

Valuing our Fisheries

Breaking Nova Scotia's Commodity Curse

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Executive Summary

Atlantic Canada has joined much of the rest of the world in a race to produce high volumes of low cost protein for global commodity markets. In Nova Scotia, independent fishermen who act as ‘owner-operators’ of vessels are increasingly unable to make a living by fishing. Processing plants are closing, taking with them valuable employment opportunities, and Nova Scotia’s rural population continues to decline. The only remaining fishery that inshore fishermen can reliably earn a living from is lobster; however, this reliance on a single species is dangerous. Even the small drops in prices that have been seen over the past years have major impacts across the province.

This report explores Nova Scotia’s existing fishery value chains and identifies opportunities for increasing the value of environmentally sustainable inshore fisheries. These fisheries tend to be composed of owner-operated vessels that are based in a large number of relatively small and widely dispersed communities. The strategies and conclusions suggested in this report will not apply to Nova Scotia’s entire seafood industry, but to a subset of environmentally sustainable, low-impact, owner-operator fleets that nevertheless represent the bulk of fishing activity in the province.

Approximately 2.2 million kg of seafood are consumed annually in Nova Scotia, and there is an expressed interest in fresh, local and ‘sustainable’ seafood products. However, the majority of consumers purchase seafood that reaches them through a complex value chain that can include numerous actors, intermediate processing steps, and processing and packaging in other countries.

Fishery Value Chains

A value chain is defined here as a range of activities required to bring a product from harvest, through intermediary processing, and to the final consumer.

In order for each level of a value chain to receive appropriate prices, several basic market conditions must be met. Among these are access to markets, equal market power among individual companies at each stage of the value chain, and transparent, accurate, and timely information about price and quality. Often, fishermen in Nova Scotia have access to a small number of buyers and have no reliable access to pricing information further down the chain. Fishermen generally do not know whether they are getting a fair price for their catch. In this case, fishermen are price takers: they take whatever price their buyer gives them. These prices may not reflect the actual operating costs or the potential to receive more for higher value products.

The most successful strategy identified to increase direct return to small-scale fisheries requires product differentiation and regional marketing of the seafood products that support and empower low-impact, owner-operator fishermen. Some consumers are very willing to support food producers and community development by paying higher prices for seafood – provided they know where the extra money is going. However, most market actors in the sectors examined now compete based on price alone. There are few opportunities to distinguish products or to support traceability and branding in marketing. The current structure of the industry promotes a transactional model where actors work to underbid each other for sales and connections.

Certain gear types have clear environmental benefits over others; for example, bottom longline gear does not destroy fishery habitats the way that trawl gear does. However, social and economic factors are also important and environmentally benign fishing methods often have social benefits as well. Every haddock harvested by bottom longline gear generates 3.3 times more employment hours than those caught with trawl gear. This means that supporting the bottom longline sector of the industry can be both an environmental and social gain as more people are employed catching the same number of fish. In order to provide a living wage in this sector, the value of the catch must be increased by accessing the market's demand for meaningfully sustainable seafood that empowers and supports small-scale producers.

Losing Product Value

The availability, price and quality of raw materials are the most significant challenges facing Nova Scotian fish processors and distributors today. There is strong competition for unprocessed fish and difficulty for some plants maintaining levels of activity sufficient to justify capital investments. Due to high labour costs, it does not make sense to process the bulk of Nova Scotia's seafood in Canada without smaller volumes of seafood being differentiated and directed towards a consumer base supportive of food producers and rural economies

Haddock exports represent the most significant loss of value in groundfish species, as only 5.7% of exported weight is in the most valuable form of fresh fillets. By failing to process haddock in the province, Nova Scotia lost over \$7 million in direct export revenue in 2011. Over the past four years the export of whole haddock and re-import of haddock fillets has directly cost Nova Scotia's GDP between \$5 and \$20 million each year, not accounting for the economic impact of employment in processing. However, exporting unprocessed seafood is not only a loss of product value and employment opportunities, but also a lost opportunity to distinguish products. Large shipments of seafood commodities do not allow producers to provide the traceability and story-telling that consumers are willing to pay higher prices for.

Regional distribution remains one of the key deficiencies in the Nova Scotia's seafood sector. The post-harvest supply chain of seafood is aligned with the international commodity market, resulting in some of Nova Scotia's finest seafood products being shipped overseas or to the Northeast US. The result is that local chefs, retailers, and consumers have only sporadic access to fresh seafood, and seafood harvesters are beholden to the international market.

Solutions

If the seafood industry in Nova Scotia is to thrive, it must transition away from a single focus on exporting high volumes of commodity products for low prices. Recreating an industry that supports a resilient, regional food system will require moving away from a model where individual actors work at cross purposes to 'push' products to market, and towards a value chain alliance based on market demand, where members of the chain share strategic information in order to ensure its long term competitiveness. This will create the opportunity to develop an integrated value chain that provides higher value products to a regional food system.

There are numerous opportunities in Nova Scotia to develop a regional seafood value chain network. In preparing this report, the Ecology Action Centre has explored these by:

- Shipping sustainably caught, tagged, and traceable groundfish directly from fishermen throughout Nova Scotia and Central Canada;
- Developing a scallop dive fishery that will allow quota to be used to catch valuable diver-caught scallops rather than in the destructive and lower-value dredge fishery;
- Connecting 'hand-dug' clam harvesters with innovative restaurants in Halifax that will be featuring steamed clams on menus this summer;
- Helping the innovative shrimp trap fishermen in Chedabucto Bay distinguish their product from that of industrial shrimp trawlers;
- Creating an 'asset map' for areas in the province where clusters of fishing and processing activities and farmers markets can support a network of direct marketing initiatives; and,
- Building a network of fishermen, processors, distributors and restaurant/retailers who want to work with us to change the future of Nova Scotia's fisheries.

In each case, harvesters have secured a higher price by establishing a market demand and then connecting industry partners to supply the product. Over the coming months and years, this work can expand through the creation of a regional seafood hub based on empowering small-scale, environmentally sustainable producers to connect with a regional market that provides the prices they need to stay in business. Most importantly, this shift to increase value in the sector will allow many of Nova Scotia's small-scale fisheries to continue to make an essential contribution to the economic and social well-being of rural communities throughout the province.