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OUTLOOK FOR NEWFOUNDLAND FISHERIES, 1947 ^{1/}

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^{1/} Report No. 49, American Consulate General, St. John's Newfoundland,
July 10, 1947.

Note: This is the first of two reports intended to summarize developments in Newfoundland's fisheries during 1947. This report, prepared during the early part of the season, largely confines itself to a brief outline of the general outlook for the industry. The second report is scheduled for transmission toward the end of the calendar year, at which time sufficient data should be at hand to make possible a reasonably complete survey of developments.

1. GENERAL SUMMARY

The general outlook for Newfoundland's dominant industry, the salt codfishery, is for a season approximately as successful as the highly satisfactory 1946 season (production, 110,604,256 pounds). The manpower and supply position is expected to be at least as good as last year. The principal change from 1946 concerns marketing: in 1947, for the first time in several years, Newfoundland's production of salt codfish will not be under the control of the International Emergency Food Council (ex Combined Food Board) for allocation to consuming markets. However, it is anticipated that demand will be sufficiently strong to make possible a satisfactory marketing of the total catch.

The production of fresh-frozen fillets is expected to be considerably less than last year (30,151,140 pounds). The principal war-time market, the United Kingdom, has continued sharply to contract, and the industry -- following a rapid expansion during war years -- is now faced with a serious marketing problem. The hope of further gradual exploitation of the United States market is still held high, and in this connection Newfoundlanders view with interest current international trade negotiations at the Geneva Conference.

Similarly to the fillet industry, the herring fishery is expected to diminish in importance during 1947. UNRRA orders in particular brought about a marked temporary expansion in this branch of the fisheries during recent years. During 1947 additional contracts were entered into with UNRRA, but for smaller amounts than previously. Both the Scotch Cure and the UNRRA 1946-1947 fall-winter packs were smaller than in 1945-1946.

It is expected that other subsidiary fisheries will compare favorably with 1946, i.e., the lobster, salmon, and seal fisheries, as well as the whaling industry. Fish oil production, likewise, should approximate 1946 levels. As has been the case during the past few years, the 1947 production of fish oils is being allocated by the Fats and Oils Committee of the International Emergency Food Council.

2. THE SALT CODFISHERY

Manpower and Supplies--The general outlook for Newfoundland's 1947 salt codfishery is for a production about the same as that which was registered during the highly successful 1946 season (110,604,256 pounds).

The manpower situation is expected to be at least as good as if not better than last year, when 26,162 men were engaged in the fisheries. An increasing number of veterans are expected to resume fishing, and a number of men who have recently returned from work-projects in Canada and the United States are likely to engage in the fisheries. With respect to the veterans, it may be observed that over 1,000 ex-servicemen have applied for assistance to engage in the fisheries through the Newfoundland Civil Re-establishment Bureau from the inception of the Bureau (1945) to the present time.

The number of vessels prosecuting the "Banks" or deep sea fishery is expected to be about the same as last year, when 131 deep sea fishing vessels were engaged. To date the Spring baitings have been comparatively successful, and good voyages seem assured.

European fishermen, primarily Portuguese and French, have been sighted on the Banks, both in hook and line vessels and in trawlers. This year, the Newfoundland Government has changed its regulations to permit the Portuguese boats to come into the harbor of St. John's for bait, and as a result Portuguese boats are often seen in the harbor.

Shortages are still being experienced in some essential supplies, such as rope, lines and twines, marine engines, and such foods as barreled beef and pork, sugar, etcetera. The general supply position, however, is somewhat better than in 1946.

The new industry started in 1944 for the manufacture of small marine engines for fishermen has continued to expand. It may be recalled that during 1946 73 $7\frac{1}{2}$ h.p. motors were shipped, bringing the total number of deliveries since the inception of the industry to 135. In addition, in 1946 work was commenced for the first time on the building of 5 h.p. motors, 125 of these being shipped. By July 4, 1947, total production of $7\frac{1}{2}$ h.p. engines reached 160, and of 5 h.p. engines 250. Difficulties in obtaining American carburetors are still delaying production but the ball bearing shortage no longer exists. Work has just started on the production of $3\frac{1}{2}$ h.p. motors, and plans call for the building of single cylinder 10 h.p. motors in 1948.

Little progress has been made by the same engine manufacturer in the construction of steel boats, of which only two have as yet been produced.

Prices and Marketing--The Newfoundland 1947 production of salt codfish will not be under the control of the International Emergency Food Council (ex Combined Food Board) for allocation to consuming markets, as was the case in recent prior years, and a return is being made to open selling. The quantities which will go to the various markets will, therefore, be governed by contracts which can be concluded. However, it would still appear that supplies available generally are not likely to equal present demands, and consequently, it is anticipated that the catch will be satisfactorily marketed. According to the Newfoundland Fisheries Board, prices are being quoted at approximately the 1946 scale.

Late in March, 1947, the Newfoundland Fisheries Board announced that the Newfoundland salt codfish industry would continue to market salted fish under the system which was developed during the war years and which is known as the Marketing Administration System*.

It will be recalled that in 1943, when Newfoundland participated in the war-time allocation scheme controlled by the Combined Food Board, the earlier inaugurated policy of group marketing was extended to cover Newfoundland's total production. All European markets, including the United Kingdom, were handled by the Portugal Exporters Group, Ltd., and the Spain Exporters Association, Ltd.; the markets on this side of the Atlantic were looked after by the Puerto Rico Exporters, Ltd., in conjunction with the West Indies Codfish Association. These groups operated under a Committee, nominated by the Salt Codfish Association, known

* See Report #25, March 25, 1947, "Newfoundland's Codfishery: Continuance of Marketing Administration System."

as the Marketing Administration Committee, whose joint secretaries are the secretaries of the Portugal Exporters Group and the Puerto Rico Exporters Group.

To continue and facilitate the operation of this system, the Newfoundland Fisheries Board set up a Marketing Committee in March 1947, known as "The 1947 Marketing Administration Committee". All licensed exporters were required to function under the control of this Committee*.

3. FRESH-FROZEN FILLETS

Although the codfillet branch of the codfishery has greatly expanded during the past five years, marketing difficulties are expected to force a curtailment of production during 1947.

At present the industry has a freezing capacity of nearly 1,000,000 pounds per day, and virtually all plants use the quick-freezing process, rather than sharp-freezing. Some of the plants are described by operators and Fisheries Board officials as being as modern as any in the world. Fifteen quick-freezing and three sharp-freezing plants are operating in 1947, as in 1946 -- representing a capital investment of over five million dollars**.

It will be recalled, for purposes of comparison, that in 1944 production approximately doubled the previous high mark, reaching the figure of 24 million pounds; and that in 1945 and 1946 production exceeded the 30 million pound mark.

This year officials of the Newfoundland Fisheries Board describe conditions affecting the fresh-frozen fillet industry as "uncertain". Negotiations are presently being carried on for sales to the United Kingdom, but even if they materialize it is likely that they will be for a lesser quantity than in 1946. (In 1946, 13,118,260 pounds of frozen codfillets were exported to the United Kingdom, compared with 19,258,953 pounds in 1945). It may be pertinent to mention, in addition, that when a delegation of Newfoundland's National Convention recently went to Great Britain to ascertain terms in the event of restoration of responsible government in the Island, the delegation was unable to obtain, under any conditions, any commitments with respect to sales of frozen fillets***.

Aggravating the situation brought about by the sharp decline in the British market, prices in the United States have suffered a substantial decline in the past few months. This has very materially affected operators' plans for the season, and may result in a curtailment of production well below 1945 and 1946 levels.

With respect to the remaining months in 1947, production will be geared to contracts effected, and sales which can be reasonably expected on market prospects.

* Ibid, p.5.

** For data for recent years, see particularly Report 11, February 10, 1947, "Review of Newfoundland's 1946 Fisheries Season", and Report 32, July 8, 1946, "Outlook for Newfoundland's 1946 Fisheries."

*** See Appendix 1, "Decline in British Market for Newfoundland Codfillets."

Long-range plans on the part of Newfoundland Fisheries Board officials still envisage, however, possible further exploitation of the American market. In view of the rapidity with which competitive areas are being reopened (e.g., United Kingdom, Norway, and Iceland), it is conceded that the European market has disappeared as a major factor. Recognizing that the United States in particular is "refrigerator-conscious", the hope is held out that a market in the midwestern section of the United States can be developed without entering into direct competition with Atlantic coast fishermen*.

The Fisheries Board, however, is keenly aware that in any event the United States market will never be successfully exploited without insistence on production of a high quality fillet in Newfoundland. With this in mind, new regulations were recently issued stipulating conditions under which plants would be permitted to operate -- emphasis being placed on cleanliness and high sanitary standards**.

Since main hopes are pinned on the potential United States market, much will depend on United States tariff policy. In this connection Newfoundlanders are watching with considerable interest the international trade negotiations now being carried on at Geneva. The Chairman of the Newfoundland Fisheries Board, Mr. Raymond Gushue, attended the meetings at Geneva, with Newfoundland Customs officials, and upon his return in June expressed himself as "hopeful" with respect to the probable outcome of the negotiations, and satisfied with offers of the United States negotiating team.

Experiments initiated in 1946 with respect to the shipment of fresh fish to the United States by airplane apparently have not been too encouraging, as no substantial volume of exports is expected to go forward by this means during 1947.

4. SUBSIDIARY FISHERIES

Herring--The year 1947 marks the end of the war-stimulated prosperity which has attended the herring fishery in recent years. UNRRA orders in particular brought about a marked temporary expansion in this branch of the fisheries.

For 1947, contracts were entered into with UNRRA for a total of 75,000 barrels (16,875,000 pounds) of hard-cured split herring. Against these contracts about 70,000 barrels (15,750,000 pounds) will be shipped.

The 1945-1947 fall-winter pack of Newfoundland Scotch cure herring amounted to 26,000 barrels (6,500,000 pounds), against a contracted quantity of 34,500 barrels (8,625,000 pounds). This compares with a 1945-1946 fall-winter pack of 20,925 barrels (5,231,250 pounds).

The reduced quantities in both the Scotch Cure and the UNRRA pack can be attributed very largely to poor fishing periods during the season.

* See Appendix 2, "Future of the Codfillet Industry".

** These regulations were quoted verbatim in report #46 of June 30, 1947, "Newfoundland Regulations Covering The Filleting and Freezing of Fish".

The export of dressed and filleted herring will run into substantial figures but the total is expected to be considerably less than in 1946. In that year over 16,116,400 pounds of filleted, dressed, and other cures of herring were exported.

Prospects for the 1947-1948 Fall/Winter pack are termed by Fisheries Board Officials as "obscure". Present indications are that there will be no relief pack through UNRRA or any other similar agency, and the outlook for Scotch and other types is not very encouraging, because of market conditions.

The new herring processing plant at Petries, built by Connors Brothers, of Black's Harbor, New Brunswick, commenced operating in April, 1947. This comparatively large factory now employs approximately 150 workers, and is reputed to be strictly modern in all respects. Its first output will be of "kippered snacks". The plant is easily convertible to other types of production, however, and it is planned in future years to produce many varieties of fish. The next step in construction will be the erection of a refrigeration plant, so that hold-over stocks of fresh frozen fish may be held on hand. Meanwhile, as only strictly fresh herring are to be used, the plant will produce only what can be handled in one day, about 40,000 pounds, and no reserve will be carried.

Lobsters--It is still too early to forecast with any degree of accuracy what final lobster returns will be. While storms in the early part of the season delayed fishing operations, reports received recently indicate an improvement. It is anticipated that the total catch will be at least equal to that of last year (3,564,906 pounds). Although prices are still relatively high, there has been a marked tendency to reductions for both the live and canned articles.

In June, 1947, a large catch of live lobsters were shipped to the United States by airplane. The financial results of this experiment will be closely studied for possible further development in 1948. Lobster fishing has been highly successful in the Bonavista Bay area during the past two years, but until 1946 all catches were canned.

Whaling--The whaling industry has markedly expanded during the past several years, largely as a response to increased war-time and post-war demand for whale oils and meals. In 1946 the export value of whale oil and whale meal for the first time exceeded the million dollar mark*. There is no reason for expecting any decline in production in 1947, although definite predictions are out of the question, owing to the speculative nature of the industry. Present indications are that about six boats and 230 men will engage in the whaling industry in 1947, about the same as 1946.

Salmon--While the prospects for the marketing of salmon appear to be favorable, the catch to date has been extremely poor. However, the salmon fishery on the Labrador Coast, which produces large quantities each year, has only recently commenced, and it is impossible to hazard any guess as to the ultimate result. From present indications it would seem that prices will be about the same as last year.

* According to Report of the Fisheries Committee, Newfoundland National Convention.

Sealfishery--The results of the 1947 sealfishery will soon be made available and will be made the subject of a separate report.

5. FISH OILS

As has been the case during the past few years, the 1947 production of fish oils is being allocated by the Fats and Oils Committee of the International Emergency Food Council. Estimates of output for this year recently given to the Fats and Oils Committee show an increase in the cases of seal oil and herring oil. With respect to the former, figures as to the 1947 catch are now being prepared by the Newfoundland Fisheries Board and will be made the subject of a separate report. It may be stated that the number of seals taken in 1947 is considerably greater than in 1946 (34,241 seals), and the amount of oil will show a corresponding increase. As fats and oils are still in short supply, it is confidently expected that the whole production will be readily disposed of at remunerative prices. Some fish oil exporters report that buyers in the United States, however, are slow in concluding contracts, indicating the possible beginning of a return to a buyers market.

APPENDIX I: Decline in British Market for Newfoundland Codfillets.

As stated in the main body of this report (Section 3), negotiations are now being carried on for the sale of Newfoundland codfillets to Great Britain, but if any sales do materialize, it is likely that they will be for a much lesser quantity than in 1946. When a delegation of Newfoundland's National Convention recently went to Great Britain to ascertain terms in the event of restoration of responsible government in the Island, the delegation was unable to obtain, under any conditions, any commitments with respect to sales of frozen fillets.

Subsequently, the local press announced a large purchase of Norwegian fish by Great Britain. This announcement was greeted most unfavorably in Newfoundland fishery circles. Typical of local comment is the following excerpt from an editorial appearing in the St. John's Daily News for April 8, 1947:

"Newfoundland's wartime expansion of fresh-frozen fish production from three million to thirty million pounds had its chief incentive in Britain's demand. In fact, because of that demand, fish that might have found its way into other markets was directed to the British Isles. Having that in mind, it seems more than a little odd that the British Government is understood to have negotiated a purchase of some twenty million pounds of Norwegian fish at a time when Newfoundland, having lost the British market, is compelled to curtail her output of fillets.

"The reason given for this reported purchase of Norwegian fish is that Norway is in the sterling area and the transaction will not prejudice Britain's hard money position. But surely it is logical

that some approach should have been made to this country with a view to determining whether or not satisfactory arrangements for payment could be worked out. The amount involved represents less than one year's interest on our sterling debt and the interest payment could have been diverted to local producers instead of being sent to Britain. Or, alternatively, a long-term arrangement, financed by the Newfoundland Government, would have allowed the sale to be made against payment in British goods.

"Incidentally, this transaction brings to mind another peculiar deal which has lately been recorded. The price of whale oil was recently subjected to a substantial fall in spite of the continuous high demand. We learn that the reason is to be found in an intricate trade arrangement reportedly along these lines. Britain bought the Norwegian output of whale oil at a price below the world level but the Norwegians did not lose by the deal because they got in return wheat and flour at or near the same low prices that Britain is paying Canada. It might be thought that the Canadians would object to Britain taking wheat from them at half the world price and trading it with Norway but the reason Canada has no objection is that a great part of the Norwegian whale oil will be diverted to the Dominion. In other words, the whole transaction was an artificial means of bringing down the world price of oil. This is the kind of deal that, one might well imagine, the International Trade Organizations want to stop....."

APPENDIX II: Future of the Codfillet Industry

The future of Newfoundland's codfillet industry has been the subject of considerable speculation, largely because it has been a rapidly expanding industry which is presently confronted with serious marketing difficulties.

One of the most useful analyses made of the industry recently was a report prepared by the Committee on Fisheries of Newfoundland's National Convention.

This report stated that imports into the United States market constituted the main hope for the future. Commenting on the quota available to Canada and Newfoundland, the report stated that any increase in the duty -- quota or ex-quota -- would be "disastrous" (1 7/8¢ per pound within the quota, and 2 1/2¢ per pound ex-quota). The report further stated: "...it is probably that only with some definite long term arrangements for free entry or considerably reduced duty into the U.S.A. will it be possible to greatly expand this industry in Newfoundland, as expansion on any materially increased scale does not seem practical until this question of the U.S.A. tariff has been settled for years ahead. During 1945 the quantity of Newfoundland fillets entering the U.S.A. under the 1 7/8¢ rate probably did not exceed 5,000,000 pounds as against 13,000,000 pounds supplied by the Canadian producers."

The report went on to say that Newfoundland producers seemed to be working under a heavy handicap as compared to the Canadians, and recommended the following steps to be taken in order to build the Newfoundland exports to the United States up to a worthwhile figure:

"1. Specialize on a strictly first-class product - 'one better than our competitors' - and in this we are fortunate in having an inshore fishery of extremely good quality codfish. The catching, handling, packaging, transportation and sales is up to the fishermen, workers and plant operators. Their united efforts are going to be very necessary. Modernization of fishery operations will have to be attempted to enable fish to be caught at less cost.

"2. Provide more draggers and/or trawlers to help us supply haddock, rosefish, flounders, scallops, etc., or these supplies will have to be arranged for in Canada or U.S.A. because it is imperative that the Newfoundland producers be in a position to supply their customers with all these lines in order to sell worthwhile quantities of frozen cod fillets - our main production item.

"3. Sell Newfoundland products in competition with the Canadians and Americans.

This may be a very difficult problem except at the expense of the fishermen and the workers, but one of the objectives of the cold storage operators is to pay as high a price as possible to the fishermen - help them with new and better boats so that they will have to depend less on the trap fishery. The codfish sold to the cold storage plants will certainly, in the long run, give the fisherman much better returns than those from salt fish. Being a much longer distance from the consuming markets, the cost to the Newfoundland producers laid down at Canadian Railhead includes many items our competitors do not have, and which, in part, at least, can only be offset by a lower price to the fishermen or by greatly increased efficiency in the handling and processing. The handicaps to this Newfoundland industry for comparison with Canada, may be summarized as follows:

(a) Additional transportation costs, insurance, breakage, etc., on cartons and packing materials inward.

(b) Additional large capital investments in refrigerated vessels necessary to transport the production from Newfoundland cold storage plants to railhead points in Canada and U.S.A. for reshipment to the consuming markets.

(c) Additional freight and insurance from Newfoundland points to railhead.

"4.

"5. Close co-operation regarding sales prices and conditions by the Newfoundland exporters of frozen fillets. It may well be that one sales organization could do a better job in the long run than several agents of indifferent weight and substance. There are only four or five large exporters to the U.S.A. market, and in the national interest should be possible.

"6. Co-operation regarding purchases of materials, freighting to market, sales, etc., that will reduce costs.

"7. Whilst the future of the industry may to us be very uncertain, yet very prominent American industrialists have lately given it as their opinion that the distribution and sales of frozen foods is only in its infancy, and predict tremendous expansion during the coming decade. They also point out that wartime shortages of meats gave the sale of frozen fish a tremendous boost that will help future sales so long as quality is maintained...."

In a subsequent section, the Report stated, in part:

"...In the case of the United States of America leases of Newfoundland territory for military and naval bases for 99 years and at the same time facilities for free entry without taxation of any sort of products imported into this country for use at these bases, were conceded to the United States of America without the provision of any direct quid pro quo for Newfoundland...

"It would seem to be extremely important to the people of Newfoundland that negotiations should be initiated at an early date with a view to securing favourable trade arrangements for Newfoundland with the United States of America, not only on the basis of reciprocal tariff concessions, but also as a quid pro quo for the concessions already granted by way of 99 year leases and free customs entries...."
