

BC PRAWN

fishery



...in trouble?

Some processors are preparing for a further reduction in price for the 2008 season, conceivably as much as \$1.00 lb. less. With little change in the BC prawn supply, other forces must be affecting the price.

STORY AND PHOTOS BY DAVID McRAE

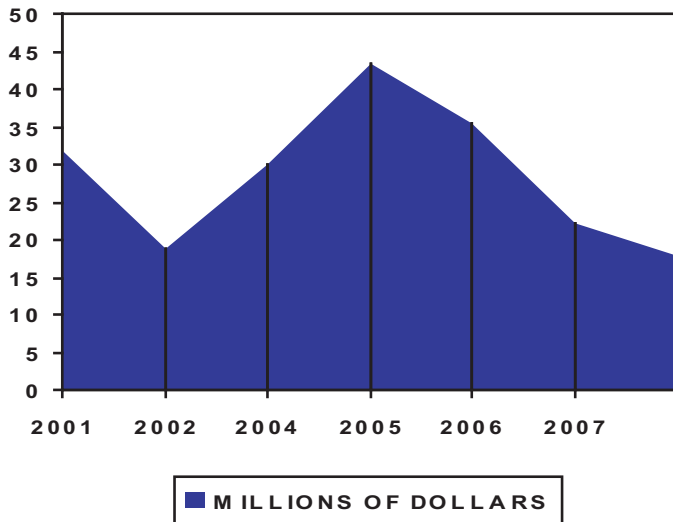
For the past five seasons the landed value of the BC prawn fishery has experienced enormous fluctuations. The 2002 season is by far the lowest with a reported catch value of just \$18.9 million. Three years later the dollar value of the harvest more than doubled to \$43 million in 2005. During 2006 the landed value declined 20% to \$35.5 million. The numbers are not in for the 2007 season, however, estimates indicate a reduction in price of 20% to 30% compared to 2006. To date there is no evidence of stabilized prawn prices or a market floor. Some processors are preparing for a further reduction in price for the 2008 season, conceivably as much as \$1.00 lb. less.

The British Columbia commercial prawn harvest consistently remains around the 2,000 tons annually. BC prawns amount to a very small fraction of the world supply, but are regarded as a premium product overseas. With little change in the BC prawn supply, other forces must be affecting the price. Some of these possible market forces are increased supplies from other countries, aquaculture, changing consumer taste, exchange rates and shifting economic conditions.

Competition from other countries is certainly affecting the market. Argentina is known as one of the biggest players in the prawn market and the fishing effort has been on the increase in recent years. The Argentine prawns are classified

as an inferior product when compared to BC prawns due to their medium size. The low price of medium Argentine prawns has attracted some of the Japanese market. Much of this success is due to increasing price sensitivity of the Japanese consumers.

Landed Value BC Prawns



Over-supply of BC prawns is also a reality in the market place. At the beginning of the 2007 prawn season many Japanese wholesalers still held large inventories from the previous year. The economic conditions in Japan cannot be ignored as a contributing factor to lower prices. BBC World News on August 30, 2007 reported that consumer prices in Japan have fallen for the sixth month in a row. Japan is the largest consumer of BC-caught prawns, purchasing 90% of the catch in frozen 1 kg boxes.

Mike Collins started fishing commercially 33 years ago. Presently he is owner and skipper of the *Ocean Phoenix*. Mike's fishing career has involved several species; and he remains



Geared and ready to run



Sorting BC prawns

active in prawn, tuna and salmon troll fisheries. This past season Mike experienced an average drop in price of \$3.00 lb. for his prawns. When asked, what caused such a huge fall, Mike is quick to point to Japan. "The Japanese market consumes 100% of my prawns," replies Mike. "The last couple of seasons the Japanese buyers have been losing money on their prawn sales. There are a couple of reasons why this is happening," explains Mike. "To begin with, they paid too much for the prawns. And the demographics of the Japanese consumer are changing. The latest generation of consumers in Japan is not really interested in sitting down and spending \$60 on sushi for lunch." Mike is convinced that the low price for 2007 is an attempt by the Japanese buyers to regain all their losses in a

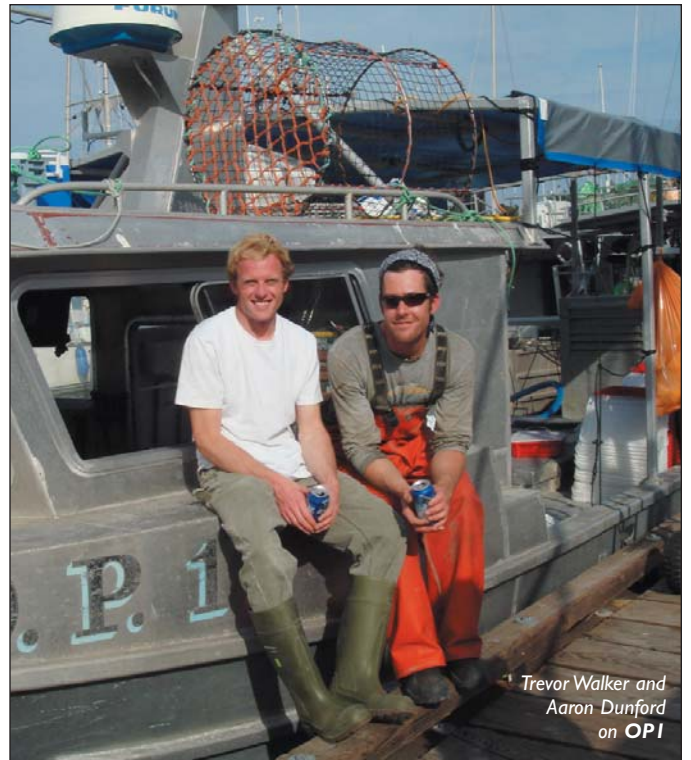


Live prawns

single season. Mike is quick to add that while everyone needs to make money, such a large drop in price is going to greatly impact the production capabilities of the prawn fleet. "The fleet is going to start to deteriorate and production will decrease. If the price gets too low fishermen will be forced to cooperate, and we all know that fishermen are the last people to cooperate with one another." But Mike insists that when shoved to the wall fishermen will have to cooperate.

As far as cooperation is concerned Mike believes there is potential for the fleet to increase the price of prawns by changing the fishing style; fishing schedule or quotas could be established. The low price will also create market opportunities in other areas that were previously unable to compete with the high price offered by the Japanese market. This will reduce their supply. "If things don't turn around, we may encounter a similar situation to the one that developed with the roe-on-kelp fishery. The price was pushed so low, the fishermen just stayed home. The following season when the Japanese buyers came looking to purchase roe-on-kelp, they found the supply had dried up. It just isn't good business sense in the long run and the Japanese buyers must be made aware of the situation," concluded Mike.

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Trevor Walker and Aaron Dunford on OPI

Trevor Walker and Ruth Penner operate the 28 foot prawn vessel, *OPI*. Their prawn fishing efforts are concentrated on the east coast of Vancouver Island. Trevor is skipper, Aaron Dunford is the deckhand and Ruthy manages prawn sales, office work and helps out on deck. The majority of their product is sold live and the remainder is sold as frozen tubs. The price for the 2007 season is down and Ruthy notes that it is lower than six years ago.

I asked her to explain some of the costs involved in prawn fishing. The largest expense onboard the *OPI* is the cost of leasing the prawn license. Last season, non-stackers were ranging in price from \$45 to \$55k and stackers were \$30 to \$35k. With the current prawn prices, Ruthy feels the cost of leasing a non-stacker will fall.

How was the 2007 season for them? There was a huge problem at the beginning of the season concerning the quality of the prawns. The season may have been opened too



Ruthy Penner

early. “We were experiencing soft shells and late molters,” said Ruthy. “This more delicate product lead to a higher mortality rate. Normally we expect 2% to 3% of our live catch to die. Last season some days the mortality rate was over 20%. Our prices for live are double our frozen prices so this cuts into our revenues.” By the end of the season the shells where much harder and the color much brighter, and the mortality rate was back to a minimum.

As for the future of prawn sales, Ruthy believes that the Japanese market is not the same as it was in the past. The consumer just doesn’t appear to care about consuming a premium product. “Price is what matters most for this new generation in Japan. Like many other places in the world, it is the Wal-Mart generation,” laughs Ruthy. Markets in other countries such as South Korea and China are looking promising; marketing efforts should be expanded in these countries. The 2007 live prawn market represented BC’s highest returns and efforts to expand these sales to emerging markets shows the most promise for future profits.

Greg Best has been fishing prawns for four years. His vessel is the *Quick Silver* and Greg also targets a live product. In fact, he feels there is an opportunity for expansion in the live market. When the 2007 season closed, some BC processors shifted the focus to the USA for product. With no local live product available processors were paying up to \$9.00 lb.for the American prawns.

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“The demand for product extends beyond our current season,” Greg is pleased to announce. On the fishery management side Greg is affiliated with a group of prawn fishermen known as the PAR Association (Prawn Fishers Advocating Representation). Currently, Greg is nominated as a candidate for the Prawn Sectoral Committee. There are a number of possible management changes that should be considered prior to the 2008 season. Area designations are possible and Greg suggests five areas could be created. Areas could be opened in such a manner that would reduce gluts of live or frozen product arriving at market. This would allow for better management of the type of product. The season would also be longer, creating a longer and more stable supply of product. When quotas are considered as a management strategy, Greg is not in favor of a quota system. He feels this will reduce the number of vessels and lower paychecks to the fishermen.

Behind the scene

It is generally thought by many BC prawn fishermen and processors that there was an effort underway across the Pacific to control the price this past season. There have been stories that the low prices for this year’s harvest may have been established as early as January 2007. It is alleged the scheme originated in Japan and has spread to surrounding

countries such as Taiwan and Korea, and that a large Japanese corporation is believed by some to have initiated the effort to suppress the prawn price for the 2007 season.

I corresponded with Mr. Kenichi Matsuzawa at Maruha Corporation in Japan. Maruha purchases approximately 200 tons of BC prawns each season. Many in the prawn industry believed that the Japanese wholesalers have been losing money on prawn sales for the past two seasons, so I presented Mr. Matsuzawa if he thought that was a valid statement.

In 2006 many wholesalers and importers lost money. However the 2005 season there were no real losses on prawn sales that he is aware of. The idea of Japanese prawn importers and wholesalers attempting to regain past losses this season is dismissed by Mr. Matsuzawa. The market price is depressed, the wholesale price is depressed, it is not possible to regain past losses.

I asked him about the carryover of product from the 2006 season. “We estimated 500 metric tons of prawns were carried over, but we can not judge how much the price has been affected by that carry over.” I then said that some believe there was an effort to fix the price paid for prawns this past season. Is this correct, or could you explain the situation. “No, we don’t think that’s true. We think ATC (Arrow Trading Company) is the price leader for fishermen.”

I presented some of the proposed management changes



nesika



frontier

the fishermen are considering and asked Mr. Matsuzawa if he had any thoughts on the situation when it concerns the management of the fishery? He responded, “We are not so familiar with that part of the industry.” I then asked, Mr. Matsuzawa what efforts could be made to help stabilize the price of BC prawns? His answer was that the instability in price originates with the fishermen. “We would like to recommend to the fishermen that they remain with the same buyer rather than shopping around. All the processors are afraid of losing boats over there. The fear of losing vessels drives the price higher than the market is willing to pay.” Mr. Matsuzawa was quick to add that fishermen should pay more attention to quality and production and less on the price.

The BC prawn price has fallen for the last two seasons. Prawn fishermen are beginning to organize a defense to prevent the price from a further decline. Management changes such as quotas, area licensing, the length of the season and start and stop times are all under consideration as a means to combat falling prices.

Only time will tell if these measures can help the troubled BC prawn fishery.



pacific net and twine

pac west