

Australian Southern Rocklobster Industry

Decade of investment **pays off**



The world-first rocklobster Clean Green product certification program is an outstanding success and on track to achieve 100 percent uptake by 2011.

Mr Roger Edwards, Executive Officer of Southern Rocklobster Limited (SRL), says the supply chain management program is believed to be the first in the world to address workplace safety, product quality, food safety, environmental practices and animal welfare in the rocklobster industry, in a single integrated program.

More than 50 percent of active fishers have taken up the Clean Green program, which operates in South Australia, Victoria and Tasmania, with the goals of 66 percent industry uptake by June and 100 percent by 2011 now well within sight, says Mr Edwards.

How did the Clean Green program begin?

We started thinking about it in the 1990s because the Commonwealth Environment Protection and Biodiversity Conservation Bill was being developed and the industry was coming under pressure; SA was in the middle of the Garibaldi food poisoning tragedy and the pressure for safer workplaces was mounting. There were programs available, each of which addressed one of the issues but nothing that dealt with all of them in a 'one stop shop'. After assessing the options we decided to develop our own. Now other

HOT SPOTS

- » Over 50% of active fishers are Clean Green participants.
- » Clean Green on-track to achieve 100% uptake by 2011.
- » Are other sectors interested in becoming Clean Green?

and sets the benchmark nationally for the implementation of an integrated accreditation system. We are delighted to have been part of it and are very supportive of exploring ways to transfer this system to other sectors. - **Patrick Hone**

Have you been surprised by its success?

Such significant uptake in the fishing industry is unusual, however, because it is a practical program saving time and money with government audits, it is recognised as excellent value for money and easily undertaken. It also appeals to fishers because it is designed, managed and run by fishers rather than government. - **Roger Edwards**

Why are fishers attracted to membership?

It allows them to show to the local and wider community that not only do they meet the legislative requirements but reach the highest standards possible. They can hold their hand up and say they deliver a high quality product that has been fished in an environmentally sustainable way in an industry where workplace safety and animal welfare are of paramount importance. The Clean Green audit program has also recently



The *Jasmin Hardy* out of Temma, NW Tasmania – soon to be audited under the Clean Green program.

Ten years on we ask those involved in the program to reflect on its evolution and success. We spoke to Dr Patrick Hone - Executive Director of the Fisheries R&D Corporation and a program sponsor, Mr Roger Edwards - Executive Officer of SRL, Mr Justin Phillips, Clean Green Program Manager for SRL, and fishers Mr John Mauric (Tas), Mr David Johnston (Vic) and Mr John Atkinson (SA).

sectors in the industry want to follow our lead and duplicate it - a tremendous endorsement for the program and the leaders with the vision in the 1990s that made it happen. - **Roger Edwards**

Has it met expectations?

The program is an incredible achievement by the Southern Rocklobster industry

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Decade of investment pays off - continued from page 1

been found by the Australian Quarantine & Inspection Service (AQIS) to be acceptable for catcher boats handling live crustaceans for export. This is a fantastic breakthrough and demonstrates the credibility of the program. - **Justin Phillips**

What have you learnt from the program?

For many years lobster fishing was just that - we set the pots, brought them home and sold them. Things were much simpler in my early years but I completed the program and am thrilled to be part of proving how environmentally friendly we are to the marine environment while establishing a benchmark system for future generations working in this industry. - **John Atkinson (SA)**

The importance of workplace safety and the need to meet our duty of care really became apparent during the Clean Green training. The workplace safety elements of the program are practical on-boat things that I was able to easily implement as part of my operation. - **John Mauric (Tas)**

Like every other lobster fisherman, I pride myself on the quality of my product. The Clean Green program reiterated the importance of product quality to me and having the ability to demonstrate this to the market. Having taken advantage myself, it really is exciting that Clean Green fishers now have the opportunity to do this under the Clean Green brand. - **David Johnston (Vic)**

Does it have a role in market development?

We entered the US market for the first time last year with live jumbo lobster tagged and branded 'Clean Green'. It's early days yet and developing new markets is difficult, but increasingly the sustainability message is starting to come through with customers. The Clean Green program places us well to independently prove our green and sustainability credentials in the market. - **Roger Edwards**

How is the program sustained long-term?

The only way the Clean Green program can continue is by industry membership growing. I believe the choice for fishers is quite stark, because I can only see increased government intervention over time. Fishers will either have to pay for a series of government audits of their operations or become a part of this industry-run program. Most prefer the latter. - **Roger Edwards**

Why is membership such good value?

The program has been developed with funding from FarmBis, at State and Commonwealth levels, and the Fisheries Research and Development Corporation. This year funding from the Department of Agriculture, Fisheries and Forestry has supported the uptake of the program so licence holders and a crew member can access the program for only \$125. That's incredible value for a two-day program that includes a tailored first aid certificate plus assistance with preparation for the audit and a final independent certification audit. - **Justin Phillips**

What are the challenges the industry faces to build the program?

We need to gain increased and widespread government recognition that the program meets all legislative requirements. While we have AQIS recognition and tremendous support from the Department of Agriculture, Fisheries and Forestry, we still need more recognition from other relevant government departments. - **Roger Edwards**

Has it won any awards?

The Clean Green program has won numerous awards including: Environmental Best Practice Program, United Nations (Association of Australia) 2005 World Environment Day Award; Eco-Sustainability Award under the Waste Management & Resource Recovery award category, December 2005; KESAB Tidy Towns Award; Occupational Health, Safety and Environment Award 2005 National Safety Council of Australia's Awards. It was also assessed the Overall Best Program: Occupational Health and Safety 2005 NSCA/Telstra Award for Excellence and gained a Certificate of Merit in the SA Landcare Awards during 2005-06. - **Justin Phillips**

Has the Clean Green program attracted interest from other sectors?

Over the past couple of years we've had various expressions of interest across aquaculture and wild harvest fisheries in Australia and fielded queries about the Clean Green program from South Africa and New Zealand. - **Roger Edwards**

Project Funding:



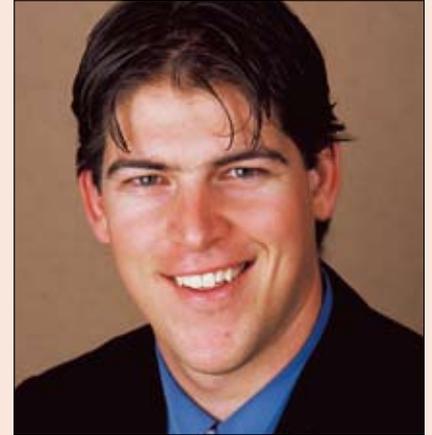
Australian Government
Department of Agriculture,
Fisheries and Forestry

Our Land. Our Plan. Our Future

PROFILE

Matthew Muggleton -

SRL Market Development Manager



Matthew Muggleton spent his childhood on the far west coast of South Australia and pursued his studies in Aquaculture at the Flinders University of South Australia (SA). After graduating, he spent a number of years working for a Regional Development Agency in SA dealing with aquaculture development.

In 2004 Matthew joined CORVEL Marketing and Management - a consulting company specialising in the seafood industry and has subsequently become a partner. CORVEL has over 15 years experience within the seafood industry; working with the major SA sectors including Rocklobster, Oysters, Blue Crabs and Prawns.

Over the last two years Matthew has been an instrumental part of the Southern Rocklobster Limited team - specifically involved with the Market Development Program. Matthew has been responsible for completing research and development to establish an import platform to facilitate commercial trade of branded Clean Green Australian Southern Rocklobster to new markets.

The 'Fisher Direct' program to high-end markets in the USA, is based on product specifications and behavioural standards through the supply chain from 'pot to plate'.

10 Years of Tassie Under Quota

The latest stock assessment for the Tasmanian lobster fishery included an interesting statistic - the estimate of legal-sized biomass for the State is now almost exactly double (199.9%) of that in 1994 when stocks were at their lowest.

How did we reach this significant milestone and what other changes have occurred over 10 years of management under quota in Tasmania?

How do patterns of the last decade provide guidance for current management?

Dr Caleb Gardner from the Tasmanian Aquaculture & Fisheries Institute (TAFI) provides answers to these questions...

"In the late 1980's and early 1990's catch rates were trending downwards year after year and a change in management was clearly needed. A series of seasonal closures from 1995 to 1997 arrested the decline in stocks and led to the start of stock rebuilding which was strengthened in 1998 when quota was introduced," explained Dr Gardner.

Following is a summary of some of the main indicators of the fishery over the last decade (as reported in the latest fishery assessment by TAFI¹):

- Total allowable commercial catch (TACC) has been held effectively constant.
- Egg production has increased moderately, around 17% Statewide.
- Legal-sized biomass has grown each year on a Statewide basis.
- In areas that had very depleted egg production (e.g. the NW), recovery has been better on a percentage basis, but remains low.
- Commercial effort has shifted inshore and into winter.
- Recruitment has been low in the north since 2000/01 and commercial effort has shifted southwards.
- Commercial catch rates have grown on a Statewide basis by around 40%.
- Recreational catch doubled in the first five years of quota management but has since stabilised. Recreational licenses have doubled.
- The commercial fleet has contracted by 32%.
- Commercial fishing days have dropped by 50%.

- Commercial pot-lifts have reduced by 32%.
- Commercial revenue, or gross value of product (GVP), has grown from \$45.6 million to \$50.6 million. Corrected for inflation using CPI (Hobart) relative to 1998, the current GVP is \$40.2 million which represents a decline of 12% in adjusted revenue.
- The market capitalisation of quota units (total value of all units) has trebled to reach \$440 million, an increase in wealth for quota owners of \$300 million (based on transfer prices).
- Total quota unit-holder return has averaged over 20% per annum for the decade (combining capital gain of quota units and income estimated by lease price).

An evaluation of the past 10 years under quota management provides several interesting considerations for the future of the fishery:

1. The increase in recreational catch following the introduction of a commercial quota shows that quota systems need to incorporate all sectors (commercial, recreational and non-extractive users) if benefits relating to property rights are to be most effective.

Quota units are quasi-property rights – they provide ownership of a share of the commercial harvest but not the stock. In 1998, the Tasmanian rocklobster quota only capped commercial harvest. As a result, stock rebuilding was partially eroded by an increase in recreational catch. My impression from port meetings is that this undermined support for a more conservative quota from the commercial sector. Effectively it raises their discount rate – they place less value on leaving lobsters in the water for next year if there is increased risk of the lobsters being taken by another sector.

The recreational catch has now been included within a combined TAC, but proposals to expand the number of MPAs around the State are now creating a

HOT SPOTS

- » Legal-sized biomass almost doubled since 1994.
- » Estimated increase of \$300 million in wealth across the Tasmanian fishery.
- » Commercial fleet has contracted by 32%.

similar problem, but with a different sector – the non-extractive users. Here the risk of losing future catch again raises the discount rate of commercial fishers, which would be expected to translate into less support for stock rebuilding.

2. The historical decline in price seen over the last decade shows that improving price remains an unmet challenge for the industry.

In 1998 there was hope that several of the management strategies would deliver higher average price. These included the restricted supply under quota and also the expectation that fishers would change their operations to maximise the price of catch.

For example, it was thought that average beach price would be raised by greater discarding (release) of lobsters missing limbs and through a shift of effort to winter when prices were higher. While there has been modest shift of effort into winter months to obtain higher prices, costs are also higher at that time, mainly because females are berried and cannot be harvested. Overall, gains in revenue from increased winter fishing have been outstripped by inflation. Prices have also been eroded by a less favorable exchange rate and reduced seasonal price volatility.

3. Management that reduces costs can deliver larger than expected gains to industry.

The most significant change in the fishery over the last decade has been the gain in capitalisation of the quota units, an estimated increase of \$300 million in wealth across the fishery. This gain in value is a measure of the scarcity of the resource, which exists because the resource is finite and cannot be eroded by competition.

People often see the limits on production in the lobster fishery as a downside for business, but resource scarcity and limitation is something that delivers wealth and should be valued.

¹ The 2006/07 assessment report will be made available for download at http://www.utas.edu.au/tafi/TAFI_Download.htm



It is remarkable in this sense that fishing businesses have gained \$300 million from not catching lobsters! The gain has occurred through three processes. The first is that by allowing lobsters to grow larger (especially in fast growth areas) biomass has increased, and fishing costs have been lowered (this is known as the "marginal stock effect" – by allowing small fish to grow a little larger before they are harvested, biomass and catch rates increase).

Secondly, and more importantly, the cap on harvests of all competing fishers has improved catch rates, which has allowed fishing effort to decline (this is known as the "stock externality" – the harvest of one fisher affects the catch rates of the rest of the fleet because all fishers access the same stock). The same catch is now taken with around 100 fewer boats than 10 years ago, which means the same stock of lobsters is now having to support much less maintenance and vessel depreciation. These savings feed into profits and thus quota prices through higher catch per unit effort.

The final benefit from not catching lobsters has been reduced volatility in business earnings from year to year, which is more favourable for investment.

4. Investment in research pays dividends.

The gain in value of quota units has resulted from the setting of appropriate TACCs over the period under quota. There is a clear difference in the history of the market capitalisation in the Tasmanian rocklobster fishery compared to quota fisheries where the TACC has had to change frequently. We have been able to have a stable TACC because we got it right early on, which is a function of good assessment information.

5. Good fisheries management means good environmental management.

With more lobsters in the water the fishery and the ecosystem on which it depends is more "resilient". What I mean by this is that the fishery is less exposed to the ups and downs in juvenile recruitment that occur naturally. Rebuilding the stock also has major benefits for the ecosystem which is better able deal with perturbations including impact of unwanted pests. The history of increasing biomass in the Tasmanian lobster fishery is a real win-win for the fishery and the environment, but is not well understood or appreciated by those that think all fishing is unsustainable and more of our coast should be locked up in reserves. Good sustainable fisheries

management, that has outcomes of high biomass and catch rates, holds a greater prospect for healthy marine ecosystems compared to a network of no take MPAs surrounded by areas that are overfished.

So the (multi) million dollar question is: Can we keep growing?

Interestingly, growth in economic value was never a major objective of policy in 1998; the gains have been a byproduct of other objectives. Only one of the 28 strategies in the 1997 policy document related to economic benefits (Strategy 6.3). Fishery assessments have never provided direction on management to improve economic benefits. The lack of effort in this area suggests that there is almost certainly room for improvement even with the existing management tools.

There is also scope for greater gains with more novel management and I see three main opportunities to improve. The first is adjusting management to regional differences in the biology of lobsters e.g. translocation, regional size limits and deep water quota. The second is changing management to better meet market needs e.g. more harvest around Chinese festivals. Lastly, our management system retains a lot of input controls that make fishing inefficient; most of these could be better structured in the future to increase profitability.

Downside risk for the future comes from both above and below the water. Recruitment has been very low for several years in some regions – it is unclear when recruitment will pick up (if ever). Climate change has the potential to affect long-term supply of recruits and Tasmania is especially at risk because it is expected to be a hot-spot for change in water temperature. Above the water, foreign exchange rates and oil prices are significant issues. All of these put pressure for a lower TAC to maintain or raise profit and the capitalisation of quota units.

Caleb Gardner

**Southern
Rocklobster**



Invitation

Australian Southern Rocklobster Industry Strategic Planning Workshop - 2008

**Wednesday June 4th 2008
commencing 9:00am**

Location:
Fisheries Research House,
25 Geils Court, Deakin West, ACT

You can obtain a copy of the plan at
southernrocklobster.com

RSVP essential for catering to **Kate** on
1300 853 880 or **kate@corvel.com.au** by
COB Tuesday 27th May 2008

Southern Rocklobster Limited (SRL), the peak industry body invites you to attend a workshop to update the current (2006) strategic plan. The workshop will:

1. Review current R&D investment platforms and projects
2. Consider new platforms and projects
3. Set national R&D priorities, actions and timelines

Marketing Students Assist with SRL Market Development

Southern Rocklobster Limited (SRL) would like to welcome two students from the University of South Australia, Ryan Jones and Bryony Jardine. Bryony and Ryan will be involved in the USA market development program for a period of sixteen weeks until early June.

They will conduct analyses of various aspects of the USA super premium fine dining market including the business environment, competitors, restaurants and media. These analyses will be used to develop a marketing and communications plan to assist with further penetration into this market.

While in the USA for two weeks in April, Bryony & Ryan will be involved in conducting in-depth interviews with chefs across a number of cities. These interviews aim to determine various

restaurants' purchasing and product requirements, media consumption patterns, customer base characteristics, and perceptions of the Australian Southern Rocklobster.

The students will be guided by senior researchers at UniSA's Ehrenberg-Bass Institute for Marketing Science. The 16 week project, known as the International Marketing Project Program, is the cornerstone of UniSA's Bachelor of Management (Marketing) degree.

Ryan Jones is in his third year of the Bachelor degree, having previously studied Computer Systems Engineering and graduating from the South Australian Young Entrepreneur Scheme.

Bryony Jardine is in her third year of the Bachelor degree and works part time at the Ehrenberg-Bass Institute for Marketing Science.

The project is a joint initiative between SRL and UniSA.

HOT SPOTS

- » Joint initiative between SRL & UniSA.
- » 2 Students to assist with USA market penetration.
- » Marketing and communications plan to be developed.



Ryan Jones



Bryony Jardine

SA Addresses DEH Recommendations

HOT SPOTS

- » Research into Australian sea lion interactions underway.
- » Focus on the SA Northern Zone.
- » Pot modifications to be trialled.
- » Previous success in WA.

Following ecological assessment under the Commonwealth EPBC Act, the South Australian Rocklobster Fishery (SARF) is about to embark on a project to mitigate potential interactions with the Australian sea lion.

The Australian sea lion is now listed as threatened under both Commonwealth and SA legislation.

The project aims to satisfy legislative requirements to mitigate any potentially negative interactions of fisheries with vulnerable species, such as the Australian sea lion.

Derek Hamer, affiliated with SARDI Aquatic Sciences, who is developing methods to mitigate the interactions of protected species with several fisheries, says that gear modifications that have been established in the Western Australian lobster fishery have reduced predation rates of rocklobster by the sea lions.

Derek explained the project to fishers in the SA Northern Zone (where it is thought that most interactions may occur) as part of series of port meetings held across the zone in October, 2007.

Derek will commence the first stage of the fieldwork during April 2008, when he will test the effectiveness of several pot modifications at sites near Port Lincoln. Underwater video will be used to examine the interactions of sea lions with lobster pots. Several licence holders on Kangaroo Island have provided rocklobsters for use in the trials.

Funding for this research was provided by FRDC Project No. 2007/41.

Please contact SARDI Aquatic Sciences for further information.



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Roger Cotton
Independent Chair

Cotton's Comment Progress...

USA Trade Program - Dollar Difficulties

The USA market development program has continued in the face of a rising

Australian dollar with levels around 95c US. We need to remember that this is almost a 30% increase since Southern Rocklobster Limited (SRL) commenced facilitating trade in late 2006.

In addition, a relocation of the live holding tanks was necessary just prior to Christmas, adding further complexity to the operation.

I am pleased however to report that through these difficult circumstances the number of customers continues to expand in the US and the volume facilitated into the new market is on track to increase through to the end of June 2008.

This is a credit to the SRL team, the fishers and supply chain partners who have continued to support the program. This commitment is most important, as the USA program is long term, and if it is to be sustained it must be robust enough to deal with these and other challenges we will face going forward.

In the end it is up to the whole of industry and I would encourage licence holders to not lose sight of the poor prices received just some four years ago, which led to the current investment. The need for a diversified market portfolio has not changed.

CRC - Market Research Program

Parallel to the trade facilitation program has been our market research and development program operating in partnership with the University of South Australia and funded through the Australian Seafood CRC.

I can report that a database documenting in excess of 500 highly rated US target outlets has been established by the project team and these are currently being surveyed and assessed.

Clean Green - FarmBis Disappointment

On a disappointing note, the wind up of FarmBis funding in Victoria has left our DAFF EMS pathways program with no capacity to facilitate participation in the program this year in Victoria. This is particularly disappointing given over 20% of the fleet had expressed interest in participation in response to the EMS Pathways communication program.

SRL will continue to explore funding avenues to allow us to provide the program for Victorian industry members as soon as possible.

I can report that final Clean Green programs will be offered in Tasmania and South Australia in April / May 2008.

Traceability System Upgrade

On a more positive note I am pleased to report that our project partner, CORVEL, has been successful in attracting AusIndustry support for further development of the traceability system. The project will deliver an automated tag application system linked to full traceability through the chain from 'pot-to-plate'.

SRL Board Meeting - Adelaide, April 3rd

In line with the commitment made by the SRL Board to meet in member States from time-to-time, our most recent meeting took place in Adelaide on the 3rd April. With the SRL Board meeting scheduled to coincide with that of the South Australian Rock Lobster Advisory Council (SARLAC), who hold a 55% share in SRL, it was an ideal opportunity for industry members and Directors on both Boards to interact and discuss progress with SRL programs.

No doubt this interaction set the scene for the positive and progressive meeting of the SRL Board that followed.

Upcoming Activities

Chicago National Restaurant Show - SRL will be displaying live jumbo Australian South Rocklobster at the show again this year from 17th - 23rd May. Licence holders are welcome to attend and should investigate State Government support for your travel. Contact our Executive for additional information.

Industry Strategic Planning Workshop, Canberra June 3rd - All licence holders, supply chain members, managers and research partners are welcome to attend the annual industry R&D review and planning meeting. Further details on the workshop are included in this edition of the newsletter and please contact Justin Phillips for additional information.

Roger Cotton
Independent Chair

