Submission
No 25

INQUIRY INTO COMMERCIAL FISHING IN NEW SOUTH WALES

Organisation: Auslink Marine Products

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Respond to call for Submissions by Hon Robert Brown MLC for the

Inquiry into commercial fishing in New South Wales

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1. Preamble

This submission is based on the market update and its impact on the Commercial Fishing and processing of Abalone and Sea Urchins in NSW only. Because of the size of the industries there were neither collective marketing programme from industry members (due to lack of funding) nor Government subsidy to embark on such a program. Portion of licensing fees collected were contributed to Government agencies such as FRDC. However the commercial fishing of NSW never appeared to be benefited from it though. The only marketing effort was through individual companies from the past such as SOS. The aim of this submission is to create awareness of the lack of marketing programs for the export of NSW Abalone and Sea Urchins into China, the world's biggest seafood consumer. The following is the background of the writer[1]:

- A shareholder of the NSW Abalone Fishery
- Business owners of the Sea Urchins and Turban Shell (SUTS) Fishery
- Director of Southern Ocean Seafood NSW Pty Ltd (SOS)
- Director of Jader Pty Ltd T/as Auslink Marine Products Trading Co (AMP)
- Ex Australian Chief Representative of Seafood CRC to China for the marketing project of Australian Wild-caught abalone

2. History of Black Lip Abalone and Sea Urchin Market

2.1 History of Market of Black Lip Abalone

2.1.1 Export of Live Market

The export of live abalone from Australia to Japan was pioneered by SOS before 1990 when it was incorporated. There were products moved into China via Hong Kong Companies from 1994 to 1997. 1997 AMP successfully exported Abalone and Southern Rock Lobsters into China direct. By 2002 the New South Welsh products were replaced by the Tasmanians thanks to the bigger sizes as the former could not produce. Until 2002 NSW Abalones were the only species exported into Asia.

Since 2002 NSW abalones has one single market- Japan. Sadly the Japanese market is shrinking and so was the quota of the state. By 2008 the quota shrunk to less than one-third of the 2002 level. The beach price was crashed from the height of AUD35 down to AUD28 and beyond within four years. The current Chinese market is consuming over 1,500 tonne of live

[1] **Contact details for the writer can be found on page 9 of this submission**

abalone p.a. - all Tasmanian at a selling price of over AUD70 per Kg thanks to the low exchange rate.

2.1.2 Can Market

Traditionally Taiwan was the world’s largest can market. The size of NSW Abalone could produce 2, 3 or 4 whole pieces in the can. The product was well received by canneries prior to 2004. Unfortunately that market was also deteriorated since.

2.1.3 Local live and frozen Market

There is a niche market of NSW abalone in Sydney. The volume is in the order of 30-50 tonne p.a. thanks to the increase of Asian emigrants coupled with the restriction of import of Live Tasmanian abalones to this state.

2.2 History of market of Sea Urchin

Currently there is a small market locally for this product. The high cost of extracting the roe form urchins restricted the growth of the industry. The landing of purple urchin annually are in the order of 40-70t[2]. There are no more than three processors in NSW currently. However the market is expanding thanks to the increase in number of Japanese restaurants and Sushi shops in NSW.

There were similarities in the history of the Urchin industries between California USA and NSW. Twenty years ago, Californian urchins were regarded as pests in their waters. Unlike Australia though processors successfully experimented with the distraction of roes and exported into Japan and met with instant success. The Japanese rated the roe were superior compared with the Australian’s. However in recent year sushi shops in the State sprang up in huge numbers. Immediately they halted the export as processors found that there were insufficient resource to fill their local orders. Trial exports to the Chinese market rated the Australian products as interesting except the price. Sea Urchins are regarded as aphrodisiac to nationals such as the Japanese, Koreans and the Chinese.

3. Value of commercial fishing of Black Lip Abalone to NSW Economy

The value of abalone economy in NSW is governed by factors such as the Total Allowable Catches (TAC), Beach prices and Market Price. The former is determined by the independent body named Total Allowable Catch Committee (TACC) and the other two are determined by supply and demand. The value of NSW Abalone shares from 2000 to 2016 was a roller coaster ride as demonstrated in 3.2 below.

[2] http://www.dpi.nsw.gov.au/__data/assets/pdf_file/0008/375938/Sea-Urchins.pdf

3.1 TAC

The following information were supplied by the NSW Department of Primary Industries showing the annual TAC to 2014. The subsequent years, 2015 and 2016 quotas were set to 130t or 37.64 kg/share (this is 42.6% of quota for 2000 when the share management was officially created.)

Fishing Period	TAC (t)	Number of shares	Quota (kg/share) approx.	Change (%)
2000	305	3700	82.43	NA
2001	305	3700	82.43	0.00%
2002	300	3700	81.08	-1.64%
2002/03	300	3700	81.08	0.00%
2003/04	281	3654	76.90	-5.15%
2004/05	206	3654	56.38	-26.69%
2005/06	130	3654	35.58	-36.89%
2006/07	125	3654	34.21	-3.85%
2007/08	110	3454	31.85	-6.90%
2008/09	105	3454	30.40	-4.55%
2009/10	75	3454	21.71	-28.57%
2010/11	94	3454	27.21	25.33%
2011/12	110	3454	31.85	17.05%
2012/13	120	3454	34.74	9.1%
2013/13*	125	3454	36.19	4%
2014**	125	3454	36.19	0%

Table 1 Record of TAC and No of shares of NSW abalone Fishery[3]

During the TACC meeting in 2008 members argued that the Abalone industry did not possess sufficient evidence or data to show that the abalone stock did commence to recover. Industry members took the advice from the 2005 Keniry Taskforce Review which recommended the use of loggers as the means of recording divers' data including, location of diving and the time spent (Catch Rate per hour). Dr D. Worthington used these data together with the recorded weight of abalone harvested by divers mapped out clearly the grounds where divers worked each time. The whole year's data were collected and filed. This map was used to compare with the data collected from subsequent years and convincingly reported the abalone stock had rebounded. Eventually it went on to conclude that the stock were factually in better

[3] Information received from NSW Department of Primary Industry and recorded by D. Worthington

shape than the pre-share management era in 2000. The TACC cautiously increased the quota almost annually since.

3.2 Beach Price, value of Abalone Shares & Value of Economy

The beach price from 2000 to 2003 ranged from $32 to $35 but dropped to $30 and became stagnate since. The value of Abalone shares were recorded as $20,000 per share in 2000 but hit the rock bottom soon after 2007. There were no record of shares transfers from 2004 to 2014 although values were rumoured ranging from $3,840 to 4,815 per share by 2010. The confirmed share value by 2015 were ranged from $6,000 to $8,000. The last price offered in 2016 was $9,000 per share.

Year	TACC (t)	No of shares	Quota (kg/share)	Beach Price AUD	Value Share AUD	Economic Value AUD 000
2000	305	3,700	82.43	32	16,000	9,760
2001	305	3,700	82.43	35	20,000	10,675
2002	300	3,700	81.08	34	14,000	10,200
2003	300	3,700	81.08	32	12,000	9,600
2004	281	3,654	76.90	30	Unknown*	8,430
2005	206	3,654	56.38	30	Unknown*	6,180
2006	130	3,654	35.58	30	Unknown*	3,900
2007	125	3,654	34.21	30	Unknown*	3,750
2008	110	3,454	31.85	30	Unknown*	3,300
2009	105	3,454	30.40	30	3,840 Ref*	3,150
2010	75	3,454	21.71	30	4,815 Ref*	2,250
2011	94	3,454	27.21	30	5,150 Ref*	2,820
2012	110	3,454	31.85	30	Unknown*	3,300
2013	120	3,454	34.74	30	Unknown*	3,600
2014	125	3,454	36.19	30	6,000	3,750
2015	125	3,454	36.19	30	8,000	3,750
2016	130	3,454	37.64	30	9,000	3,900

Table 2 Beach Price and Share values based on records from AMP & SOS *[4]

4. Issues of Abalone Market down turn and stock depletion

4.1 The emergence of Larger Size Live Abalone market

Economic value of NSW Abalone Fishery peaked in 2002 at 10M but declined sharply soon after. Prior to that year NSW was the only state that exported live abalone into Japan and China. The bigger producing states such as Tasmania harvests 2,000t of abalone annually. Together with Victoria they export the products in the form of cans. Unfortunately after 2002

[4] There were no record of share transactions in the years marked* Value of shares from 2009-2011 were references only

the can market gradually collapsed. Subsequently most of their resources were exported as live abalones almost exclusively into China where the larger sizes (500-900g per piece) were in demand.

The smaller size NSW abalone consequently lost its Chinese market but held on to the Japanese outlets except with depleting economic value thanks to the increase of aquaculture activities in Taiwan, China, California and the Japanese local as well. However the biggest market of live abalone by far is still China where over 1,500 tonne of Live Australian Abalone are consumed annually.

4.2 Loss of Employment Opportunity

The loss of trade with China means loss of jobs in the processing of abalone and divers. SOS sold all its plants to cut down processing costs and employed contractors to carry on the normal duty. Meantime the original number of divers has been cut to half from its original (42 to 22).

4.3 The Urchin Epidemic

Further, the nature appears to accelerate the process of bankrupting the industry- the Urchin epidemic. One of the reasons for the depleted abalone stock is the over populated purple Urchins. These animal unfortunately share the same food as abalone- broad leaved kelp. They create “Barren grounds” underwater that hindered the survival of abalone. Unless this problem is overcome stock recovery would be hampered greatly.

4.4 Indigenous’ rights and Cultural fishing

Until the Chinese and Japanese commenced the abalone trade this commodity was always treated as a piece of rubbery or chewy seafood attracted to none’s palate including the indigenous community. The Community are now granted with permits to take close to commercial quantities for cultural reasons. The following is a short piece of case study experienced by the writer:

In 1995 the writer was a part-time student and worked in a Chinese Restaurant as a part-time cook. He recalled occasionally some young recreational divers visited the shop and offered the owner a bag of black and ugly looking thing named abalone. The divers were often happy as the owner offered them Five Pounds (or $10 after 1996) (**but never a single Indigenous diver turned up though**). Since the writer joined SOS in 1998 the partners then were all divers and they told the writer in the seventies with their amateur licenses they could get a certain pieces of lobsters plus some quantities of abalones as daily catches. They all confessed it was difficult to off load the abalones as no one wanted them in those days. The Indigenous were never a problem then.

4.5 TACC

There are some member(s) who were on the committee for at least ten years. The current abalone stock is as healthy as it has never been and yet there was an increase in quota of 5t only over a period of two years. Other members of the community should be given a chance to sit on the committee. The only quota increase so far was in favour of the indigenous members. Adding salt to the wound they and were also allowed to chuck abalone on the beach. Such behaviour from other divers could be dealt with indictable offense.

4.6 Marketing of smaller size abalone (sizes under 500g)- a glimpse of hope

The lack of funding was the major barrier towards the recapture of the Chinese market. There were never contribution towards the marketing of live abalone from its inception except the persistence from SOS and AMP. Since the loss of market share in China the companies were engaged in traveling and negotiating with past customers. In AMP's case it was blessed with the business connections to Chinese customers with other marine products such as Lobsters from the past and in Atlantic Salmon business recently. Although on a small scale the export of NSW abalone has been restored since May this year though intense negotiations. However orders are consistent and on a weekly basis suggesting a glimpse of hope is emerging.

5. Issues of Sea Urchins Market

Members of AMP worked on the project of exporting Sea Urchins to China since 2010. Unfortunately the distraction of roe from the urchin is labour intensive. There are only two markets for this product: Japan and China. After years of negation by SOS it was concluded the Japanese rated our product as inferior (to taste) as compared with the local Japanese or the Californian product. The Chinese though rated our product is good especially the colour and the sizes of the roe. The barrier is the price. Chinese market is extremely price sensitive unless the product were unique. Unfortunately urchins are not in the similar categories such as Rock Lobsters or Geoduck. There are no known aquaculture for lobsters to date and the farmed Geoducks yield higher prices than the wild-caught products thanks to their size uniformity and colour.

The issues with Sea Urchins are obvious: The following are summarized:

- The abalone industry wants to minimise the population of urchins. It is a pest to the industry.
- Neither Government agents nor the industries want to contribute funds to achieve its means- to halt the growth of urchin population
- Ironically NSW Government collected $1,500 from 37 Business Owners for licencing fee for the product it wants to eliminate
- High labour costs precluded value added urchins from exporting
- China is farming urchins to meet with local demands
- Most sensible strategy is to export raw material direct into China for processing to meet with local market

6. Analysis of Consumer Behaviours

Both NSW Abalone and Sea Urchin Fishing businesses require considerations from Government agencies and Industries alike- funding for marketing to China. Like it or otherwise China is the epic centre of Seafood consumption thanks to the huge population and the sudden explosion of upper middle class.

6.1 Food Safe

The damage to the environment and the desire to become overnight billionaires created multiples of illegal food processors and seafood farmers in China. Misuse of chemicals such as Anabolic Steroids in the fish farms are common practice in the country. The cry for stricter regulation from Government agencies in food processing in particular was loud. Yet merchants often retaliated with short cuts or alternate means of beating the system. No wonder Australian processors are rated as the role model for Chinese population.

6.2 Entertainment to impress

While the larger size of abalone from other States of Australia enjoy their supremacy one has to understand the consumer behaviour of the overnight billionaires and its followers- the upper middle classes. These classes want to impress their business cohorts by showing what they could afford to spend in return for favours. However entertainments extending to government bureaucrats were closely monitored recently by the anticorruption agencies. The upcoming middle classes are more practical and they feet are firmly on the ground indifferent with their predecessors. This could give a breath of fresh air for our smaller abalones as the "next best thing"

6.3 Urchin Farmers

Most urchins are farmed by the processors as their raw material are depleting due to over fishing. Farmers are consistently battered by weather, time and virus. Should raw material became a cheaper source of supply there could be no reason to farm.

7. Conclusion and Recommendation

7.1 Abalone

While the window opportunity for NSW has been opened marketing effort should continue. Marketing efforts should concentrate on B to B i.e. targeting the Chinese importers. Australian Seafood CRC opted to concentrate its marketing effort direct to the end users. It by-passed the importers, which was not the ideal strategy.

- Promotion of products by importers in China are essential but requires funding from Australian processors.
- The Norwegian Government are working in conjunction with their exporters producing specular effects and should be thoroughly studied by all.
- Scottish salmon processors are also setting their standards. AMP is one of the major customers[5] of a two Scottish Companies. During the Seafood expo 2005 in Brussel members of AMP were invited by the Scottish Minister of Trade in person to share dinner with them after the show. Imagine AMP would cut down the Scottish orders without good reasons?

Government assistance is badly needed to recapture the loss of market share by NSW abalone industry. It would restore employment opportunity and certainly increase the value of economic of abalone in NSW.

7.2 Sea Urchin

To minimise the population of purple urchin Government agencies must participate. The abolishment of License fee is the beginning. The biggest part of expense for the export of raw material is in road transport and air freight cost. Any assistance of freight cost from the

[5] AMP purchases between 150 to 300t of Atlantic Salmon weekly from Norway, Faroe Islands, Chile, Scotland, Tasmania and Canada and sell to China & other Asian Countries from its Singapore office.

Government could bring down the material cost and bridging the gap of market price in China. A successful marketing strategy for Sea Urchin would be fruitful and most rewarding. Not only it could create new employment opportunity but acting as assistance to the abalone industry as well.

Contact Details for George Chung

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Name of Company:

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