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Business in Vancouver May 10-16, 2005; issue 811

Study throws cold water on B.C. sablefish aquaculture

Paul Harris

In a new study, academics have cast doubt on the potential economic benefits from introducing industrial-scale sablefish farming in B.C.

So far 37 sablefish farm sites have been approved around Vancouver Island, and a hatchery is scaling up production on Saltspring Island.

"As B.C. farmed salmon falls victim to global competition, sablefish is poised to become the heir apparent to the aquaculture industry in B.C.," said report co-author **Rashid Sumaila**, a researcher at the fisheries centre of the **University of British Columbia**.

"This is built on the premise of exploiting unrealized economic opportunities. Our study casts some significant doubts as to the magnitude of the potential economic opportunities."

The research was funded in part by the **Canadian Sablefish Association**, which represents B.C.'s commercial sablefish industry. Among its key findings was that an expanded market would erode sablefish prices.

It also suggested that banning sablefish farming could benefit B.C. if wild sablefish could be marketed to command a price premium of 20 per cent to 25 per cent. Also known as black cod, sablefish can fetch an average price of US\$3.35 a pound. The commercial fishery is worth an estimated \$30 million to B.C.

But **Christopher Angus**, who runs one of the world's only black cod farms, said commercial fishermen are concerned about protecting market share.

"This species could be bigger for B.C. than farmed salmon, because no one else in the world farms it," said the owner of **Totem Seaproducts** in Jervis Inlet, in a *BIV* interview last fall.

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Sink or swim for fish farms

Major merger signals sea change in a B.C. aquaculture industry faced with mounting losses, cut-rate competitors and marketing setbacks

Paul Harris

British Columbia's embattled salmon aquaculture sector faces a major upheaval after two international fish farming giants sealed a deal last week that will see one company lock up over one third of the coastal industry.

Nutreco Holding N.V., the world's largest salmon farming company, and **Stolt-Nielsen S.A.** are to merge operations dotting the province's coastline under a new business called **Marine Harvest**. Marine would operate 47 of the 130 salmon farming tenures available in B.C.

The deal comes amid wider industry pressure from low-cost competitors in Chile, previous battles against disease among farmed salmon stocks and renewed campaigns against farmed salmon sales to the U.S.

Dale Blackburn, vice-president for Marine's consolidated West Coast operations, said a disease epidemic that hit B.C. a few years ago has since been brought under control.

But while salmon prices were strong during early 2005, they're projected to drop later this year.

"There are a number of companies in B.C. getting back into production after a shortfall in recent years," Blackburn said. "I expect the market will weaken as we move into the summer."

The sector faces further major changes.

Food behemoth **George Weston Ltd.** is seeking a buyer for producer **Heritage Salmon**, which holds several B.C. fish farm licences.

Weston sold all its Chilean fisheries operations last fall for a pre-tax loss of \$9 million. According to its 2004 annual report, the company's fisheries section faced "depressed fresh salmon market prices and demand impacted by the negative publicity directed toward the farmed salmon industry."

Other operators also had a tough time.

The corporate parent of Campbell River's **Grieg Seafood B.C. Ltd.** faced losses of \$10.9 million from its global fish farming operations last year.

Norway-based **Grieg Seafood Group** holds six salmon licences in B.C. and 16 in Norway. It attributed its 2004 losses to disease in its operations in Canada, the write down of share value in other Norwegian fish farming companies and a loss from selling a processing operation in Denmark.

But Grieg added last month that it expected to increase production during the next couple of years

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by expanding capacity and allocating new fish farming licences in Canada.

Rival **Pan Fish ASA**, which operates via subsidiary **Pan Fish Canada Inc.**, faced operating losses of \$272.8 million in 2003 – the latest annual figures available. Operating losses for Pan Fish's North American section accounted for approximately \$19 million of the company's losses. Its U.S./Canada sales totalled \$175 million during this period, a small decline on 2002.

The company noted in 2003 that the long-term growth potential for the salmon industry remained unchanged.

"Rapid growth in production," however, led to an "imbalance in the market resulting in very low prices over the last two years," it noted in its 2003 annual report, published last June.

"What was once an extremely profitable business with low costs and high quality has in recent years been plagued with major problems with disease," said **Keith Bullough**, managing director of **Pan Fish North America**, in the same report.

Salmon accounts for almost all of B.C.'s aquaculture earnings.

In 2002, B.C.'s aquaculture netted \$322 million.

But by 2003, the value of B.C.'s farmed salmon production had dropped to \$248.5 million, according to BC Stats data.

Both Stolt and Nutreco have salmon operations in Chile, which has lower production costs. But Blackburn said air freight fees from Chile to the southern States are around US\$0.80 a pound, compared with trucking costs of US\$0.08 a pound to truck salmon from B.C. to California.

While the privately held Stolt group faced losses last year, its West Coast operations were profitable, he added.

Nutreco, which netted overall sales of \$6.2 billion last year, owns 75 per cent of Marine, which it plans to take public.

Of 250 staff in B.C., around 10 administration jobs are likely to be eliminated in Campbell River under the Marine deal.

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