

*Address to World Seafood Congress
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Outline

- Introduction to OCI
- Market Competitiveness – NL perspective
- Sustainability
- Successful Fishery Regimes
- Summary



Introduction



Introduction: OCI

- Family owned Atlantic Canadian company
- Process approx. 150 million lbs of seafood each year
- ~\$250 million in sales annually
- Diversified species base (20 different species)



Groundfish

- Canadian Sole & Flounder
- Greenland Halibut (Turbot)
 - North Atlantic Cod
 - Redfish/Ocean Perch



Shellfish

- Lobster
- Snow Crab
- Shrimp (Shell on)
- Shrimp (Peeled)
- Sea Scallops
- Whelk



Pelagics

- Mackerel
- Capelin

Other species

- Sea Cucumber
- Squid

Introduction: OCI

- 6 frozen-at-sea factory vessels and 5 processing plants, employing >1500 people
- Global sales team in all major markets supplying premium quality seafood to 35 countries
- Commitment to a viable and sustainable fishery (over 90% of seafood MSC certified or in process)





Market Competitiveness – a NL Perspective

A close-up photograph of a red crab claw, showing the texture of the shell and the joint. The claw is positioned on the left side of the slide, partially overlapping the text area.

Canadian Seafood Industry

- Total Landings – 850,000 mt; landed value \$2.1 B
- Export value \$4.2 B
- < 0.5% as % of Canadian GDP
- Employs ~80,000 people
- World's sixth largest seafood exporter
- Atlantic Canada represents about 85% of Canadian industry



NL Seafood Industry

- The NL fishery has approximately \$1.0 B in total value (\$0.65 B in 1989)
- Shellfish is 83% of landed value; groundfish 14% and pelagics 3%
- < 3% as a % of NL GDP
- Total employment is about 20,000 people; full time equivalents are only 9,000 illustrating huge seasonality (< 4% of employed people)

NL Seafood Industry

- The USA market has decreased in importance from 71% market share in 1989 to only 34% in 2012
- China has increased significantly, from 0% in 1989 to 28% in 2012
- Market demand has increased dramatically for whole products, especially in Asia



Industry Market Challenges

- Market demands are changing, where customers require companies like OCI to have product to be shipped direct to market in whole form
- There is a huge misconception that all product is shipped for further processing
- About 80% of NL seafood is shipped in some unprocessed form (live, whole, H&G, HOG, shell-on)

Restrictions in NL

- Seafood producers in NL have difficulty competing with global competitors due to minimum processing requirements and lack of vertical integration
- Competitors in other parts of Canada and around the world do not face the same restrictions
- Fishers/fishing companies must be able to sell product forms that the market demands
- NL competitiveness is being eroded over time due to these restrictions



Market Demand: Product Forms

- Critical to the success of any business is its ability to meet the demand of customers
- Whole/H&G product form is in high demand
- Demand for seafood in fillet form is decreasing steadily
- Competitors outside NL have a competitive advantage

A close-up photograph of snow crab legs, showing the red and white segments of the claws and the textured surface of the shell. The image is positioned on the left side of the slide, partially obscured by a curved black border.

Market Demand: Product Forms

- Snow Crab is a good example:
 - There was a requirement to produce extracted meat products until early 1990s
 - Since restriction lifted and all product exported in shell the value has increased 300%
 - Impact: \$170-180 M to fishers



Market Demands: Product Forms

- Greenland Halibut (turbot) is another example:
 - Had to be filleted before but can now be exported whole
 - Landed value has increased over 500%
 - Impact: over \$40 M to fishers

MARKET DEMAND: product forms



Free Trade

- Free trade has led to significant increases in economic returns
- Current Canada/EU negotiations can be a game changer for our industry (CETA)
- Will open up one of world's largest seafood markets at low or zero tariffs

Free Trade

- Should not sacrifice lower or zero tariffs that benefit everyone to keep minimum processing requirements in place
- Such restrictive trade practices lead to lower economic returns and less choice for fishers and companies
- Lessons the overall value of the fishery to NL



Market Competitiveness

- Requires a level playing field in terms of market access/tariffs
- Must be able to sell customers what they want to maximize returns for all
- We can and do compete very well with good returns on species where field is level



Sustainability



Sustainability

- Agree with Dr. Ray Hilborn that we need to recast the fisheries argument to be about sustainable food production rather than marine conservation
- Growing challenge to feed the world's population: What's the alternative? Where is the food going to come from?
- Of course, there are environmental costs to fishing but on almost every metric they are less than other forms of food production

Environmental costs per 40g Protein

	Water (L)	Fertilizer (g)	Pesticides (mg)	Antibiotics (mg)	Soil Loss (kg)
Beef	2200	50	494	21	16
Chicken	1331	18	163	55	3
Pork	1331	46	422	53	8
Dairy	1178	34	299	50	7
Capture Fisheries	low	0	30	0	0

Source: Dr. Ray Hilborn, Presentation to Groundfish Forum, Oct 2011

Environmental costs per 40g Protein

	Land Required (m ²)	CO ₂ (land use) (kg)	CO ₂ (no land use) (kg)
Beef	354	16.7	11.5
Chicken	1.4	2.5	1.4
Pork	3.7	3.8	1.6
Dairy	3.0	2.7	1.6
Capture fisheries	20-100	0.3-0.2	

Source: Dr. Ray Hilborn, Presentation to Groundfish Forum, Oct 2011



Sustainability

- Dr. Hilborn has argued that fisheries may have less biodiversity cost (~ 30%) than organic agriculture (>30%)
- It is possible to calculate the average yield of livestock grazing in the world and then calculate how much area was needed to replace 80 million tons of fish from capture fisheries
- Results show that it would take 22 times the world's rainforests!
- If only the trawl fisheries were eliminated, it would take five times the world's rainforests just to make up the protein!

Good citizens at work....



Rapers and pillagers of the ocean



Sustainability

- Seafood is a very sustainable source of food when compared to alternatives
- Need constructive dialogue with NGOs and others (videos that disparage certain fishing gear types are neither helpful nor honest)
- In third party certification seafood should not be held to a higher standard vs other protein sources



Successful Fishery Regimes



Successful Fishery Regimes

- Many organizations, NGOs, etc have shown that the most sustainable fishery regimes (environmental & economic) are ones that have property rights attached
- Must have a sustainable business model with sustainable year-round jobs at competitive salaries
- Most modern fishing countries have such systems: USA-Alaska, Iceland, New Zealand, Norway



Successful Fishery Regimes

- Canada and NL must fully adopt such systems if we are to be internationally competitive
- Generally it is taboo to talk about such change mainly because some people associate it with corporate concentration and related “evils”
- We need to have an open discussion about the pros and cons and decide if we want to move our industry forward

Successful Fishery Regimes

- Fishermen need to be able to make their own decisions about the scale of their enterprise so they can be viable long term
- Processing plants need to be able to secure their supply to protect their future and that of employees
- If we cannot build year-round businesses we will not attract young people to our industry



Successful Fishery Regimes

- We have too many people working part time in our industry (most work less than 5 months)
- Industry needs to concentrate more in fishing and processing for long term viability
- Controls on levels of concentration can be put in place to ensure a competitive marketplace (like in other countries)



Successful Fishery Regimes

- Current demographics present a real opportunity to implement change; fishers and plant workers average age is 55-60 years
- Industry can be concentrated on a reasonable basis creating better value, attract young people with better paying jobs and be more competitive internationally
- We must take up the challenge or lose the opportunity to have a real positive impact in our industry



Summary



Summary

- We must give the market what it wants if we are to maximize economic value
- Seafood is an excellent source of sustainable food with a low environmental cost versus alternatives
- Successful fishery regimes involve property rights, reasonable levels of concentration and a sustainable business model



Thank-you.