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Canadian/U.S.



LOBSTERMEN'S TOWN MEETING

April 13, 2007 – St. John, New Brunswick, Canada

Hosted by the Lobster Institute

SUMMARY REPORT

Prepared by the

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Primary Event Sponsor

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Fishery Products International, Inc.

Moderator

Ted Hoskins, Minister to Coastal Communities & Fisheries - Maine Sea Coast Mission

Panelists

John Driscoll – School for Resource & Environmental Studies, Dalhousie University
Michael Gardner – President, Gardner Pinfold Consulting Economists
Laura Taylor Singer – Director of Collaborative Research, Gulf of Maine Research Institute.

The Lobster Institute would also like to acknowledge the hard work of the Planning Committee, comprised of representatives from the Lobster Institute’s Board of Advisors:

Planning Committee

Dana Rice – Co-Chair – Maine
Ashton Spinney – Co-Chair – Nova Scotia

Bill Adler – Massachusetts
Bill Anderson – Maine
Dr. Bob Bayer – Lobster Institute
Mike Sirois -- Massachusetts
Klaus & Melanie Sonnenberg – Grand Manan
Bonnie Spinazzola- New Hampshire

Background and Goals

The Board of Advisors of the Lobster Institute planned and hosted its fourth consecutive Canadian/U.S. Lobstermen's Town Meeting on April 13, 2007 in St. John, New Brunswick, Canada. This year's industry-wide gathering of lobstermen and others connected with the lobster industry brought people together to discuss the economics of and socio-economic factors impacting the industry. Approximately 65 people attended the meeting, coming from as far south as Florida and as far north as Nova Scotia.

Goals of the event:

- Provide lobstermen with an opportunity to communicate what they see as the major economic implications related to sustaining a vital fishery and how these factors do or should fit into the management process.
- Discuss ways lobstermen and scientists can provide/enhance the data available to develop a complete picture of the overall impact of the lobster fishery on the socio-economic conditions of their communities, their states or provinces, and region-wide. This will provide the industry and researchers with valuable information needed to make the case for adequate funding for lobster-related research and to advocate for management and legislative decisions geared toward finding the right balance between sustaining the resource and maintaining a vital fishery.
- Fostering collaboration and communication between all geographic areas of the fishery, reinforcing the fact that all share and rely on a common resource that must be protected.
- Promote dialogue between lobstermen, scientists and fisheries management personnel.

Format

The daylong session began with a panel discussion featuring representatives from three organizations currently or recently involved with studies related to the economics of the lobster industry. They provided a foundation of information used to stimulate dialogue for the "town meeting" portion of the event.

The rest of the event took the form of a true town meeting. Lobsterman and others in the industry were invited to draw from their experiences and share their thoughts, observations, concerns, theories and questions about topics related to the economics of the fishery. Principal participation in this component of the meeting was from industry people (fishermen, dealers, pound owners, processors, etc.). The town meeting was directed by an experienced moderator, Ted Hoskins, Minister to Coastal Communities & Fisheries - Maine Sea Coast Mission

The Town Meeting was audio taped and an unabridged transcription of these tapes is available from the Lobster Institute at 210 Rogers Hall, University of Maine, Orono, ME 04469 (207-581-1443).

Summary of Panel Discussion

John Driscoll, a masters candidate from Dalhousie University in Halifax, Nova Scotia discussed a current study he is involved with on a Life Cycle Assessment of the Maine lobster fishery. A primary focus is on defining the carbon energy outputs of the industry. He indicated his work is driven primarily by a trend, seen particularly in European markets, to improve their environmental performance. One aspect of this is to assess the carbon costs of products they sell, and a movement to develop a carbon cost label (similar to a nutrition label). His study is a parallel project to one being conducted by Catherine Boyd, assessing the Canadian lobster industry. He noted that surveys would be distributed in the coming weeks to Maine fishermen to gather data needed for the study.

Michael Gardner, President of Gardner Pinfold Consulting Economists, summarized key points from a 2006 report released by his company, entitled “Benchmarking Study on Canadian Lobster.” The report was commissioned by Agriculture and Agri-Food Canada. He noted “in the largest sense the lobster industry, in the Northeast North America, is probably the single most important fishery that we have.” He noted that in the U.S. and Canada there are approximately 17,000 vessels active in the fishery, that employ about 40,000 harvesters – with many more employed onshore through various ancillary businesses. He suggests a primary question one must ask is whether we are doing enough to protect this resource. He also discussed the question of whether or not fishermen understand the market they serve. He spoke of environmental challenges, animal rights issues, branding strategies, and the pricing structure through the line from harvester to consumer. A full copy of the Benchmarking Study on Canadian Lobster” is available via the Lobster Institute’s Web site at www.lobsterinstitute.org, in the “Industry” section.

Laura Taylor-Singer, Director of Collaborative Research at the Gulf of Maine Research Institute reported on findings from the Institute’s 2006 “Lobster Socio-economic Impact Survey”. She noted the report focuses on Lobster Conservation Management Areas 1, 2, and 3 in the U.S. Through a confidential survey, baseline information was collected on the financial health of the lobster fishing business and data that might be useful in determining the “vulnerability” of the fishery. The information provided demographic data, looked at average incomes, average expenses in a variety of categories, average debt per household, numbers of fishermen carrying health insurance, and other such economic-related information. A full copy of the survey report is available via the Lobster Institute’s Web site at www.lobsterinstitute.org, in the “Industry” section.

Town Meeting Summary of Topics Discussed

Major topic areas discussed are listed below in alphabetical order. Comments made and questions raised regarding that topic are summarized. All sectors of the lobster industry were represented at the gathering, which led to productive discussion. An index is available in the full transcript that will assist readers in locating complete discussions of listed topics.

Note: Comments noted in this report do not necessarily reflect a consensus opinion of those who attended the Town Meeting, nor do they necessarily reflect the views of the Lobster Institute.

Carbon Costs/ Life Cycle Assessment

- There was discussion of the need to look at carbon costs (carbon-intense greenhouse gases emitted) throughout the entire “production” chain of the industry – from the fishermen, through the dealers and shippers, to the consumer. There was some discussion of carbon costs of live versus processed lobsters. It was also noted that the transport of product produces perhaps the greatest single carbon cost.
- It was also noted that new boat construction and future fuels should be cleaner than those in the current fishery.
- There was considerable discussion on how it would be possible to compare carbon costs between the U.S. fishery and the Canadian fishery given the fact of the differences in seasons, fishing styles/boat sizes, onshore versus offshore, etc. Also, if Maine lobster is sent to Canada for processing, who is “charged” with the carbon costs?

Catch: Rate/Effort/Quality

- There was some discussion about Canadian fishing seasons relative to catch and size of lobsters caught. Most fishermen indicated it was a matter of timing, more related to when the catch is available and not with the effort.
- It was also noted that water temperature and other factors in nature that cannot be controlled greatly affect landings. It was reported that fishermen participating in a study that places temperature gauges in traps note a correlation between low temperatures and low catch.
- It was noted that while pricing based on quality seems reasonable, it was also stated that fishermen cannot pre-determine the quality of lobsters that will come up in their traps. Also, it was said that some fishermen perceive that the determination of “quality” is often used as a means to control price. It was also stated that consumers are educated and are demanding quality. Related to quality is the yield of a processed lobster, and also the mortality rates during shipping, which affect the profit margin and hence the price. Lower quality means less yield for processed lobsters, and increased shipping mortality for live lobsters – both adversely affecting the profit.

Cost of Doing Business

- There was concern expressed about the rising costs for fuel, bait, etc. – with little if any average rise in the boat price over the last couple of years. The limited availability of bait was keyed into this conversation.
- It was also noted that many things beyond the control of the lobstermen dictate what their catch will be – making it difficult to estimate income, and factor this into budget considerations.
- Distributors/dealers also noted the cost of fuel is affecting their sector of the business as well, particularly in the area of fuel surcharges for shipping.
- It was suggested that distributors/dealers have more flexibility to adjust the prices they charge to end-users than lobstermen do in requesting a boat price.
- There was also concern expressed about young fishermen over-extending themselves financially and being ill prepared for any downturn in catch or other negative economic influences.

Food Security

- There was some discussion about relatively recent added responsibilities concerning security for shipped lobsters. It was noted by a distributor that Homeland Security release regulation books of 300-400 pages on a monthly basis. Costs are incurred to meet these regulations, including require training of employees for implementation, surveillance cameras, etc.

License Issues

- It was noted that in Canada there is value placed on the lobster license. It can be used as collateral and can be bought and sold, as can a “lobster business”. In Massachusetts, licenses are also transferable, and a business is worth more if there is a federal and a state license included. A lobsterman cannot sell a license in Maine. Some feel this helps maintain a traditional, generational fishery.
- Prices for licenses/businesses in Canada can range from \$150,000 - \$300,000 in some locations, to \$500,000 - \$750,000 in others, and over \$1 million in others.
- Some Canadian lobstermen also discussed the Marshall Decision that brought a lot of First Nation people into the lobster fishery, and the resulting buy-back of licenses used to accomplish this (since no new licenses are issued – only existing licenses transferred). This caused a spike in the value of a license.

Lobster Health/Water Quality

- Concern was expressed over the affects of the Federation Bridge leading to PEI being detrimental to the fishery, as it caused silt levels to rise and clog the gills in lobster larvae. Fishermen note a significant drop in their catch since the bridge was constructed.
- Pesticides and other toxins continue to be a concern to lobstermen. Concerns over maintaining water quality remain high, as they have at past Town Meetings.

Marketing

- There was some concern expressed about langostino being marketed as lobster (currently allowed in the U.S. by the FDA) – and perhaps negatively impacting the sale of “real” lobster since it is a cheaper and some would say not at all like a lobster in taste. This generated some discussion concerning “branding”.
- Recent television adds for a cholesterol lowering drug that give the impression that lobster is a food high in cholesterol were discussed. This lead to discussion about the lack of a coordinated marketing strategy and a “go to” agency that could deal with market misinformation, and create an information flow that would reach the entire industry. It was noted that the Lobster Institute had commissioned studies several years ago that produced a nutritional label of sorts for lobster meat – and that this information is available via the Institute’s Web site and handouts signed over to the Maine Lobster Promotion Council and the Massachusetts Lobstermen’s Association. It was also noted that promoting seafood in general as healthy to eat would encourage people to eat all kinds of seafood – including lobster.
- It was noted that the increase in catch rates since the 90s has meant that distributors have been looking to expand the marketplace, and look at different ways to use the product.

Market Structure

- There was some discussion about whether there was the need for buyers as middlemen between fishermen and distributors/consumers – and perhaps there should be a move to have fishermen work collectively to manage their own product.
- Those from the restaurant/distributor end of the chain noted that chain restaurant dishes are frequently developed a year or more in advance of being placed on a menu, and menus are designed at least 6 months prior to printing and use. This makes it very difficult to account for fluctuation in the price of lobster meat used in dishes. Also, once an item is removed from a menu it is less likely to get it back on a menu in the future. It was also noted that pricing of live lobster is very different then pricing menu items that contain lobster, as the can be acquired in advance with the price known before the menus are developed.
- The lack of communication between and among sectors of the industry was discussed. It was noted that opening communication channels could be beneficial. It was suggested that the distributors make fishermen aware of market conditions at the start of the seasons... to develop understandings, build relationships and build trust.

Price/Price Structure

- It was stated that the spring of 2007 brought historically high prices, yet fishermen were not making any money. The cost of doing business was high and the amount of lobsters being caught was down. It was also mentioned that pound owners had no reserve supplies, which also drove the price up. It was noted that volatility in prices tends to drive consumers away.
- It was generally agreed that few fishermen understood what was driving the prices that consumers pay, and that there was a level of mistrust between lobstermen and dealers/distributors/processors. Some feel there is a “disconnect” in what they as fishermen are receiving for a boat price, and what they see being paid by consumers.
- There was general agreement that a more transparent approach would alleviate some of this mistrust. Currently there is not enough understanding on the part of dealers/distributors as to what the fishermen’s costs are and vice versa. There was a call for better communication between groups and building more trust.
- Related discussion revolved around the availability of stored lobsters/lobster meat. Some fishermen commented that they are unsure if processors actually have the excess supplies they sometimes claim they do, they are only using statements to that effect to justify paying lower boat prices.
- It was also noted that forums like the Canadian/U.S. Lobstermen’s Town Meeting are an important part of the process of building trust and open communication.
- Supply and demand as related to the various Canadian season and various environmental influences were discussed.
- Price “fixing” was also discussed, with general agreement that it while there is sometimes talk of it, it never could work – the market is too fragmented and product availability is too hard to control. It was noted that some models in other industries use an initial fixed price for wholesale purchase and then the price is finalized after the market gets settled.
- As a commodity, it was noted that the end consumer ultimately dictates the price. There is also a different strategy and pricing structure in marketing to a niche market versus a broad-based market.
- It was noted that most supermarket chains (such as Wal Mart) have “price points” – meaning they do not stock items that cost more than a certain, set price. These types of operations, along with chain restaurants, look for more consistency in pricing.
- It was also noted that pricing of live lobster is very different then pricing menu items that contain lobster, as the can be acquired in advance with the price known before the menus are developed.
- A distributor provided a quick overview of what goes into pricing from boat to end-user, what accounts for mark ups at all stages [i.e. shrinkage, operating costs at all levels (salaries, energy, marketing, etc.), profit, etc.]