FEBRUARY 11, 2018 VOLUME #18 ISSUE #6

PUHA NEWSLETTER

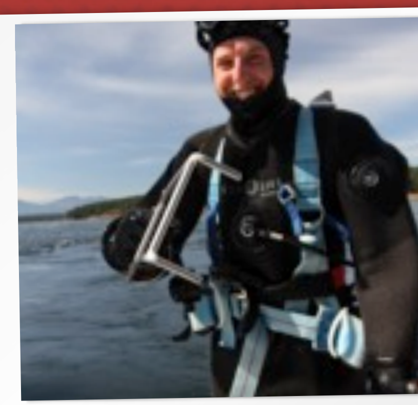
Presidents Report

Mike Featherstone

This season it has been particularly difficult for the red sea urchin fishing fleets to find decent product. Many of the good producing areas have mostly off color and/or low recovery urchins. This has slowed production and the smaller loads have resulted in higher logistic costs. As a result, the Processors have tried to cooperate together to fill the trucks and packers. This is a positive result of the current hard ships. PUHA has been advocating this approach for many years. The current challenge is to ensure the system is open for all fishermen and Processors and not used as a protectionist policy to limit competition and restrict opportunities for our hardworking divers and deckhands.

PRESIDENTS REPORT

MARKETING REPORT



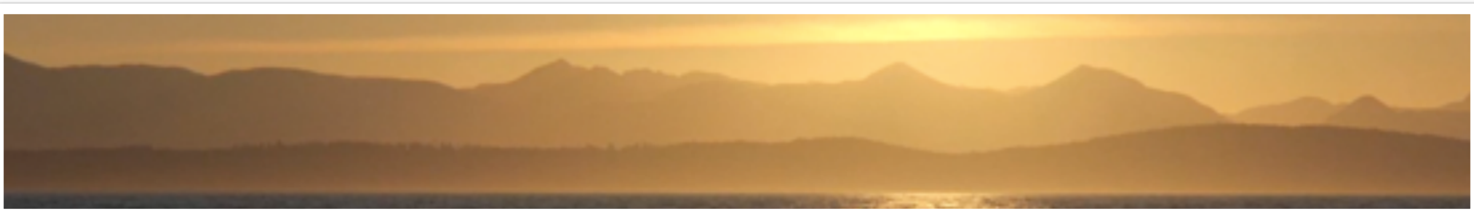
D&D PACIFIC REPORT

Presidents Report / Continued Page 2

Currently the red sea urchin landings are around 1 million pounds behind last season. These low landings are concern for all the industry, but it has been difficult to get boats out on the grounds and fishing and difficult to find good product when they are out. November was particularly disappointing as the boats finishing cucs did not switch immediately back to sea urchins. Only December had landings greater than the previous 2 seasons, all the other months were 200,000 to over 300,000 pounds short.

Near the middle of January, the processors raised concerns regarding the low production, and over the course of the next week a series of conference calls and a meeting (Jan 16th) was held. The processors recommended opening Haida Gwaii early, however the consensus from the divers was it was too early. At that time the mainland north coast had many untouched areas and over 6 million lbs of quota in the water. The Processors unanimously recommended that the areas around Prince Rupert be closed and subsequently D and D closed the area on the industry recommendation. This caused and uproar from a few of the fishermen who questioned why - “the processors can’t tell fishermen what to do”. PUHA does work closely with the Processors and we all try and collaborate to make the best management decisions for the whole industry. There was no compelling reason not to follow the processors recommendation and it was noted that this was the first time anyone had ever clamored to have Dundas open.

Eventually the fleets moved to Beaver Pass, Banks and Otter Pass areas where they are currently fishing. Some boats looked around Klemtu and also Campania Island but the usual hot spots had low recovery urchins or off color. Currently the north mainland coast has around 5.6 million lbs of quota remaining. Prices have been a mixed bag ranging as low as $.60 to as high as $1.10. It should be noted that a few Washington divers posted on the PUHA Facebook site that they were getting much higher prices, over US$2.00/lb which is equivalent of $3.00 CND – WOW!!!! Check out the PUHA Facebook site and post your comments and pictures too.



The Gwaii Haanas Park draft zoning proposal was presented to industry in the middle of November. This was the first real engagement with industry. There was a lot of information to comprehend and the meeting was helpful in opening our eyes to the goals and also the potential impacts. The plan certainly addressed the needs with respect to the Cultural, Ecological and Traditional values but seemed less so with respect to minimizing the socio-economic impacts and the interests of the commercial fishing industry. It was emphasized that this was only “a starting point” but there was no clear avenue for all the various fishing sectors to provide their input. Thankfully the BC Seafood Alliance proposed a series of industry meetings to provide meaningful advice to the process. So far there have been 3 industry meetings.

The first meeting was with all the dive fisheries, the second all the shellfish sectors and finally all the commercial sectors met just last week in Naniamo. At each meeting, all the individual proposed closures were studied taking into account the closure boundaries relative to the fishing grounds and then relating the boundary changes to the impact on the cultural, traditional and ecological values. I can tell you this has not been an easy process and throughout each meeting all sectors made serious compromises to minimize the impacts of the closures while respecting the other Gwaii Haanas values. The final draft maps, with the Industry recommendations, have been completed and these recommendations will soon be presented to the Gwaii Haanas Board for consideration. To get to this stage there has been at least 6 different meetings, involving over 150 fishermen, and as I understand it there are another 2 more meetings coming.

Presidents Report / Continued Page 3

This process is very important for all commercial industries and stakeholders, which is reflected by the time and effort expended on developing the recommendations. Thanks to all of our directors and divers who attended to provide their advice.

PUHA reps met with DFO science and management in early January to review the green sea urchin research program. The science and management system for green sea urchin is different than the red sea urchin which based on surveys. The green sea urchin is based on index sites and the survey results are presented to a science advisory body to approve the quotas. As a result the time frame for changing quotas is less responsive compared to reds. It is generally 2 years or more to implement changes so we have to be more forward looking in our survey planning and research planning.

This is the 2nd year of the first 2 year program with PUHA representing the green fishery. In the past 2 years we have funded 4 surveys and the plan for next season is to fund 3 surveys. Good news is that the DFO now also has funding for surveys which is very positive news for the green fishery. PUHA will still contribute some funds to the science and research program to support the ongoing collaborations. This season the quotas were increased approximately 1,000 lbs and we expect another increase next season in the Sooke area. This reflects the survey and science work showing the stocks are increasing and abundant. This is all very positive for the green urchin fishery.

As far as the fishing, this season the green fishery has slightly lower landings than last season where 100% of the quota was completed, however it is still a good result and perhaps more will be completed before the season end which is approaching.

On the international front it seems the California urchin fishery is still suffering the similar challenges we are currently faced with in the north. As a result many divers have either moved to different jobs or in some cases moved up the coast. One of our good friends in California is 76 years old and diving a few hundred pounds a day and selling it himself on the LIVE MARKET at an incredible US$6/lb. It seems with the lower production more and more fishermen and processors are selling the product live and less and less is processed and going to Japan. Very interesting.

Our local live market is growing slowly but the shipments are steady around 1,200 to 2,000 lbs/wk. There is more opportunity to grow this market but better innovation and handling will need to be developed, especially for the northern product.

Check out the website and the Facebook site. Please start posting your photos and comments. http://www.puha.org

Depending on how the fishing goes over the next few weeks our north coast divers will need to start thinking about when we should open Haida Gwaii, last year it was middle of March. This season with the difficulty finding product we may have to open earlier. PUHA reps will be in touch to get your input.

Marketing Report/Geoff Krause

You might notice a wee difference in my tone for this edition of the newsletter. It is, I'm afraid, intentional because there may be a little something else at play on the grounds these days. I won't come right out and say what that might be, I am not there on the grounds so may be way off base, but I will try to lay out some of the impressions I have been gathering of late and see if others start asking, even if it is just asking themselves, the same questions regarding prices and motivations. Call it a bit of a mystery, maybe even just a bit of entertainment, but it is something worth thinking about and discussing because of its potential affect on urchin fishing operations and success.

Let's start with the premise that the uni markets are good to very good these days. Based on Tsukiji this past while, the uni market in Japan is doing not too badly, prices are good and demand seems steady. This is not surprising as the Japanese economy, with an annualized GDP growth rate in the last quarter in excess of 2%, is looking better now than it has for a long time, some say since the early 1990's. This is due in part to a very sunny picture for the world economy as GDP growth globally is characterized as synchronously strong. This too is a recent development that is again the first such occurrence in some years and maybe even decades. Growth in he US clocked in at 2.3% (annualized) in the latest quarter while Canada came in at

3%, the EU at 2.8% China at 6.8%, India 6.3% and Hong Kong at 3.6%. Stock markets have been storming ahead and wages rising almost everywhere so there are lots of happy campers able and willing to spend.

On top of this, other suppliers are not apparently racing in to take market share. Total imports from Russia are about 8,000 Metric Tonnes (MT) (live urchins for processing) per annum, including around 6,000 MT per annum from Hanasaki, which is about the same as it has been since 2014. Rumours of declining quality there are not substantiated by changes in pricing- the Hanasaki/Nemuro urchins are now fetching about ¥ 950 per kg in contrast to the ¥500- 600 they were getting a few years back. This pricing no doubt also reflects a strong market but their prices have basically doubled since the dark days of 2005- 07 when they were pounding out 10,000 to 11,000 MT per year of IUU product.

RSU supplies from California are also coming in lower. According to the Japan Customs website, total imports of processed uni from the US in 2017 were down to about 117 MT from 154 MT in 2016, continuing the unbroken decline from the 600 MT in 2009. California shipments to Japan are now less than 10% of historic levels, they shipped about 1,700 MT to Japan at the turn of the millennium, a point at which we shipped about 463 MT, and they have been declining more or less ever since, primarily (according to what I have heard) because of robust domestic market growth. However, sales of US uni recorded on Tsukiji are now are less than half seen even 4 years ago and there are now California exporters worried about other suppliers coming in and eating their lunch. It is nice to have the home market but the problem apparently now though is that they simply do not have enough product.

The most recent decline is due to climatic conditions which affected fishing and led to the decision by the California Sea Urchin Commission to request a disaster declaration for the fishery this past summer. The warm water California had off its coast during the last El Nino and through much of last winter pretty much devastated the kelp forests, depriving the urchins of the food they need to produce uni. The RSU fishery there took a major hit over a couple of years and they lost about 50% of their divers who had to leave in search of a more reliable way to make a living.

Marketing Report/Continued Page 5

Apparently the kelp is coming back now and there are some big urchins down deep, but they are all still pretty much empty. There are not a lot of smaller ones showing up and word has it that a large proportion of what is coming in is going to the local live market(s). Of course, fishermen being fishermen, the ones remaining are optimistic that the urchins will come back once the kelp gets stronger but they just hope it will be soon. There is this thing called the Pacific Decadal Oscillation (PDO) and they are hoping we have seen a shift to the cooler regime.

It was looking like live shipments to the US were picking up nicely past spring, but after a couple of good months in March and April and another decent try in August and September, it has just not worked out. It sounds like there is movement towards live urchin sales down there but there is always the thing about quality and having to keep customers happy. Our question is how to get good quality to CA. They tend to go all spawny on long trips by truck- maybe a heavy pre-soak in strong brine would delay that transition, but there are still lots of other issues like mechanical jarring, settling, drying etc affecting quality in transit even assuming we can find sufficient stocks with good harvest quality. Air shipments might be workable for the high end products and while this could be an opportunity with a major longer term payoff are not apparently there yet. We still have that MOU with the California guys and at least some of them are still interested in looking at how we can work together.

Another thing we have going for us now is that it seems that the quality of the fished product came up during those years when large parts of the TAC were left in the water and that this impacted how the market felt about BC Product. In fact, consumers gained sufficient confidence in the Canadian industry that they are willing to pay premium prices in at least some markets. We received comments in Hong Kong in the early part of the season that explicitly stated “Uni from Canada ROCKS- BC produces the best uni in the world”. We have done a good job on sustainability aspects which has also helped our reputation. Listen: when we produce good quality product sustainably, it makes it way easier to market. It would be a real shame to simply blow that hard won reputation off and find ourselves having to again fight for recognition.

Despite these fair conditions it seems that we are also not taking very good advantage of the opportunities, despite prices that are as high as the industry has ever seen. Total imports of processed uni from Canada last year recorded by Japan Customs were down to about 217 MT from 256 MT in 2016 and 306 MT in 2014. Even more revealingly, our sales to Japan each and every month this season (Aug. 1 onwards) are the lowest they have been since 2010. This is more or less the same as what we see in the Stats Canada data going back to 2012, although in that it seems to hold for most every market we are selling into, not just Japan. Things were going along nicely right into late spring, but since then, --not so much. August came in low and while September and October numbers look reasonable compared to the recent but pre-2014 years they are otherwise about half of what we’ve seen every year since 2012. I don’t have the December data yet but everything I am hearing is suggesting the situation has not improved. We had a meeting a couple of weeks ago where we heard that the North Coast harvest is only a little over half of what it was at this time over the last couple of years and that there are still 6 million pounds left on the mainland North Coast.

This is a bit scary. I have heard it is because there is no quality being found anywhere on the coast, and I can only agree that it is better to cut the catch than to harvest shite, but then we are also hearing that boats are hardly straying at all from town. If that is really the case, it would seem that hasn’t been a lot of scouting going on and it might be a wee bit premature to say there is no quality anywhere on the coast. We all know the weather is a factor in this fishery, most particularly in the depths of winter, but other wise the stars might be lining up for a good run over the rest of the season. It looks like strong demand will support good prices so it might be a good time to get keen again and make some hay. And with that, I am just going to sign off and wish you all good fishing .

RED & GREEN SEA URCHIN FISHERY SEASON UPDATES

2017-18 RSU FISHERY

North Coast Fleet

- Weather has proven to be an issue for the fleets coastwide
- Dive vessels were active in September, but a slow start to the season compared to the last two
- Fleets were small, and worked through October matching the historical landings typical during the Sea Cucumber fishery
- November came with weather and small fleets that were unable to make daily packers trips to Prince Rupert. Three day packer loads seem to be the new trend until more vessels show up
- Requests for QMA openings increased dramatically in the north coast. One fleet only had one vessel most of the time and was moving constantly. DFO finally questioned the need
- December we have more vessels active and weather although still a pain, the fleets are working through it
- Daily packer loads and 2-day trips are the norm again, and expect heavy fishing to the 21st of December
- North Coast Protocol established years ago is experiencing difficulties. PUHA is to have representatives for each fleet equipped with a VMS and following the protocol established in order to have a fishery. Industry representatives will have to improve the adherence to the protocol or may face a shutdown
- It also must be noted that not all vessel master are cleared by PUHA to be Coordinators. Vessels that have a VMS may have a Vessel Master who has not been approved as a Coordinator by PUHA and D&D. Fishery related offences, poor fishing practice, not a team player are just a few reasons why some are refused. PUHA offers a credit to Coordinators in efforts to offset the cost of the satellite phone costs
- Conditions of Licence for Red Sea urchin need to be on board the vessel. It is believed that infractions to the Conditions of Licence can be reduced significantly if vessel masters have access to them. As most vessel masters are not owners, this document sometimes does not reach the boat
- New participants to the industry need to review the Conditions of Licence to understand what they are responsible for
- Thirty-Six North Coast tabs have been active to date
- Currently, We have achieved 21.2% of our total quota in the North Coast to Date (Dec12,2017)

South Coast Fleet

- Fifteen South Coast tabs have been active to date
- October suffered the same problem as September, quality
- Dive vessels surveyed for quality from Campbell River to Kelsey Bay. The majority of the vessels ended up in Port McNeill
- Quality in Port McNeill QMAs was difficult to find in October and industry requested PUHA to open access to QMA 12K – Port McNeill for 75k in efforts to maintain supply to the market. PUHA agreed to the 75k opening and the vessels were active in 12K form October 25th to Nov 11th when the fleet moved back to the other QMAs – Quality improved in 12E and 12H and the fleet is active to date in these QMAs until the 15th of December when 12K re-opens for the balance for the quota

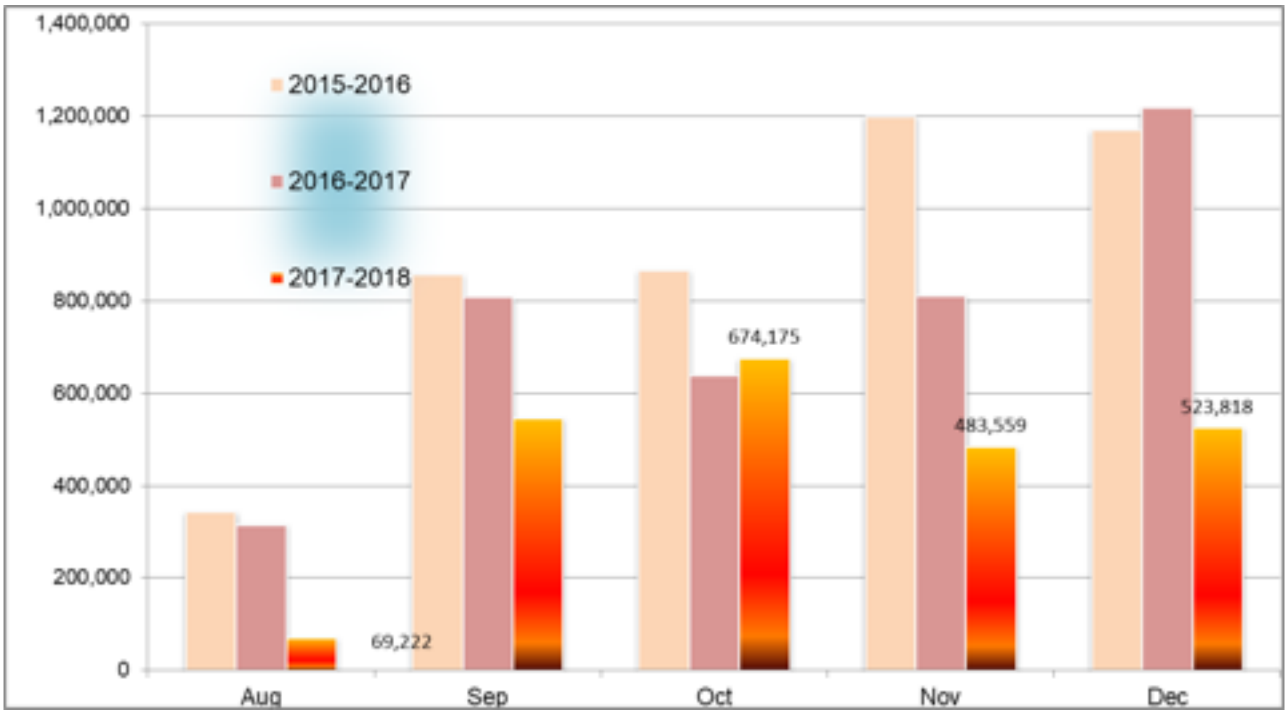
D&D Pacific Report/Continued Page 7

- Vessel Masters are reminded to hail their harvest daily to D&D if they are on a multi-day trips in the south coast

- Conditions of Licence infractions are on the rise. Lack of communication, hail notifications, product not tagged properly for transhipment and so on

- Currently, The fleet has achieved 32 % of the total Quota in the South Coast

Figure 1 – RSU 3-year Comparison by Month



Red Sea Urchin Coastwide

- Overall, 21.2% of the Total Allowable Catch (TAC) has been landed

- On average, Product landed by month is approximately 250,000 lbs behind previous seasons

- Quality and weather seems to be an issue this season

Conditions of Licence - Red Sea Urchin

- Conditions of Licence infractions are still on the rise
- Vessel Master's and the crew's knowledge of the Conditions has decreased since DFO's licence program went electronic

- Lack of communication, hail notifications, product not tagged properly for transhipment and so on

- Some Vessels have reported having no conditions on their vessel at all

2017-18 GSU FISHERY

- The 2016-17 season seems to be the best season I can remember in a long time, so we will set last year as the reference bar☺ and compare this season
- The Green Sea Urchin fishery started strong in September, but not as strong as last Season
- The Campbell River QMAs were productive for vessels and these QMAs finished first
- The Victoria area QMAs were also active and the last one completed by the third week in October
- Harvest has been steady out of Port McNeill and currently is where the fleet is active
- Overall, we are close to last season in effort. I expect to exceed last season`s December landings as we have a strong fleet in Port McNeill
- Port McNeill currently has Red and Green vessels active. Most of the vessels have both red and green tabs on their vessel, some fishing both in one day
- Offloads are in the morning in efforts to remove water from the product and possible trucking schedules
- Packers are being utilized in port McNeill this season to alleviate the pressure and time associated in offloading dive vessels
- Large line of dive vessels to offload in the morning delays everyone from getting back out fishing until later in the morning. Unloading onto packers in the evening provides the dive vessels the opportunity to get out early in the morning to make a full day of harvest. This system is working well as some vessels still offload on their own dockside
- D&D looked into the removal of FZA -01. This tab now sits in PICFI inventory and we are not sure when it will be issued. As a result, only 48 tabs will be available until this tab is released. As of this newsletter, DFO management could not provide an answer if it will be issued this season. The Sea Cucumber fishery this season also had a FZD tab revoked by DFO and only by pressure mid-season did we find out that the tab would not be issued during the season. This may happen to the FZA tab. Keep you posted

Conditions of Licence - Green Sea Urchin

- Condition of licence issues are minimal in the GSU fishery
- Harvest charts are delivered at each landing so no issue on this topic
- Hails priorto fishing have improved, so thanks to all for that effort
- A reminder that a copy of the Conditions of Licence (as well as the licence) is required to be on board the vessel. This will assist crew in knowing what they are required to do
- Thirty-seven ZA Tabs have been active to date
- 63.9 % of the TAC landed to date(Dec 12,2017)

Figure 1 – GSU Landings by Month – 3-Season Trend