

The British Columbia Fishing Fleet Financial Fact Sheet 1991 and 1994

This Fact Sheet summarizes the results of the 1991 and 1994 *Cost and Earnings Surveys*. Fisheries and Oceans Canada (DFO) periodically surveys British Columbia fishing vessel owners on a confidential basis. These *Costs and Earnings Surveys* collect information on vessel revenues, expenses, crews, and many other characteristics.

The net income measure is the combined return to the licence owner and the vessel owner. (Therefore, any licence lease costs are not included as a revenue or an expense). The other important concepts are:

- gross income - fishing income to the vessel and licence holders before any deductions for expenses such as fuel and crew share.
- crew wages - payments to the crew and skipper (less food costs).
- other costs - other operating costs (fuel, food, etc.) plus fixed costs (repairs & maintenance, insurance, licence fees, etc.) plus depreciation and interest.
- crew size - the normal number of workers on the vessel including the skipper.
- weeks fished - weeks spent actively fishing (excludes time spent in port on repairs, business planning, and maintenance).

Salmon

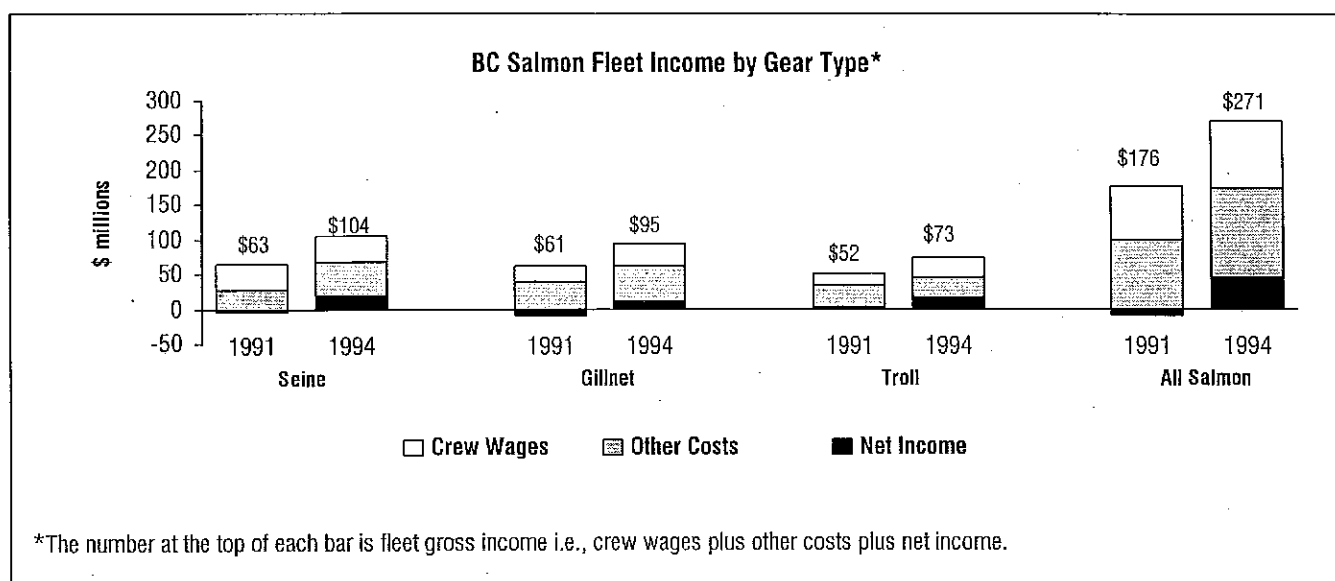
The salmon fleet uses three different kinds of gear:

- seiners - use large nets that can be closed or "pursed" to trap a school of fish,
- gillnetters - use nets suspended in water which entangle fish swimming into them, and
- trollers - drag lines with numerous lures and hooks slowly through the water, catching fish as they feed.

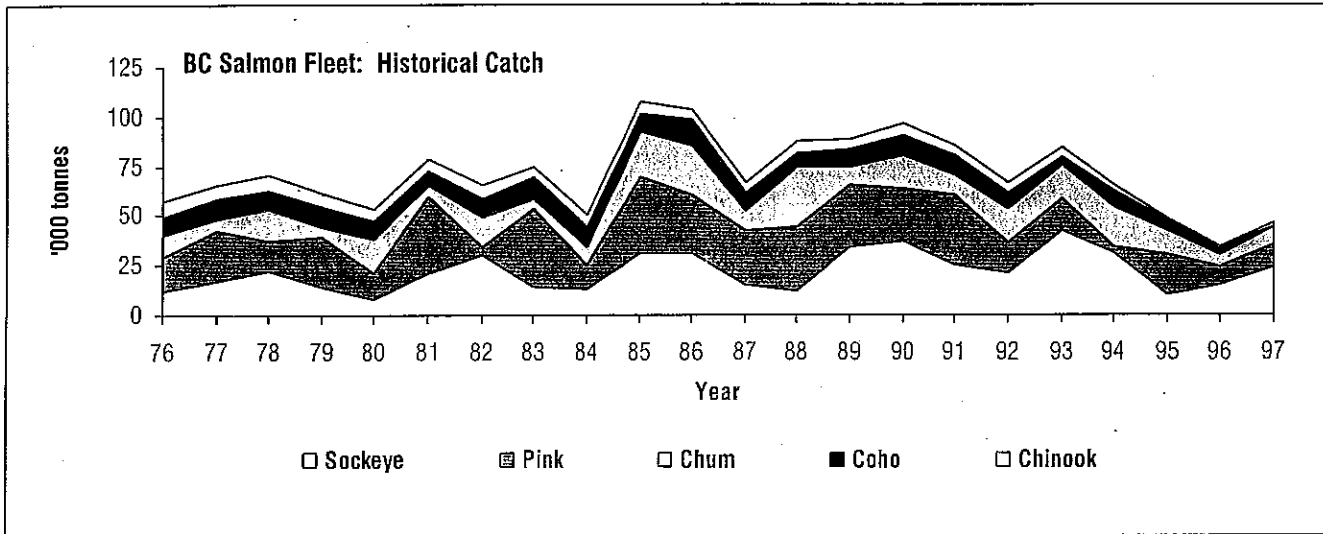
In 1994 508 seiners, 1,835 gillnetters, 1,139 trollers, and 745 combination gillnet-troll vessels participated in the salmon fishery. (The gillnet-troll combination gear fleet is included with the gillnet fleet in the income profile below.)

Financial returns to the salmon fleet are volatile. The salmon fleet fared much better in 1994 than in 1991 even though the catch declined by almost 20,000 tonnes to 65,800 tonnes.

Prices for sockeye, the most valuable species, were 75% higher in 1994 due to the perception of Japanese buyers that there would be a shortfall of sockeye in the market. (There was no actual shortfall and sockeye prices have since plummeted.) The salmon fleet lost \$10 million in 1991 but earned \$48 million in net income in 1994.



A TWENTY-YEAR PERSPECTIVE ON THE BC SALMON FLEET



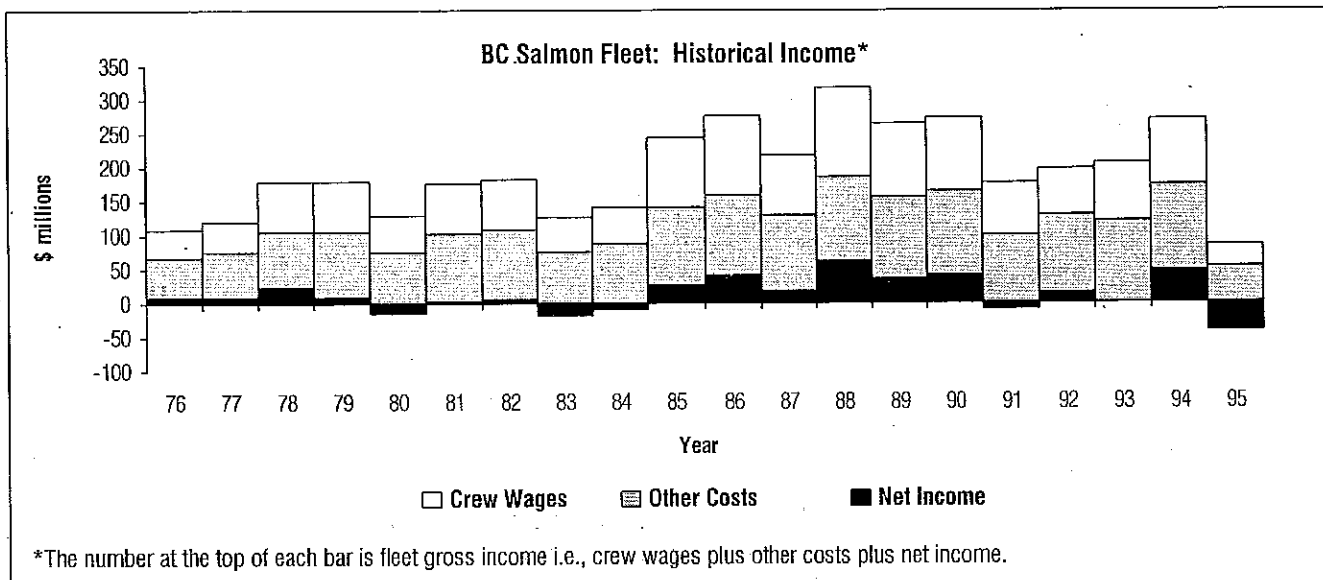
The salmon fleet catches five species of salmon — sockeye, pink, chum, coho, and chinook. Catches in the 1980s increased for three main reasons: 1) successful enhancement efforts in BC, 2) favourable oceanographic conditions, and 3) Canada's extension of its jurisdiction of coastal waters to 200 miles in 1977. However the favourable oceanographic period may be over as ocean survival rates for salmon appear to be declining.

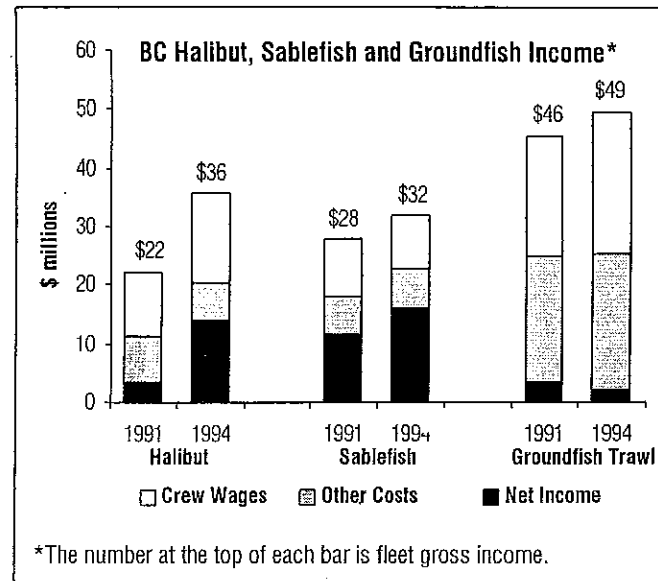
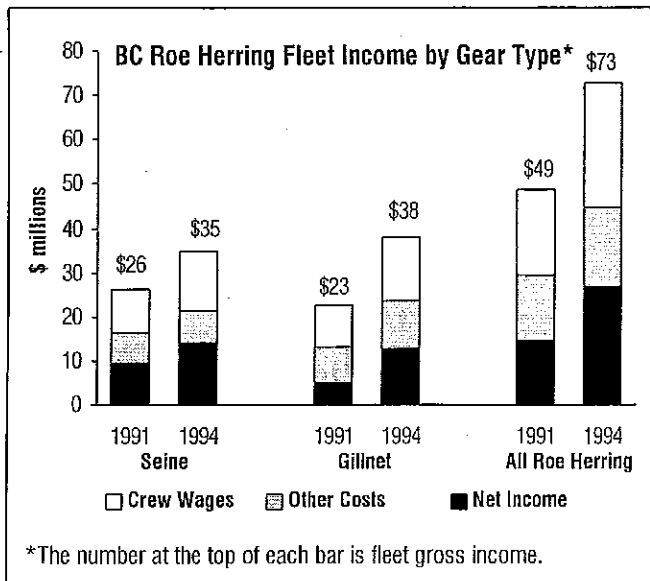
The salmon catch is processed into a variety of products, mostly frozen and canned fish. Three quarters of the product is exported (primarily to Japan). The price salmon fishermen receive is tied to the selling price of the processed product. The "landed prices" to fishermen have fluctuated widely over the past two decades.

Many of the underlying events were cyclical and typical of resource industries selling to world markets (e.g., inflation, currency fluctuation, recession). But there have also been significant structural changes in the market and in the institutional environment in which the industry operates since the late 1980s.

The market has shifted profoundly. The world is awash with salmon, both wild and farmed, and prices have plummeted. The world salmon supply today of 1.5 million tonnes is three to four times the world salmon supply of the late 1970s. In 1997 world production of farmed salmon exceeded the world commercial salmon harvest for the first time. International trade barriers between countries have also fallen. As a result, the price that fishermen receive today salmon is less than half, in inflation-adjusted terms, the price received in the late 1980s.

The result of the fundamental change in salmon supply and demand is a new era of competition and a lower long term price outlook for BC salmon. This means that the BC salmon fishery can no longer support its historical levels of capital and labour.





Roe Herring

The landed value of roe herring increased from \$49 million in 1991 to \$73 million in 1994 even though the catch remained the same at approximately 40,000 tonnes in each year. The roe herring fleet is profitable; net income (before licence lease costs) was 30% or more of gross income in both 1991 and 1994.

Under area licensing (in place since 1981), there are fewer active vessels than there are licences, as many operations fish more than one area. In 1994 there were 136 active roe herring seine vessels and approximately 400 roe herring gillnet operations.

Halibut

The coastwide halibut catch increased from 3,200 tonnes in 1991 to 4,400 tonnes in 1994. Prices also increased with the result that halibut landed value increased from \$22 million to \$36 million over the period. Most halibut is sold as fresh whole product to the US.

One reason for the price increase was the 1991 introduction of individual vessel quotas (IVQs) whereby each licence holder was allocated an opportunity to harvest a predetermined share of the available catch. Under IVQs most of the product went to the higher value fresh market rather than the frozen market. Between 1991 and 1994 halibut quotas were consolidated through transfers and the available halibut was caught at a lower cost (the number of active halibut longline vessels declined from 431 to 320 over the three years). As a result of higher catches, higher prices, and lower costs, the net income of the halibut fleet increased from \$3.5 million in 1991 to \$14 million in 1994.

Sablefish

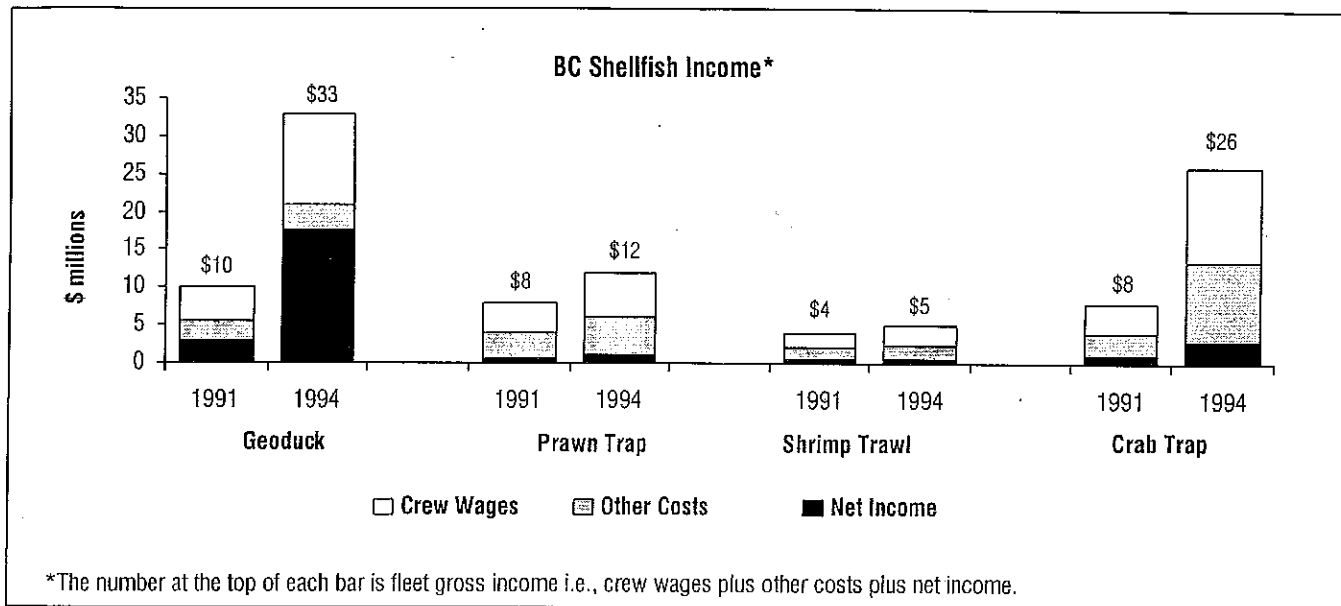
The sablefish catch decreased from 5,500 tonnes in 1991 to 5,200 tonnes in 1994, but prices increased and sablefish landed value increased from \$28 million to \$32 million. Almost all the product is sold as boxed, frozen whole fish to Japan.

An IVQ management system for sablefish was introduced in 1990. The IVQ system has allowed better quality control and higher prices, lower costs and higher net income to the fleet. In both 1991 and 1994, 25 vessels fished sablefish with either longline or trap gear.

Groundfish Trawl

Two main components to the groundfish trawl fishery exist — hake which is processed into surimi and other groundfish (rockfish, sole, Pacific cod, lingcod, pollock and turbot) which are processed mainly into fresh or frozen fillets. Hake landings increased from 99,100 tonnes in 1991 to 116,500 tonnes in 1994, and about half of the 113 trawl vessels active in 1994 participated in the hake fishery (in addition to other groundfish fisheries). Other groundfish landings decreased from 52,200 tonnes in 1991 to 48,000 tonnes in 1994.

Prices for other groundfish increased between 1991 and 1994 with the result that groundfish trawl landed value increased slightly from \$46 million in 1991 to \$49 million in 1994. However, costs appear to have increased faster than prices, in part due to trip limits and other fisheries management conservation measures introduced in the early 1990s. Consequently, groundfish trawl net income declined between 1991 and 1994.



Shellfish

The price of shellfish has surged over the past decade. There is a growing market for live shellfish such as geoducks and crabs in specialty fish markets and restaurants. As well, Japan is a lucrative market for frozen whole prawns.

Geoduck – The landed value of geoducks tripled from \$10 million in 1991 to \$33 million in 1994 in spite of a decline in landings from 3,300 to 2,200 tonnes. The IVQ management system (introduced in 1989) has enabled year-round harvesting, better handling, and higher prices. Net income (\$17 million in 1994) represents half of fleet revenues. There were 44 geoduck dive vessels active in 1994.

Prawn and Shrimp – The landed value of the prawn trap fishery increased from \$8 million in 1991 to \$12 million in 1994. The landed value of the shrimp trawl fishery increased from \$4 million to \$5 million over the period. About half of the landed value in each fleet goes to crew payments, a higher share than for most other fleet segments. As a result, the net income of each fleet is modest. In 1994 there were 260 prawn trap and 154 shrimp trawl operations.

Crab – Crab catches and crab landed value tripled between 1991 and 1994. Of the \$26 million landed value in 1994, \$13 million went to the crew and \$3 million went as net income. A total of 214 crab vessels were active in 1994. The bulk of the crab catch is concentrated in the Queen Charlotte Islands area.

| SUMMARY OF 1994 FLEET EMPLOYMENT | | | |
|----------------------------------|----------------|--------------------|----------------------|
| | No. of Vessels | Average Crew Size* | Average Weeks Fished |
| Salmon | 4,226 | 2.4 | 13 |
| Herring | 536 | 4.6 | 3 |
| Halibut | 320 | 3.6 | 4 |
| Sablefish | 25 | 6.1 | 14 |
| Groundfish Trawl | 113 | 3.5 | 25 |
| Geoduck | 44 | 3.2 | 17 |
| Prawn | 260 | 2.2 | 17 |
| Shrimp | 154 | 1.9 | 15 |
| Crab | 214 | 2.6 | 20 |

* Includes skipper