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***Report Of The Federal/provincial/territorial  
Committee Of Officials On The Freshwater  
Fish Marketing Corporation***

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## TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
REPORT	
I. Introduction	4
A. The Freshwater Fish Marketing Corporation (FFMC)	4
B. The Current Review	5
11. Analysis of Issues	9
A. Mandate Issues	9
B. Financial Issues	<b>26</b>
C. Administrative Issues	27
D. Review Mechanisms	28
Appendices	31

## EXECUTIVE SUMMARY

The former Minister of Fisheries and Oceans, Mr. James A. McGrath, met with his provincial and territorial counterparts on December 4, 1979 to discuss concerns expressed by some ministers that the Freshwater Fish Marketing Corporation (FFMC) was not adequately meeting the needs of the inland commercial fishing industry. At this meeting it was decided that a **committee** of officials be established "to examine basic policy issues and the implications of all options that had been discussed". The report of the committee would provide information for the ministers' use in resolving these concerns. A **summary** of this analysis follows.

### Option 1

That individual fishermen be able to "opt-out" of the Corporation and sell their fish inter-provincially\* and on the export market.

This option would eliminate the single desk selling mandate which facilitates orderly marketing and maintains relatively high and stable prices to fishermen. It could reinstitute a situation that existed prior to the formation of the FFMC and which was considered to be undesirable. It would also require modification to the present legislative mandate of the FFMC, allowing it to adjust and compete with the new firms that would emerge.

The committee is of the opinion that the disadvantages of this option far exceed the advantages.

### Option 2

That fishermen be allowed greater latitude to sell their fish intra-provincially.

Given a relatively low potential market for the domestic consumption of freshwater fish, the direct impacts of this option on the FFMC and on fishermen would be low. Precautions would have to be taken to prevent leakage of fish to non-authorized markets.

The committee believes that intra-provincial marketing of fish should be more aggressively pursued. Provision already exists for the FFMC to authorize direct sales by fishermen to retail, wholesale and institutional outlets. However, the committee advises that expanded intra-provincial trade should be developed in conjunction with the FFMC, to protect existing markets and to minimize public cost. Further, FFMC should stand willing to allow licensing arrangements with entrepreneurs as agents of the Corporation for the sale of fish to new markets. The FFMC Board of Directors have expressed a willingness to undertake these arrangements. The Provinces suggest that this be done as a non-profit service by FFMC.

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\*Wherever "province" or "provincial" is mentioned it is meant to include "territory" or "territorial".

Option 3

That "rough fish" be exempted from the control of the Corporation.

Independent marketing of **rough** fish which displace species and/or markets currently served by the FFMC would have a moderately negative impact on prices paid to fishermen who sell to the FFMC. Independent marketing of rough fish not currently **handled by** the FFMC. would benefit fishermen.

The committee is of the opinion that in the absence of action by the FFMC to at least match concrete proposals by others, provision should be made for the **FFMC** to relinquish control of the disposition and sale of rough fish species not currently handled. FFMC should also stand willing to allow licencing arrangements with others for rough fish species presently handled. For rough fish species which are currently handled, FFMC should be willing to make licencing arrangements with outside operators for disposition and sale to new markets. The FFMC Board of Directors have expressed a willingness to undertake these arrangements.

Option 4

That new fish products such as roe and processed fish be exempted from control of the Corporation.

The removal of control over specialty fish products by the FFMC could result in diminished quality control which could jeopardize existing and future specialty markets of the FFMC.

The committee is of the opinion that present arrangements for new product licencing by the FFMC is preferred to exemption from FFMC control. However, a greater degree of flexibility by the FFMC in these arrangements is desired, and a willingness to do this has been stated by the FFMC Board of Directors.

Option 5

That specific areas be exempted from control of the Corporation.

Serious leakage of fish from areas remaining in the FFMC jurisdiction would likely result from adoption of this option.

The committee believes that avenues other than exclusion from the FFMC mandate are preferred for improving services to, or for opening up, specific area fisheries.

Option 6

That the processing of fish and fish products be exempted from control of the Corporation.

Decentralization of processing could be a cost disadvantage to the aggregate fishery, but may be desired to provide local and regional

benefits. Negative cost impact would occur to the aggregate fishery if processing is not coordinated with market demands.

The committee believes that processing should be coordinated by the FFMC regardless of facility ownership, and that any losses incurred by the FFMC directly due to actions of an independent processing facility should be borne by the initiating agency of that facility.

#### Financial Issues

If the Federal Government is no longer considering initiatives to privatize Crown Corporations, the Committee believes that financing arrangements for FFMC should continue as in the past.

#### Administrative Issues

The Committee believes a concise declaration by FFMC regarding the theory and mechanics of its operations would contribute toward a better understanding of FFMC administrative issues. FFMC has agreed to publish a policy and procedures manual to include policy statements on how the species pools operate, the methods used for setting fish prices, credit arrangements, definitions of roles and responsibilities of Directors and Advisory **Committee** members, and other operational procedures. The **development of** these policy statements should be made by the Board of Directors on a high priority basis.

#### Review Mechanisms

The Committee agreed that Board members should be responsible for reporting to participating Governments on developments within the Corporation. It is suggested that further reviews of FFMC procedures and performance be undertaken between FFMC Board of Directors and senior administrative officials of the participating Governments, when required. It is also suggested that a more fundamental review of mandate and legislation be scheduled at 5 year intervals.

#### General Conclusion

The committee believes that the inland fishing industry, particularly the fishermen themselves, are in a better, overall condition with the Freshwater Fish Marketing Corporation than without it. However, several modifications to the present marketing system appear to have merit in that they could generate new revenue to the industry without decreasing fishermen's incomes, or, in some cases, by increasing fishermen's incomes. These modifications, however, must be judged in terms of effects on the aggregate fishery, in that benefits to the aggregate fishery must not be decreased to accommodate wishes of regional or local fisheries. It should also be recognized that the cumulative effect of a number of small changes could have major repercussions.

REPORT

1. INTRODUCTION

A. The Freshwater Fish Marketing Corporation (FFMC)

The FFMC was established by the Freshwater Fish Marketing Act in 1969. It represented a response by the federal government to requests from provinces\* for unification of the trade in freshwater fish and fish products. The perception was that economic distress among primary producers, especially in the northern area of Manitoba and Saskatchewan, was attributable to fragmented assembling, processing and especially marketing operations.

Prior to 1969, some 30 firms were involved in assembling, processing and exporting fish. Three major importers in the U.S.A. accounted for 90% of sales. The original perception was that the existing firms would become agents of the FFMC for assembling, processing and warehousing functions. It soon became apparent, however, that the existing capability, especially in Manitoba, could not do the job required. Furthermore, the owners were not interested in upgrading simply to process fish for the FFMC on margin. Under these circumstances, the FFMC had no choice but to establish its own assembling, processing and "warehousing" facilities. This initiative began in Manitoba, but gradually expanded into other areas so that at present (1980) all processing and storage operations in the FFMC area are conducted by the FFMC directly. The displacement of private firms by the FFMC has been a contentious matter.

The FFM Act gives the FFMC a monopoly over inter-provincial and export trade in fish originating in the Northwest Territories, the three Prairie Provinces and part of northern Ontario. The FFMC must buy all legally caught fish of those species listed in the FFM Act.

The objectives of the FFMC are to:

- (a) market fish in an orderly manner;
- (b) increase returns to fishermen; and
- (c) promote international markets for, and increase inter-provincial and export trade in fish.

In discharging its responsibility, the FFMC has wide powers to purchase, process, store and ship fish and fish products; acquire, hold and

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\*wherever "province" or "provincial" is mentioned it is meant to include "territory" or "territorial".

dispose of property; establish branches, employ agents and enter into agreements and contracts; and borrow, lend and invest funds. The FFMC makes initial payments (directly or through agents) to primary producers, and makes final payments (if there are net profits) at the conclusion of the operating year. Receipts from sales are pooled along with operating costs on an aggregated species basis.

Business operations of the FFMC are determined by a Board of Directors of 11 members who are appointed by Governor in Council. Six are appointed on the recommendation of the responsible federal minister; the other five are appointed on the recommendation (one each) of the participating provinces and the Northwest Territories. An Advisory **Committee** consisting of 15 members (currently all fishermen) is appointed by the Governor in Council and serves to advise the Board of Directors of the needs of commercial fishermen.

The FFMC is a Schedule "D" Corporation under the Financial Administration Act. As such it is required to conduct its operations on a self-sustaining basis and without appropriations from Parliament. Under the FFM Act, the Governor in Council may authorize the Minister of Finance to:

- (a) guarantee repayment of loans, and interest thereon made by any bank to the Corporation, and
- (b) make loans to the Corporation.

As of August 1979, the aggregate debt outstanding is limited to 20 million dollars.

Some data pertaining to the FFMC history of performance and scope of operations are given in Table 1.

#### B. The Current Review

The current review is the latest in a series of external examinations of the structure, conduct and performance of FFMC. It was initiated by the (then) Minister of Fisheries and Oceans (DFO), the Honorable J.A. McGrath, in response to communications from the Ministers responsible for fisheries in Saskatchewan and Manitoba. On instructions from Mr. McGrath, his Parliamentary Secretary, Mr. Tom Siddon, supported by a small team of senior officials, undertook discussions with participating provinces and territories to consider a set of preliminary options. These discussions took place in October and November 1979. The preliminary options examined were:

- A. Transfer of the FFMC as it exists to the private sector or to the participating provincial governments and the territories;
- B. Transfer of some functions or geographic operations of the FFMC to provincial Crown corporations, cooperatives, private enterprise, or some mix of these;

Table 1  
HISTORICAL SUMMARY OF FFMC PERFORMANCE AND OPERATION

	Total Assets \$x1000	Total Purchase Round Equiv. Wt. lb. x1000	Payments to Fishermen Initial & Final \$x1000	Average Price to Fishermen ¢/lb.	Net Sales \$x1000	Selling and Administrative Expenses \$x1000	Summer prices (initial plus final) for selected species/grades, basis loose, F.O.B. Transcona
							Whitefish Pike Hds. Trout
							Expt. Med. Med. Dsd. Med. Dsd. Med. Dsd.
1969-70	2,408	47,519	7,684	16.2	14,398	659	
1970-71	4,909	41,851	6,652	15.9	13,046	872	
1971-72	10,206	38,996	6,136	15.7	12,312	1,139	
1972-73	10,477	44,735	7,971	17.8	16,026	1,330	
1973-74	11,967	40,375	8,437	20.9	15,947	1,200	
1974-75	12,448	45,020	8,713	19.3	18,683	1,695	
1975-76	10,916	42,833	10,000	23.3	21,934	1,733	
1976-77	12,726	40,974	14,073	34.3	24,461	1,770	39 81 16 33
1977-78	17,737	46,300	15,285	33.0	24,730	1,764	42 84 19 46
1978-79	17,152	44,800	17,211	38.4	34,073	1,909	50 86 24 50
1979-80		57,115	25,480*	44.6*	37,535		

\*Tentative, based on allocation of total net income to final payments

Source: FFMC Annual Reports and Financial Statements.



- C. Dissolution of the FFMC, disposing of its physical assets and having any new arrangements for processing and marketing left to the provinces and the industry;
- D. Continuation of FFMC but without monopoly powers; and
- E. Retention of FFMC with essentially the same mandate.

DFO officials simultaneously prepared an evaluation of the management, operation and performance of the FFMC, with emphasis on the recent past.

A meeting of the participating governments was held on 4 December 1979, in Ottawa. A 22-point proposal (referred to henceforth as the Siddon Report) as well as other tabled documents, were discussed. While general support for FFMC was expressed at the meeting, an evaluation of some substantial changes to its mandate and operations was suggested. This included proposals for exclusion of certain items from the FFMC mandate:

- specific areas;
- intra-provincial trade;
- inter-provincial and export trade;
- rough fish;
- certain products (such as whitefish roe);
- processing activities (in certain areas).

The Ministers decided that a Committee of Officials (federal -provincial-territorial), with support from the FFMC, would study and analyse the implications of the various options on the operation of FFMC. The Ministers agreed to meet later in Winnipeg to consider the analyses of the Committee.

Between January and June, 1980, five meetings of the full Committee were held: four in Winnipeg and one in Yellowknife. A meeting of provincial and territorial officials only was held in Saskatoon in March. The President of the FFMC attended the first two meetings, and both the Chairman and President attended the fifth meeting in May. In June, the Committee met with 7 members of the FFMC Board.

During the first meetings of the **Committee**, efforts were directed toward issues involving the mandate of the FFMC. Various submissions were considered under the following subject areas: intra-provincial trade, inter-provincial trade, export trade, trade in rough fish, new products, exemption of areas from FFMC, exemption of species from FFMC and decentralization of processing. These options were discussed relative to those which could be "accommodated within-the present mandate of FFMC and those which would require changes to that mandate.

In latter meetings the emphasis of **Committee** considerations was on administrative and financial issues pertaining to the FFMC. These were discussed in less detail than the mandate issues because of the paucity of relevant information, indications that these matters were currently under assessment within FFMC itself and uncertainty whether these matters fell within the **Committee's** terms of reference.

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## 11. ANALYSIS OF ISSUES

### A. Mandate Issues

Changes in the FFMC mandate, as prescribed in the following analysis, would have some **common** effects on the freshwater fishing industry, namely:

- Increased public costs for enforcement and quality control.
- Increased opportunity for unregulated leakage of fish.
- Reduced advantages of single desk selling such as; 1) orderly marketing, 2) elevated prices to fishermen, and 3) the present ability to pre-set prices.
- Increased per unit processing and handling costs at Transcona, thus reducing prices to fishermen remaining in the FFMC.

Any changes to the mandate of FFMC would require amendments to legislation. The magnitude of these effects would vary depending on the option taken and the degree to which it was pursued.

Option 1

That individual fishermen be able to "opt-out" of the Corporation, to sell their fish inter-provincially\* and on the export market.

This option would provide greater freedom of choice to **fishermen** in the disposition of their landings. Pursuit of this option would markedly change the industry. It would have greater effects and result in more opting-out than any of the other options examined. Fish prices would become less stable, prices to fishermen who continued to deliver to FFMC would decrease, public sector costs for enforcement and quality control would increase, and the availability of fishery support services would become less dependable. The number of exporters would increase, and the single desk selling position **would** be eliminated. FFMC and all other exporters, acting independently, would be in a weaker bargaining position in a market which is characterized by few buyers. Prices paid to fishermen who opted out would be higher in the short run and during times of strong market demand, but prices would drop when markets were weak.

Reduced throughput at the Transcona plant would increase the per pound overhead costs of handling, processing and marketing, thereby reducing prices to fishermen who delivered to FFMC (Table 2). In addition, reduced and uncertain throughput would jeopardize **the ability** of the FFMC to pre-set prices at the start of the season, as this practice depends on the ability to anticipate incoming volumes. It is most likely that high-value fish species would be sold outside the FFMC, leaving it with a severe change in species mix characterized by a high representation of low-valued and less desired species. This would result in a decrease in total sales value and lower average prices to fishermen remaining with the FFMC. Because of the premium prices available for fish sold in winter (Table 3), fishermen who opt-out may be more likely to pursue this market. Competition in the lucrative winter period would affect the greatest negative impact on the FFMC. A large reduction of throughput might force the FFMC to reduce or even abandon operations at the Transcona plant, should the use-strategy of the plant not be alterable.

The negative impacts and the potential for snow-balling would be greater according to the magnitude of the first initiative taken. The greatest impact would result if Manitoba or Saskatchewan initiated such a course (Table 4).

Re-introduction of private dealers would necessitate greater quality control and inspection capability. Quality standards have become significantly more stringent since the advent of the FFMC, making these standards more difficult for private dealers to meet than previously.

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Table 2

IMPACT OF VOLUME CHANGES ON PRICES TO FISHERMEN  
(Assuming Fixed Overhead Costs)

Volume (000's lbs.)	Overhead Cost Cents per lb. <sup>2</sup>	Change in Price to Fishermen Cents per lb. <sup>3</sup>	Aggregate Price to Fishermen Cents per lb.
45,000 <sup>1</sup>	6.4		38.0
40,000	7.3	.9	37.1
35,000	8.3	- 1.9	36.1
30,000	9.7	- 3.3	34.7
25,000	11.6	- 5.2	32.8
20,000	14.5	- 8.1	29.9
15,000	19* <sup>3</sup>	- 12.9	25.1
10,000	29.0	- 22.6	15.4

**1 Total production** for 1978 - 79.

**2 Calculated** from fixed overhead cost of \$2,900,000 divided by volumes\*

**3 Based on change** in per unit overhead costs.

Source: Calculated from FFMC Annual Reports and Financial Statements.

Table 3  
 COMPARISON OF SUMMER AND WINTER PRICES TO FISHERMEN  
 (Selected Species), F. O. B., Transcona

Species and Grade	Summer	Winter 1980-81		
	1980	Nov. 1	Jan. 1	Mar. 1
Export Whitefish - jumbo (dressed)	.55	.70	.75	.80
- large	.48	.60	.70	.75
- medium	.40	.50	.60	.70
- small	.30	.40	.45	.50
Pickereel (round) - large	.70	.90	-1.00	1.15
- medium	.70	.90	1.00	1.15
- small	.57	.70	.85	.95
Sauger (round) - large	.50	.65	.70	.70
- medium	.50	.60	.65	.65
Northern Pike (halls & Dsd) - large	.28	.34	.34	.34
- small	.28	.34	.34	.34
Lake Trout (dressed) - medium	.53	.63	.63	.63
- small	.38	.48	.48	.48

Source: Freshwater Country: Issue No. 4, May 1980  
 (A Publication of the Freshwater Fish Marketing Corporation)

The predictable disadvantages of pursuing this option far exceed the predictable advantages. While some fishermen would unquestionably benefit, these **would** tend to be those fishermen harvesting the most preferred fish species and grades in the most accessible situations. The least opportunities for benefits (and accordingly the greatest disbenefits) would tend to accrue in the more remote and otherwise disadvantaged areas. It is thought that the FFMC, faced with this type of situation, would not reasonably be able to continue to purchase all fish offered to it, nor continue to pay pre-set prices. In short, pursuit of this option would erode the basis of orderly marketing.

Table 4

GEOGRAPHICAL DISTRIBUTION OF FISH PRODUCTION BY VOLUME N VALUE 1978 - 1979

Area	Pickereel 000 lb.	\$000	Sauger 000 lb.	\$000	Whitefish 000 lb.	\$000	Northern Pike 000 lb.	\$000	Others 000 lb.	\$000	Total 000 lb.	\$000
Manitoba	6,124	4,429	3,200	1,302	8,822	3,803	5,196	1,108	6,420	635	29,762	11,277
(Lake Winnipeg)	3,196	(3,428)	(3,027)	1,288	(3,528)	(2,636)	(795)	(733)	(344)	(492)	(9,910)	8,507
Ontario	464	316	-	-	532	174	13	23	9	3	4,136	516
Saskatchewan	1,514	1,004	-	-	3,200	1,055	2,029	338	4,75	390	8,228	2,787
Alberta	174	94	-	-	1,631	662	440	97	133	40	2,378	893
N.W.T.	34	20	-	-	2,373	,069	391	72	801	397	3,599	.558

Source: Compiled from FFMC production records for the period summer 1978 and winter 1978 - 1979. Value (\$) includes initial and final payments.



## Option 2

That fishermen be allowed greater latitude to sell their fish intra-provincially.

Fishermen may now sell their catch directly to consumers within their respective provinces; however, they are restrained from selling directly to retail, wholesale or institutional outlets. This option would lessen or remove these restraints, thereby meeting government and consumer interests for increased availability of locally-harvested fish.

At present, FFMC markets nearly five million pounds of freshwater fish in Canada, which is approximately 14 percent of total sales. FFMC sales within the participating provinces is approximately 10 percent of total sales. Table 5 presents a breakdown of these sales by province, and also shows theoretical consumption based on a nation-wide per capita average. The level of consumption in Manitoba suggests that it may be a wholesale distribution centre for regional trade. Conversely, sales and consumption in Saskatchewan are thought to be significantly higher than either FFMC sales or theoretical consumption figures indicate.

Prices to fishermen participating in this option would tend to increase initially. As competition among fishermen increased, however, prices **would** drop and possibly stabilize near levels offered by FFMC. Expansion of this option to permit middlemen to buy from fishermen and sell freely within a province would have a similar effect, but prices to fishermen would possibly stabilize at a lower level. Provincial consumers would benefit because of the greater availability of locally caught fish.

Reduced throughput at the Transcona plant could result in increased overhead costs per pound which would result in lower prices for fish delivered to FFMC. The magnitude of this effect would be less than under Option 1 because of the lesser volumes of fish that would be involved in intra-provincial sales.

This option might entail the formation of provincial inspection units, since intra-provincial trade is a provincial matter. Increased enforcement would be required to protect fish stocks and to prevent an expanded group of buyers from moving fish across provincial boundaries and into export markets, thereby undermining FFMC marketing strength. In addition, the provinces and territories may lack authority to influence inter-provincial movement of fish once the fish is in the hands of institutions such as chain stores.

Provision for and authority of the individual fishermen to sell his catch to consumers within his own province is not in question. This must be maintained. It is generally perceived, however, that fishermen do not benefit as much as they might from sale of their fish to consumers within provincial boundaries. It is also perceived that consumers do not benefit as much as they might from access to local fish. Neither perception, however, is cut-and-dry. Individual fishermen with good access and with appropriate products, **equipment**, and skills to take advantage of alternate markets could indeed expect to benefit from a greater emphasis on intra-provincial sales. However, the overheads to be absorbed by those

Table 5  
SALES AND CONSUMPTION OF FRESHWATER FISH IN CANADA

	FFMC Sales 1979 - 1980 (000 lb. )	Per Capita Consumption (lb.) <sup>1</sup>	Theoretical Consumption (000 lb. )
Ontario	1,802	0.22	6,054
Manitoba	1,280	1.25	746
Saskatchewan	122	0.13	672
Alberta	282	0.15	1,341
<b>N.W.T.</b>	4	0.09	31
Total FFMC Area	3,490	0.29	8,844
Other Provinces	1,454	0.13	7,960
TOTAL Canada	4,944	0.21	16,804

<sup>1</sup> Based on FFMC 1979 - 1980 sales and provincial /territorial populations.

<sup>2</sup> Based on 0.73 lb per capita aggregate national average.

fishermen without such opportunities would rise in proportion. In current market circumstances, expansion of local sales will not maximize profits to the aggregate fishery because greater profits are available through export sales. In many circumstances, local sales merely provide opportunity for fishermen to dispose of fish illegally caught, or to evade taxation on sale proceeds.

In this setting, the benefits of significant liberalization of arrangements for intra-provincial sales outside FFMC initiatives are problematical. It is suggested that such opportunities be developed in a manner so as to:

- ensure that aggregate benefits are increased (or at least not seriously diminished),
- protect existing FFMC markets,
- restrict leakage, -and
- ensure quality.

The FFMC already provides for licensing of agents to sell to retail outlets in certain local areas. In this regard, entrepreneurs could be licensed as agents of the Corporation to serve new markets. The FFMC has indicated a willingness to work toward making more fish available to consumers within its area of operations, and has, in fact, deployed new staff for this purpose.

Option 3

That "rough fish" be exempted from control of the Corporation.

'Rough fish' refers to species which **command** a relatively low market price, i.e. mullet and carp. This option would allow fishermen to sell such fish on the export market as well as intra- and inter-provincially.

In 1978/79 the **FFMC** purchased nearly six million pounds of mullet and carp, at an average of slightly less than five cents per pound. Most of the production came from Manitoba and was sold primarily to pet food producers, although some was sold to specialty food producers. The 1978-79 production represented 13 percent by weight and two percent by value of total harvest and because of transportation costs to Transcona, Manitoba is the main beneficiary. In 1979-80 the FFMC significantly increased rough fish purchases to over 12 million pounds. This level of production is considerably less than estimates of what is economically available from the participating provinces. Table 6 summarizes mullet and carp actual and potential harvests.

Because rough fish markets are not as well established as those for high-value species, demand for rough fish fluctuates. Supply of rough fish is not constant throughout the year, with a large proportion of the harvest taken over a relatively short spring season. These factors contribute to greater relative fluctuations in rough fish prices than in prices of higher value fish. If the sale of rough fish is allowed outside the FFMC mandate, prices may generally decline with an increasing number of sellers dealing with relatively few buyers. The FFMC would lose sales revenue if new markets were not developed and existing markets were split among additional sellers. Loss of throughput would also increase per pound overhead costs of the Transcona plant (Table 1). Recently, however, FFMC has had to limit delivery of rough fish at certain times of the year to allow handling of higher-value species.

New market opportunities may exist for species which currently are not or cannot realistically be handled by the FFMC. Handling and sale of these species outside the mandate of the FFMC would have little or no effect on the Corporation, but special effort would be required to ensure that leakage of other species did not occur through this avenue.

In view of its long-standing experience and its current strength in the market, the FFMC should be able to match any real and legitimate proposals by independent operators to sell rough fish. If an independent marketing opportunity came forward which the FFMC proved unable to match, then it would be reasonable for the FFMC to relinquish marketing control in respect to that opportunity. It would seem that such action could be pursued without any disruption to FFMC in the case of fish species not currently handled. Such action should also be applicable to rough fish species which are currently handled, provided that the new independent opportunity was indeed new (i.e. did not infringe upon existing FFMC markets). It would, however, be desirable for the FFMC to retain control over fish purchases in cases such as the latter. In other words, FFMC should purchase the fish and sell them to the independent operator, albeit,

Table 6

ACTUAL AND POTENTIAL HARVEST OF MULLET AND CARP BY PROVINCE

Province	1978 - 1979 (000 lb. ) <sup>1</sup>	1979 - 1980 (000 lb. ) <sup>2</sup>	Estimates of Economically Potential Harvests (000 lb. )
Ontario	5	68	Not Available
Manitoba	5,528	11,416	25,000
Saskatchewan	354	913	4,500
Alberta	0	68	4,000
<b>N.W.T.</b>	0	0	1,500
<b>TOTAL</b>	<b>5,887</b>	<b>12,465</b>	<b>N/A</b>

1 Source: Annual Report of the FFMC for the year ending April 30, 1979.

2 Source: Preliminary FFMC data.

perhaps, at a price negotiated between that operator and the fishermen. This would ensure that the fishermen indeed received a pre-determined price, and that only the species in question was/were being handled. It should also be an aid to ensuring that independent proposals were truly legitimate. The FFMC has indicated a willingness to accommodate greater flexibility in rough fish sales on this basis.

Option 4

That fish products, such as roe and processed fish, be exempted from control of the Corporation.

This option would allow fishermen and independent processors to develop and process fish products, and market them in areas of their choice without control of the Corporation. To a limited extent this already occurs under allowance from the FFMC. The way in which FFMC controls or influences the development and processing of fish products is by controlling the supply of fish to processors. The intent of this option is to consider alternative means of supply of fish to processors that would facilitate new business opportunities.

FFMC has produced new fish products over time with varying degrees of success, but new product markets are difficult and costly to develop. High product quality is crucial to the development and processing of new products. Specialty products such as roe have especially demanding processing requirements, and putting inferior products on the market in competition with existing (or potential) FFMC markets would benefit no one.

With appropriate attention to quality control and to protection of existing markets there is thought to be no reason why independent opportunities for development and marketing of new products should not be pursued independently of the FFMC. It is felt, however, that the supply of fish used for new products should continue to be controlled by FFMC if the species used are currently handled in other forms by FFMC. In cases where low value species are to be used for new product development, the price of the supplied fish could be negotiated between processor and fishermen, but FFMC would be involved in the transaction as the agency which pays the fishermen. In the case of new fish products using fish species not currently handled by FFMC, transactions could be entirely independent of the Corporation, but the preferred route might be to strengthen the capability and resolve of the FFMC itself to operate more effectively in these areas.

Option 5

That specific areas be exempted from control of the Corporation.

This option is intended to deal with remote northern or other areas that may not be adequately served by the Corporation. In such areas the purchasing, processing and marketing of fish would be exempted from FFMC control. Such exemptions might be made available to new areas only, and not to areas already served by the FFMC.

In the past, private companies exploited the fisheries of remote areas successfully. Fishing, however, tended to be an adjunct to transportation activities in these areas, and fishermen themselves did not receive substantial benefits. On their own, certain northern fisheries are beyond the margin of economic viability and cannot operate in the absence of financial assistance. Given the existing level of assistance, there remain few lakes with quotas in excess of 50,000 pounds that are not being fished in the north. These unfished lakes are so located that the cost of transportation from the lake to the market delivery point is too high to allow a viable fishery.

Removal of these fisheries from the FFMC area of responsibility would necessitate reallocation of overhead costs to the balance of the fishery. At **the same** time, **depending on the** classification and thus the value of fish from such lakes, FFMC savings in terms of inventory and marketing costs could result if some specific areas were excluded from FFMC responsibility.

Of primary concern with this option would be the greatly increased opportunity for leakage of fish from areas remaining in the FFMC jurisdiction. These leakages could become significant thus leading to lower fish prices for the aggregate of fishermen.

In view of the high costs peculiar to remote operations, it is difficult to anticipate that sufficient benefits to fishermen would result from exempting such areas from FFMC jurisdiction to warrant the destabilization and other problems for orderly marketing which such exemptions would foster. Avenues other than removal from FFMC jurisdiction exist for government intervention to improve service to, and to enhance the economics of, remote high-cost fisheries and/or to open such fisheries.



Option 6

That the processing of fish and fish products be exempted from control of the Corporation.

Under this option, agencies or entities independent of FFMC would be able to establish and operate processing facilities at locations of their choice. Volumes and types of processing would be at the discretion of the owners.

The current processing infrastructure consists of the central facility at Transcona (Man.), a satellite plant at Hay River (NWT) and coop owned plants at Savage Island (Man.) and La Ronge and Gunnar (Sask.). All are currently operated by FFMC with the greatest share of processing occurring at the Transcona plant.

Present processing requirements in the FFMC area are basically met by the existing infrastructure. Additional processing plants may add or transfer employment benefits to other locales but this would not necessarily increase the amount of money available to pay fishermen. Conversely, the opposite result (reduced fish prices) would be almost certain to occur.

It is a **common** misconception that there is much value-added potential in processing fish. **In** fact, processing is rarely the preferred treatment. In most cases, the best way to maximize revenues in fish sales is to minimize the level of processing prior to sale. Much processing cannot be avoided (due to production peaks, logistics, parasite infestations, etc.), but by far the largest profits are made in fresh sales. The relative profitability of some fresh, frozen, and processed products is shown in Table 7. Thus, for example, processing pickerel into fillets rather than selling them as fresh fish resulted in a **99¢/lb.** reduction in returns available to cover overheads and to pay fishermen.

It **is** another misconception that a great deal of money could be saved by moving processed product rather than raw material from remote areas. However, the greatest transportation costs are incurred in moving fish from individual lakes to delivery points. The costs of moving fish from delivery points to Transcona average only about **3¢/lb.** over the FFMC area.

The foregoing considerations notwithstanding, it is possible that requirements for processing capacity in the FFMC area will increase in response to:

- increasing volumes generally, due in part to better prices and changing market demands.

If and when additional capacity is required, it should be developed in locations and to perform functions which will produce the greatest aggregate benefits to the industry. Transportation costs are just one factor in that equation. However, transportation costs may be expected to increase more rapidly than general costs due to the cost of fuel,

Table 7

COMPARISON OF NET PRODUCT REVENUE FOR PROCESSED VERSUS NON-PROCESSED FISH 1979 - 1980

	Whitefish		Pickereel		Lake Trout		Northern Pike	
	Fresh	Pan Ready	Fresh	Filletts	4/8 Frozen	Filletts	4/9 Frozen	Deboned
Selling price	1.65	.95	2.10	3.20	1.20	1.45	1.16	.62
U.S. exchange	<u>-.28</u>	-	<u>.36</u>	<u>.54</u>	-	<u>.2</u>	-	<u>.11</u>
	1.93	.95	2.46	3.74	1.20	1.57	1.16	.73
Direct costs	.05	.25	.05	.30	.07	.30	.07	.11
Carrying costs	<u>-</u>	<u>.02</u>	<u>-</u>	<u>.07</u>	<u>.02</u>	<u>.05</u>	<u>.02</u>	<u>.02</u>
	.05	.27	.05	.37	.09	.35	.09	*.13
Net revenue* per sales lb.	1.88	.68	2.41	3.37	1.11	1.22	1.07	.60
yield %	100	75	100	42	100	60	100	75
Net revenue* input b.	1.88	.51	2.41	1.42	1.11	.73	1.07	.45
Loss in value/ b. due to processing		1.37	.99			.38		.62

\*Net product revenue in this case equals total available before overheads and payments to fishermen.

Source: Data provided by FFMC.

thereby rendering expansion of processing to more remote areas progressively more viable.

Because processing is the less preferred treatment of fish it would be counter-productive in the extreme if a series of independent processing plants were established and allowed free competition to produce products most profitable (in the sense of least unprofitable) for individual plants. For this reason, processing should be co-ordinated by FFMC regardless of location and ownership of plants. This would also facilitate product uniformity and quality control. In order to maximize returns to fishermen through the processing activity, it is deemed necessary for FFMC to not only co-ordinate that activity but also be responsible for processing operations and more particularly, for facility rationalization. Ownership of processing facilities by independent operators will always be incompatible with the FFMC objective of maximizing returns to fishermen and minimizing all costs (including processing) en route.

If social imperatives are such that a province or other agency requests a processing facility to be built or operated in a location or manner which subtracts from the aggregate benefits to fishermen, then that agency should be prepared to make up that incremental cost differential.

B. Financial Issues

The Committee notes that many of the financing issues raised in the Siddon Report tabled at the meeting of Ministers in December 1979 related to the federal government's initiative to privatize Crown corporations. With the changes in federal government, the Committee was informed that the federal government would not press for FFMC to seek ' funding from private institutions. With this direction, the Committee believes that, in general terms, financing arrangements for the FFMC should continue as in the past.

### C. Administrative Issues

At the December meeting of Ministers, the desire was expressed for changes in FFMC to make it more representative of and more responsive to fishermen. It was felt this could be achieved by more formalized arrangements between FFMC, fishermen and the provinces.

The **committee** believes a concise declaration by FFMC regarding the theory and mechanics of its various operations **would** go a long way toward developing a better and mutual understanding of FFMC administrative issues. This declaration should include a clear definition of the roles and responsibilities of the FFMC Board of Directors and Advisory Committee, and explanations of the establishment of fish prices, operation of species - pools and extension of credit. Development of these policy statements should be made by the Board of Directors on a high priority basis.

Independent of this review, the FFMC has taken a number of steps to this end. These include:

- regular publications of a newsmagazine for fishermen - Freshwater Country,
- recent reactivation of the Advisory **Committee** making it more active in advisory and liaison roles,
- increased participation by FFMC staff in meetings with fishermen and fishermen's organizations.

Continued efforts such as these should improve communication and understanding between FFMC, fishermen and provinces. It should be remembered, however, that the entire onus of communication does not lie with the Corporation.

#### D. Review Mechanisms

While a great deal of effort has been expended by participating governments in reviewing FFMC over the past 10 years, it is debatable whether commensurate value has been achieved. Matters of mandate and basic procedure have remained untouched as evidenced by the fact that the FFM Act has not been amended, nor have substantial amendments been seriously proposed. What these reviews have consistently accomplished has been to familiarize succeeding groups of reviewers with the workings and complexities of FFMC.

Concerns about FFMC may be categorized in three general areas:

1. Is FFMC a rationally constituted and workable vehicle with a legitimate mandate?
2. Does FFMC employ appropriate operational procedures?
3. Is FFMC effective?

Any review effort must distinguish clearly the nature of the concern(s) to be addressed, for it is unrealistic and dangerous to confuse and intermingle concerns pertaining to mandate, operational procedure, and performance. While successive groups of external reviewers have been reasonably adroit at recognizing these distinctions and **accommodating** them, it is less evident that these distinctions have been appropriately recognized by all agencies.

The legitimacy question must ultimately be decided by each participating agency from its own perspective. The basic requirement is a thorough understanding of the trade-offs and ramifications of different arrangements pertaining to the handling, processing and marketing of freshwater fish. The following guidelines are offered:

- (a) that in view of the alternatives to FFMC and the performance of FFMC, the null hypothesis should be that FFMC is appropriate and the onus of proof should be on any advocate of change to positively demonstrate better overall arrangements,
- (b) that any proposed better arrangement be examined in conjunction with FFMC and the other participating agencies and
- (c) that there be no attempts to manipulate the components which constitute FFMC operations without appreciation by all concerned of the full intra- and inter-provincial ramifications.

To a large extent, these proposed guidelines are embodied in the individual agreements between each of the participating provinces/territories and the federal government respecting participation in FFMC. It may be appropriate, and it would be useful, if each agency "cleared the air" and re-affirmed its understanding of and commitments to FFMC on this basis.

In regard to concerns about operational procedures, participating agencies should insist that FFMC keep them continuously apprised on how it

performs. Updating should be done through the FFMC Board, but there needs to be recognition that FFMC operates in the "real world" and has certain legitimate constraints on divulging information.

FFMC effectiveness will be a topic of constant interest and attention. However, if there is a basic commitment to FFMC as an appropriate vehicle for pursuing an appropriate objective, and if FFMC effectiveness is seen to be generally favorable, then interest in effectiveness will be directed positively rather than negatively. This aspect has two components:

- a) Each agency needs to satisfy itself constantly that FFMC is doing the most effective possible job **vis-à-vis** fishermen. It perhaps needs to be better recognized that the FFMC Board periodically and systematically reviews fish price projections, marketing plans, capitalization proposals and similar material brought forward in the form of budgets by FFMC management. The most obvious and direct avenue for a participating agency to influence these deliberations is through its Board member. This member is also in the best possible position to report back to his particular government on FFMC projections and performance related thereto.
- b) Matters will inevitably arise which participating governments (individually or collectively) will be unable to "satisfy" themselves through ordinary Board relationships that appropriate action is being taken or that necessary information is available for decision making. The FFMC itself might lead in identifying such matters, which could include long-term market planning, rationalization of infrastructure, shifting seasonal production patterns, etc. Such matters would be candidates for specific reviews on an ad hoc basis.

Because of its complex and inter-governmental nature, the FFMC cannot reasonably be restructured on a trial and error basis. While it is agreed that Board Members should be responsible for reporting to participating governments on developments within the Corporation, it is suggested that further reviews of FFMC procedures and performance be undertaken between FFMC Board of Directors and senior administrative officials of the participating governments, when required. It is also suggested that a more fundamental review, with direct ministerial participation and with attention to matters of mandate and legislation, be undertaken at 5-year intervals.

Further in this context, there needs to be a more systematic process than has existed previously for dealing with propositions which arise periodically for exempting this or that category of activity from the FFMC mandate. In light of the foregoing, it is suggested that before any such "opportunity" is pursued outside the framework of FFMC, that it first need be demonstrated to the satisfaction of all participating agencies that:

- a) the central agency is not capable or otherwise inclined to pursue the opportunity, and cannot realistically be encouraged, motivated, or equipped to take action and

b) the exemption **will** be to the clear benefit of fishermen.

A great deal of responsibility for how FFMC is perceived rests with the FFMC Board. Each province/territory nominates one member to the Board, with the actual appointment made by the federal government. This in itself has been a much maligned and misrepresented matter. It should be stressed that while appointments are made federally (it being a federal act which is involved) there appears to have never been an instance of the federal government refusing to appoint a provincial/territorial nominee. Board members should be the window through which participating governments view this complex organization, and through which they make known their needs and priorities. These are onerous duties. They should not be considered lightly when candidates are screened for nomination. The degree of attention a participating government pays to its Board member is a reasonable index of the legitimacy of its concerns about FFMC procedures and performance.



APPENDIX A - MEMBERS

LIST OF PARTICIPANTS

Provincial Representatives

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**SOJ I LO**

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Department of Fisheries and Oceans  
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APPENDIX B

MEETING PLACES AND DATES

1. January 17, 1980 - Wi nni peg
2. February 28, 1980 - Wi nni peg
3. March 18, 1980 - Saskatoon
4. April 24, 1980 - Yel lowkni fe
5. May 21, 1980 Wi nni peg
6. June 24, 1980 Wi nni peg