounds.
- The global supply of groundfish is expected to remain relatively stable in 2017. Canada's Atlantic cod stocks are slowly recovering, reaching the largest biomass since 1992.
- The aquaculture industry is forecast to see continued growth in 2017. Further growth in Atlantic salmon production is expected, while trout production is anticipated to remain stable.
- A funding announcement by the federal government was made in early March, committing at least $100 million for Newfoundland and Labrador from a $325-million block of funding allocated to the seafood sector throughout Atlantic Canada. The money is expected to be used to help transition the fishing industry toward groundfish.