

Fish Processing Licensing Board Meeting

Meeting Date: October 24-26, 2023

Date of Recommendation: December 15, 2023

Board Recommendations

Dear Minister Loveless,

The Fish Processing Licensing Board (Board), met in St. John's from October 24 - 26, 2023. The Board considered four applications from fish processors that were comprised of the following: one transfer of an In-Province Retail License; and three for the addition of a new species (one for lobster, one for snow crab and sea urchin, and one for snow crab only) to existing processing licences.

As Chair of the Fish Processing Licensing Board, it is important to highlight that the final recommendations pertaining to the applications for the addition of snow crab to existing processing licences were not made without considerable discussion and consideration of the following issues raised by external presenters, industry stakeholders and Board members.

The snow crab season in 2023 was an anomaly due to the delayed start of the season by seven weeks. The delay coupled with an 8.4% overall increase in total allowable catch for snow crab in 2023 compared to 2022 created a situation where landings, weekly production volumes, scheduling, trip limits, quality and discarding were unlike any other year. The delay forced production well into August with temperatures reaching upwards of 30 degrees Celsius. Typically, crab harvesting and production runs from early April to mid-late July with the majority of raw material being processed by the end of June to early July.

Despite the demands created by the delay, employment analysis was presented to the Board – 2022 versus 2023 – hours and weeks of employment showed a decrease in employment for plant workers at some of the licensed facilities located within the Avalon region. It is also worth noting that many processing plants have invested heavily in new snow crab processing technology that has the capability to process much more snow crab. This was evidenced by the amount of processing that occurred in the weeks following the late start of the 2023 snow crab fishery, with 97% of the quota or 121,000,000 million pounds of raw material landed and processed in 12-13 weeks by 23 processing plants, at close to 13 million pounds processed per week.

Snow crab is a cyclical species currently experiencing high productivity. History has shown that periods of high productivity are typically followed by low productivity which impacts the amount of quota available to be caught. The Board heard evidence of this through information provided by the Department of Fisheries and Oceans Canada.

As part of its mandate, the Board is responsible for consideration of corporate concentration when making recommendations on applications for fish processing licences. The Board heard opposing arguments regarding corporate concentration within the processing industry. There is a view that the processing industry is dominated by several larger processing companies and another view that the industry is balanced by having both larger processors and smaller, multi-species licence holders. The Board was presented with data that shows there are currently 26 snow crab licence holders (including three value-added processors within the province). 13 of the 26 snow crab licence holders are on/within the Avalon/Eastern region. Two of licence holders in this region are currently restricted to 2 million and 2.5 million pounds of raw material purchases for snow crab. Of the 26 plants with snow crab licences, there are 17 plants that are not affiliated with the larger processing companies such as Barry Group Incorporated, Royal Greenland, Ocean Choice International, Quinlan Brothers Limited and Labrador Fisherman's Union Shrimp Company.

In 2019, the Board conducted a review of Sections 1.6 and 2.1 of the Fish Processing Licensing Policy Manual and recommended changes to the mandatory resource threshold limits and the

harvesting thresholds, which were accepted and implemented by the Minister in 2020. These changes enabled smaller operators to acquire licences for previously restricted species, such as snow crab, supporting the growth of small and medium sized operators. However, given the divergence of viewpoints on the dominance of larger processors in the industry, there may be some merit in conducting an analysis for the consideration of the Board, to better determine if the processing sector in Newfoundland and Labrador is balanced or if additional licences should be recommended for smaller processors.

The Board needs to be in a position to be able to make knowledgeable, evidence-based recommendations regarding the issuance of any additional snow crab processing licences. It can only do so if there is an understanding of the existing capacity within the current processing sector in relation to the availability of raw material. Should production capacity exist, then consideration should be given to increasing existing primary licences with processing caps, and implementing mandatory thresholds to ensure the number of processing licences do not exceed the availability of snow crab raw material.

The Board considered the following applications:

- Transfer of an in-province retail processing licence for groundfish (all species), pelagics (all species), and shellfish (all species), from Green Seafoods Limited, Burin, to Green Seafoods Limited, Winterton;
- Addition of lobster to an existing primary processing licence for Quin-Sea Fisheries Limited, Old Perlican;
- Addition of snow crab and sea urchin to an existing primary processing licence for HSF Ocean Products Limited, O'Donnells, and;
- Addition of snow crab to an existing primary processing licence for Bay Roberts Seafoods Limited, Bay Roberts.

Pursuant to s. 9(1)(e) of the Fish Processing Licensing Board Act, the Board is making the following recommendations:

1. Green Seafoods Limited, Burin, has an in-province retail fish establishment licence for groundfish (all species), pelagics (all species), and shellfish (all species). Green Seafoods Limited also holds a primary processing licence for groundfish (all species), pelagics (all species), mussels (AQ), whelk, sea cucumber, and sea urchin at its Winterton facility.

It is the Board's view that the move from Burin to Winterton will have no impact on regional balance. There are no resource or competitive issues with neighboring enterprises and after careful consideration, it has been concluded that there are no other mitigating circumstances that would not warrant granting this transfer. The Board felt that it would increase business stability and viability for this company. Like other fish related businesses, the ability to offer a varied selection of products in the marketplace helps expand operations, build and maintain markets, and promote the province as a reliable

source of high quality and sustainable seafood. The company has demonstrated its long-term commitment to the Newfoundland and Labrador Fishery as a smaller, locally owned independent company. There was one letter of objection and no letters of support.

The Board recommends approving the transfer of the in-province retail fish establishment licence from Burin to Winterton for Green Seafoods Limited.

2. Quin-Sea Fisheries Limited (QSF), Old Perlican, has a primary processing licence for groundfish (all species), pelagics (all species), shrimp, lumpfish, snow crab, scallop, and whelk. The company has requested the addition of lobster to a primary processing licence.

It is the Board's view, that the QSF operations on the Bay de Verde peninsula are a significant contributor towards rural sustainability. After careful consideration, it was concluded that there were no mitigating circumstances that would not warrant granting this species addition to their existing processing primary licence. The company's objective is to promote Newfoundland and Labrador's premium quality lobsters to international markets. Lobster landings in the province have increased in recent years and the short-term recruitment prospects/outlook for the lobster resource is positive. Processing lobster at this facility would also offset major shrimp declines. The shrimp fishery has seen major reductions in activity in recent years. Shrimp fishing Areas 5 and 6 TAC has declined by 56 per cent since 2016. The plant has capacity that is not being fully utilized, as the company has decided to no longer process shrimp at this facility. The processing of lobster would give another degree of stability to the seafood processing industry in the region while increasing employment opportunities for people in the local area and the province as a whole. There was one letter of objection and one letter of support.

The Board recommends approving a lobster processing licence for Quin-Sea Fisheries Limited, Old Perlican.

3. HSF Ocean Products Limited, O'Donnells, has a primary processing licence for groundfish (all species), pelagics (all species), mussel (AQ), scallop, whelk, and lobster. The company has requested the addition of snow crab and sea urchin to an existing primary processing licence. Fire completely destroyed the facility in October 2018 and to date the company has not started to rebuild.

The 2023 Total Allowable Catch (TAC), for NL snow crab is 54,727 tonnes (t), an increase of 8.4 per cent from 2022. Most snow crab assessment divisions are showing improvements. The TAC for 2023 has changed from 2022 as follows:

- 3Ps – 15 per cent increase;
- 4R3Pn – 17 per cent increase;
- 3LNO – 4 per cent increase;
- 3K – 18 per cent increase;
- 2GHJ – status quo.

The sea urchin fishery is a competitive fishery with no quota, with the focus in 3K and 3L.

After careful consideration, the Board is recommending granting a snow crab processing licence and sea urchin processing licence based on economic considerations for the company. The Board felt that it would provide new revenue, increase business stability and viability for this company. The company has demonstrated its commitment to the Newfoundland and Labrador Fishery as a smaller, locally owned independent company. There were two letters of objection and one letter of support.

The Board recommends approving the addition of sea urchin and snow crab, with a restriction on snow crab purchases not exceeding two million pounds in round weight form, to a primary processing licence for HSF Ocean Products Limited, O'Donnells.

4. Bay Roberts Seafoods Limited, Bay Roberts, has a primary processing licence for groundfish (all species), pelagics (all species), lumpfish, and lobster. The company has requested the addition of snow crab to a primary processing licence.

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The Board recommends approving a snow crab processing licence, with a restriction on purchases not exceeding two million pounds in round weight form, for Bay Roberts Seafoods Limited, Bay Roberts.



December 15, 2023

Bill Carter

Date

Chair, Fish Processing Licensing Board