



GERALDTON
FISHERMEN'S
CO-OPERATIVE

Rock Lobster Exporters

the BROLOS Catcher

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Widespread Downturn Felt Across Australasia

Two topical articles, included in the following pages, came across our desk in recent days. While it is clear that lobster fishermen across Australia and New Zealand are experiencing a downturn in prices and demand from the China live market, the causes behind this downturn are less clear. Knowing that this is a widespread phenomenon doesn't put money in your pocket, but it is important to understand that we are not alone. We are in contact with other fisheries around the world that are starting to report similar experiences.

While the negative forces in our industry are quick to point the finger, what's needed is a steady hand and a clear head as we work to make the most of current difficult market conditions while remaining focused on longer term solutions for our members and for the industry. GFC is the only WA lobster exporter with a clear and comprehensive strategy to develop direct sales channels into China in order to de-risk the current trade route, as well as to try and unlock extra value for members.

Meanwhile, we will continue to work hard to market our members' product for the highest possible value in the immediate term, in the knowledge that the Chinese market has shown itself to be capable of a rapid recovery.

Landings in March have been significantly higher this season compared to last season (both here and in New Zealand), and this higher than usual supply may be part of the problem as we approach the traditionally poor demand period of Qingming (Tomb Sweeping). The positive side of this is that we have made up some ground after a very slow February. However, the extra 5% TACC allocation means there is still an above average catch left to sell, and it does look like being a difficult season ahead.

NB: In New Zealand, "ACE" refers to Annual Catch Entitlement. The NZ quota season runs from April 1st to March 30th. The South Australian Fisheries closes May 31, re-opening on October 1st in the southern zone, and November 1st in the north.

GFC Communication Sessions

GFC will hold informal communication sessions this week in Fremantle and Geraldton for GFC members only. The meetings will be an opportunity to relay and discuss market conditions and to answer your questions. Light refreshments will be provided.

Fremantle	Wednesday 29th March 1:30pm	WA Portuguese Club, 2 Strang St, Beaconsfield
Geraldton	Friday 31st March 4:00pm	GFC Marine Store, Geraldton

Fishers rock boat



TURBULENT WATERS: Veteran rock lobster commercial fisher Ernie Allen pictured in front of the commercial fleet at Carpenter Rocks yesterday. Picture: SANDRA MORELLO

Falling prices trigger export shake-up discussion

By Sandra Morello

The region's multi-million-dollar rock lobster sector is facing a major upheaval with commercial fishers warning they will break away with their own export cooperative to bypass existing processors.

A letter has been circulated to every licence holder in the southern zone fishery calling on them to attend a mass meeting in Millicent later this month over the proposal.

Frustrations are growing over the softening of the beach price this season and fears exporters were trying to squeeze fishers out.

But one of the region's largest exporters has categorically rejected these claims, revealing they were hemorrhaging "exorbitant" losses due to the downturn in China.

Carpenter Rocks veteran fisher Ernie Allen said commercial fishers wanted to take control of their own destiny and not be "dictated" by four to five big players in the market.

Mr Allen said fishers were feeling "squeezed" by exporters and warned beach prices were falling to unsustainable levels.

"It is our livelihood at stake and we have to protect that - processors want to screw down prices," Mr Allen told *The Border Watch* yesterday.

"We can't sit back and do nothing, otherwise we will be pushed out the door."

Mr Allen said the meeting would gauge the level of support for a cooperative, which would be owned and operated by fishers.

He said the momentum for a cooperative was being fuelled by prices falling to \$65 per kilogram, which were not "viable" for fishers.

The commercial fisher said a number of fishers had already flown to China to explore potential markets for the proposed cooperative.

Conceding setting up a cooperative would not be "all beer and skittles", he said customers in China had already indicated they "preferred" to deal directly with fishermen and cut out wholesalers.

Proponents of the cooperative have already negotiated a 300 tonne contract with one hotel in China.

Mr Allen also claimed some processors were buying their own pot licences in a bid to bypass existing fishers.

But Ferguson Australia sales director William Ferguson - whose company operate Five Star Seafoods at Port MacDonnell - called on the industry to unite and find solutions to the downturn.

There is no way in the world we want to squeeze fishers out," Mr Ferguson said.

He said demand for southern rock lobster had been tumbling since the Chinese New Year period, which was driving down prices to commercial fishers.

"Beach prices are high when there is high demand for our product," Mr Ferguson explained.

The exporter said processors were struggling with low demand and warned it was becoming harder to secure customers in China.

"The Chinese New Year was a flop - our losses have been exorbitant," Mr Ferguson said.

"We have lost hundreds of thousands of dollars."

He claimed demand was falling due to new Chinese austerity measures, which were affecting the number of lobsters being sold to government officials.

His company is now focusing on the wedding market to bridge that gap in demand.

The company spokesperson said the demand

for the region's lobster also was being hurt by cheaper lobsters flooding into the "highly competitive" Chinese market.

He said Boston lobsters were now flooding the Chinese market, in direct competition to the South East product.

Mr Ferguson called on the industry to come together and begin working on the southern rock lobster brand, instead of "fighting against each other."

"We are all in the same supply chain and we have to work together," said the exporter, explaining little work had been done in recent times on the industry's image.

"We need to stop resting on our laurels."

Mr Ferguson said the southern rock lobster was losing its appeal to the younger generation in China due to their eating habits changing.

"A lobster is just a lobster to them," Mr Ferguson explained.

The company official called on fishers to support exporters, explaining some fishers were willing to switch processors over 50c per kilogram.

Mr Ferguson said processors would not survive with the support of fishers.

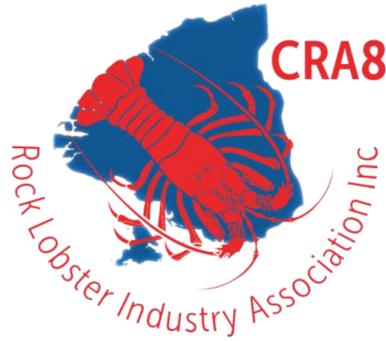
But he warned beach prices could not continue to rise each year and there "needs to be a correction".

Mr Ferguson also rejected claims exporters were buying up licences to force fishers out.

He said he only knew of one exporter that had purchased a licence.

The meeting will be held at the Millicent Civic Centre on March 30, starting at 2pm.

Article reprinted from The Border Watch, March 23 2017.



The Current Situation and Looking to the New Fishing Year

The Association has always had the policy of not getting involved in market prices or ACE or quota share prices. These are free markets and it is not the role of the Association to influence these. However it is one of the roles of the Association to bring relevant matters to notice of members. The following commentary is provided in this manner.

The period since the start of this calendar year has been probably one of the most challenging that the CRA8 industry has faced for many years. Hints that there was a looming correction in beach prices appeared last year, as at the end of the calendar year many fishermen were averaging \$6-\$7 per kg less than they did for the 2015/16 fishing year. While prices increased in the lead up to the Chinese New Year they did not stay at the peak for very long. This situation has been exacerbated by the lower than expected prices that have been encountered since then and the amount of lobsters that were still to be landed before the end of this fishing year. The outcome is that recently some fishermen have been landing lobsters at about the price they paid for their ACE and for many their average price received for the 2016/17 fishing year will be considerably lower than for the previous year.

Here are a few observations:

- The quantity of lobsters held back to land during January, February and March has increased dramatically over the last three years. In 2014/15 it was about 180 tonnes; in 2015/16 it was about 365 tonnes; and for 2016/17 it was about 300 tonnes.
- The periods of peak demand (and higher beach prices) are well known but now appear to have become shorter in duration.
- More lobsters are being landed in these peak times.
- The NZ/US exchange rate is more favourable during the first three months of 2017 than in 2016.
- There appears to be an increase in the quantities of lobsters being held in holding pots in anticipation of increases beach prices.
- Processors are in constant contact with the markets and will have opinions on what has caused this correction.

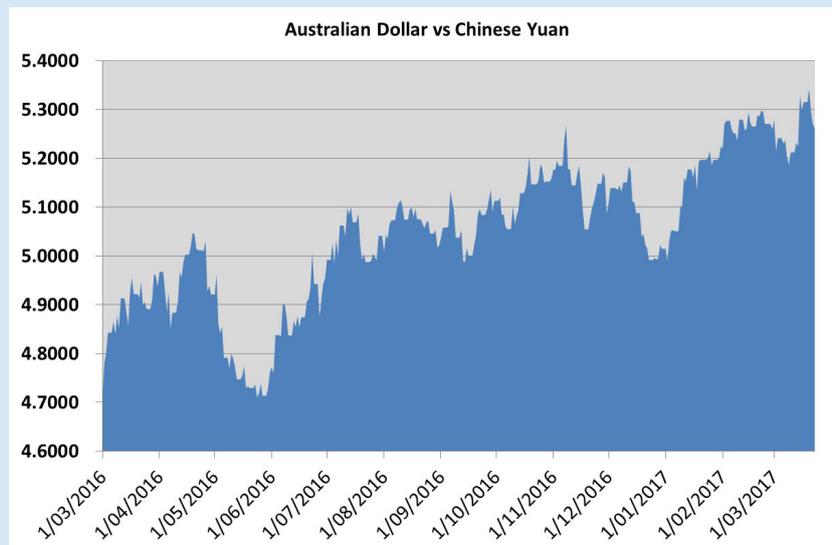
Every member of the CRA8 industry's situation is different. The CRA8 fishery is in very good shape and there is no doubt that the CRA8 industry will continue to be successful. The current situation demands that industry members think carefully, and become as well informed as they possibly can before making any decisions if 2017/18 is going to meet their expectations.

Article by Malcolm Lawson. Reprinted from CRA8 Newsletter, March 2017.

GFC Market Update

In recent market updates we have attempted to put some historical context around the current market situation. In this market update we try to build on some of the information we've provided in recent updates. While some of what follows may seem repetitive, there is also some new and updated information which we hope will help Members better understand how things are developing.

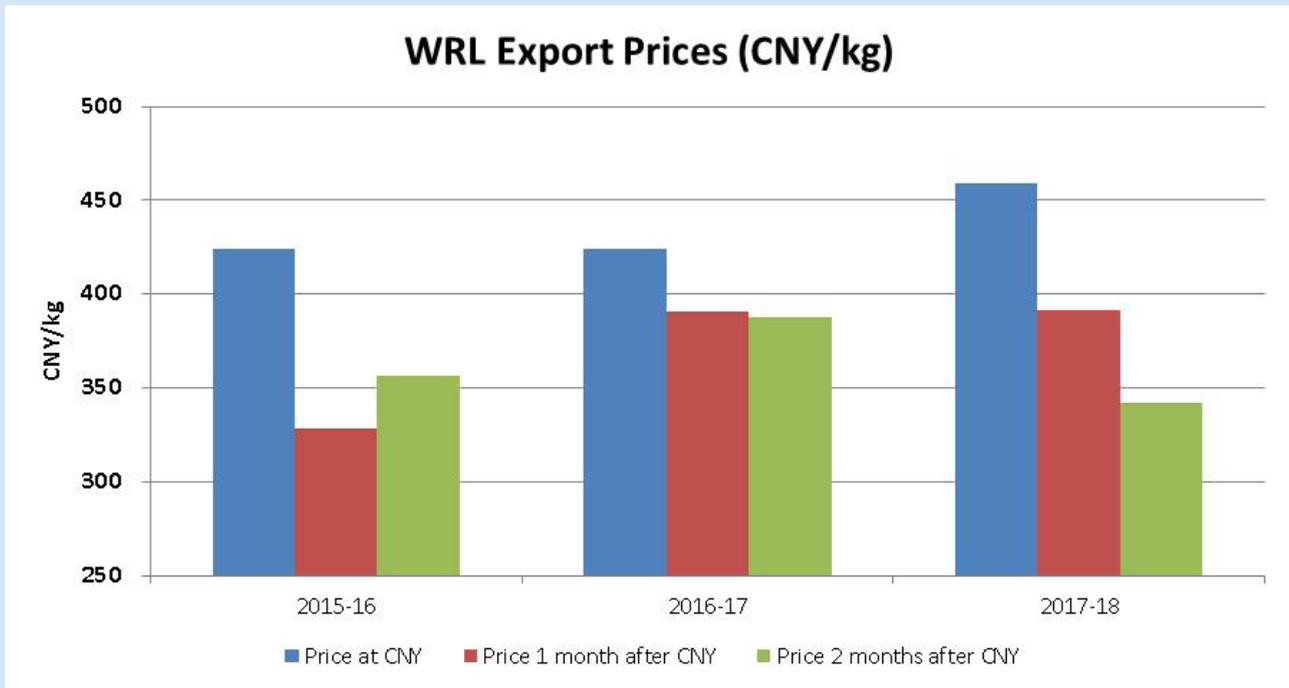
Firstly, a major and ongoing factor in the market this year is the value of the Chinese currency, the Yuan (CNY) which has experienced continued weakness against the Australian Dollar (AUD). This has reduced the Australian dollar returns we are getting from our export sales to China. The following chart shows the continued rise in the CNY to AUD exchange rate.



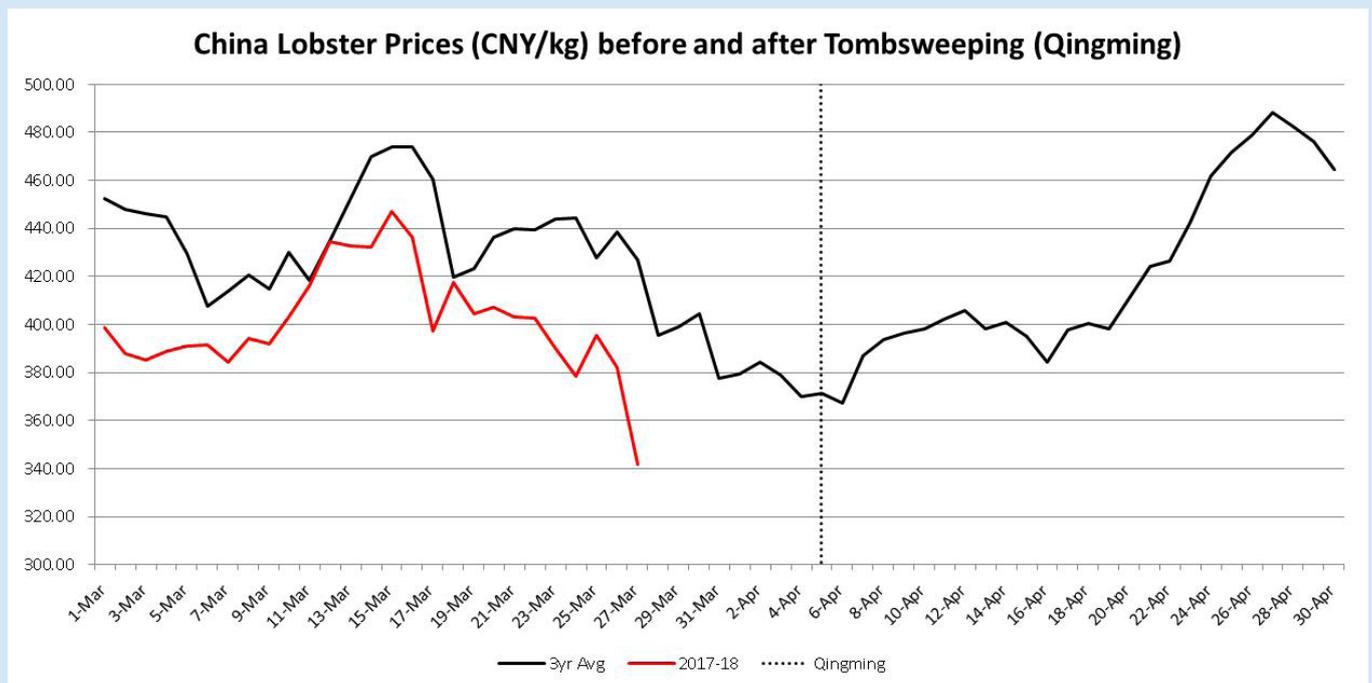
On top of currency affects there are seasonal demand factors at play which are not dissimilar to previous years. We all know that Chinese New Year is a major driver of demand in China. The following chart shows that exports from WA in the period before and after Chinese New Year have closely followed recent history. Since the last time we showed this chart you can see that export volumes have actually jumped above the recent historical average.



Lobster prices in China typically fall after Chinese New Year, as shown by the following chart. You can see here that the prices the Chinese are paying, in their local currency, were historically high this Chinese New Year however they have fallen hard in the two months following.



Looking forward, the next major event after Chinese New Year is the Qingming, or tomb sweeping festival, during which Chinese people pay respects and pray for their ancestors. The Qingming holiday falls this weekend (from the 1st to the 4th April). Lobster consumption and prices typically fall in the lead up to and after Qingming. The following chart shows this year's prices compared to the average price for the previous three years (in Chinese Yuan) before and after Qingming.



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It is now clear that prices have fallen faster and harder than in previous years after Chinese New Year and in the lead up to Qingming. We don't believe any one factor is driving this phenomenon but rather there are a number of factors at play, including:

- Higher than normal March landings in both Australia and New Zealand;
- A weakening Chinese currency;
- Ever increasing volumes of cheaper substitute products such as “Boston” lobster landing in China;
- Delayed shipments from Mexico this season;
- An ever changing and evolving Chinese consumer market.

We are intimately aware the impact these prices are having on our Members. While it is cold comfort, there is no doubt that the issues faced by Western Rock Lobster fishermen are also being experienced by fishers in other key markets such as Eastern Australia, New Zealand and Mexico.

Welshpool Update

Most of the work is now completed, and we are waiting for some long lead-time pieces of equipment to arrive and install. Meanwhile, we continue to export out of our Fremantle facilities as usual. Current projections have us restocking the Welshpool facility in early May.

Amongst other things, we have used the downtime at Welshpool to complete the installation of the mechanisation of the pack-out area: please see accompanying photo. The facility has been designed to handle up to 40 tonne of exports per day, and this equipment is the key to fast and efficient pack-outs.



There will be an opportunity for GFC members to view the facility soon, so keep your eye out for an invitation in your inbox and mailbox.

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