

# Chairman's summary

53<sup>rd</sup> SRL Board Meeting  
6 December 2018

## Sector Updates

### SARLAC (North)

Roger Rowe provided an update on the Northern Zone and the following points were noted:

- Two new chairmen (Ian Evans - Northern Zone and Rob Kerin - SARLAC) have been engaged to provide the associations in SA with political clout.
- David Spiers (Minister for Environment) was due to provide a report by the end of November regarding the Bill that he intends to table to review marine park zoning. The report is yet to be received.
- Through this process, the SANZRLFA has increased allegiance with the Liberal party.
- Pot trials are currently underway in the Northern Zone.
- The state of the fishery at the start of the season was slow. Catch rates have started to improve in late November. Historical records show that this is common.
- CPUE of 0.8 and 0.9 has been achieved by vessels with consistent skippers and crews.

### VRLA (East & West)

Wayne Dredge provided an update on Victoria and the following points were noted:

- Potential to take a quota increase in the Eastern Zone
- The WZ quota will be set at the next RAC meeting and looks to be held stable.
- Good catches both inshore and offshore have been experienced in the Western Zone, whilst the Eastern Zone has been slower.
- Victoria (Eastern Zone) is experiencing an increased number of juvenile Eastern rock lobsters in the fishery.

### TRLFA

John Sansom provided an update on Tasmania and the following points were noted:

- Season has begun well and 60% of the TAC has been harvested.
- CPUE and TAC is looking healthy at this stage of the season.
- TRLFA is focussed on sustainability of the fishery

- Statewide CPUE is currently at 1.2kg/potlift.
- In the process of increasing the female size in the North of the state to 120mm in order to increase egg production and biomass.
- *Centrostephanus* barren coverage is estimated to be 15% in the assessed area. Most of the growth in barrens is experienced in depths greater than 20 metres.
- Actions to decrease barrens have been in place for some time including culling and subsidised harvesting.

## ARLEA

Michael Blake and John Brady provided an update on the processing sector and the following points were noted:

- Quinn Fitzgibbon held his workshops on lobster health in October 2018 which were well attended.
- The remainder of the update was deferred to Agenda Item 8.

## FRDC

Josh Fielding provided an update on FRDC affairs and the following were noted:

- A new Board has been appointed with a different composition that is expected to focus on strategic priorities of the FRDC.
- The SRL Chair was one of only two returning Directors
- Open call is currently underway which includes SRL's Cold Chain project proposal.
- FRDC is in the final stages of undergoing an independent review to assess how well the organisation is meeting its obligations to its stakeholders and contributors.

## **Live Export**

The Board noted the following:

Progress on a live export media response plan. Once completed it will be circulated to ARLEA members at their next meeting.

Outcomes of a study on Bait Security conducted by IMA including:

- There is ample supply of small pelagic bait sources in Australia. The challenge for bait security is in the consistency of the catch of baits.
- Only a small fraction of the Australian blue mackerel TAC is harvested so there's large supply if demand (bait price) made catching it worthwhile.
- There's speculation that blue mackerel is being exported / could be exported. But that's not happening now. The current fishery isn't set up for it.
- An operation in Ulladulla is day tripping for blue mackerel and might provide an appropriate bait source if contacted. A very small proportion of the current catch is being supplied to the trivially small human consumption market. The bulk is used for fish meal

- Synthetic bait options might provide a solution where fresh bait supply is inconsistent.
- Limited freezer space is a consideration for fisheries that spend up to 10 days at sea.
- Norwegian organisations have successfully implemented artificial baits. It is expected that as the baits are species specific, it will take significant R&D and time to procure an effective artificial bait for SRL.
- The FRDC Board is due assess a project on fish meal production out of Ulladulla.
- There is room for exploitation of underutilised species as bait prior to a switch to artificial bait.
- A trial of artificial bait in Western Australia circa 1950 resulted in artificial baits not being taken up.

### **Reappointment of SRL Chair**

The Board noted the out of session resolution to re-appointment Professor Colin Buxton as Chair of the company. The appointment is until 30 June 2020.

### **Future Policy Direction for the West Coast Rock Lobster Managed Fishery**

The Board expressed its concerns in relation to proposed changes to the management and allocation in the WRL fishery, noting:

- The current WA attitude toward the gap between current TACC and MSY.
- The issue of government ownership was a major concern for WRL.
- Resource management policies are expected to be changed to provide greater return to all sectors: commercial, recreational and the wider community.
- A similar discussion is occurring at the Commonwealth level around SBT.
- A priority in the current FRDC open call is to optimise catch sharing arrangements between sectors and across jurisdictions.
- The recreational sector is a powerful voice advocating against increases in TACC where fisheries are performing well.

### **Rock Lobster Peak Body Workshop**

The Board noted that:

- A roundtable will be hosted by SARLAC in January 2019 to discuss the roles of the various peak bodies.
- The SRL Chair and EO would attend the roundtable.
- A key objective of the workshop is to remove duplication of effort and identify the value propositions of each organisation.

### **RD&E Committee**

The following projects were assessed:

## 1. Corporatisation workshop

The Board approved a budget of \$25K for a workshop on the Corporatisation in the SRL fishery and the unintended consequences of ITQ and noted the following:

- The workshop will include 3-4 invited keynote speakers who are specialists on ITQ management.
- The workshop objective is to pose possible actions for fisheries that are being affected by corporatisation and will be attended by fisheries managers, peak body reps etc rather than individual business operators.
- The budget would cover bursaries for the speakers and the workshop facilities.
- Other sectors who might be interested in attending the workshop should be contacted (eg ACA).
- Cost savings might be found if some of the speakers would be willing to co-fund their attendance.
- Pending the approval of a provisional budget, an application to host the workshop will be lodged with the FRDC.
- The timing of the workshop might coincide with the Melbourne Seafood Directions conference in 2019 to allow for greater participation.

## 2. Cold chain review

The Board endorsed a project that will review cold chain practices in SRL noting:

- Graphs generated by temperature loggers showing temperature spikes in shipments that reiterated the importance of the project.
- The Department of Home Affairs is preparing to introduce the Known Consignor Scheme from March 2019.
- Highlighted deficiencies in the current supply chain, particularly between the point of delivery to the CTO and loading onto the aircraft.
- This project is designed to highlight the deficiencies so that we can make a representation to the various freight forwarding companies as a peak body.
- The project's service provider should consider a wide range of anecdotes from the processing industry to ensure each unique aspect of the cold chain is assessed.
- The horticulture industry can be looked to as an example for efficient cold chains.
- The 'security' aspect of the SRL cold chain will be integral to assess as it not only will be required by the KC scheme, but will also provide more leverage during representations made to freight forwarders or airlines.
- SRL's role as a peak body should be to have a point of view and a united perspective and therefore SRL needs to make the issue known to the people supporting the industry and to those that benefit from it (freight forwarders).

## 3 Water content

A proposal to study water content and losses during handling was rejected on the basis that the work did not warrant a research project, but rather, an agreement between industry supply chain participants. The Board noted:

- WA attempted to quantify the water content in traded lobsters, which lead to a decrease in TACC by the same amount and therefore had a zero net effect on the industry.
- Variances due to location, carrying vessels, climates and other practices made it difficult to conceptualise a research project.
- It is expected that water content data that is currently held by processors is sufficient to base negotiate transactions with individual suppliers/fishers without the need for a research project.

## **Exporting to China and learnings from the Meat and Livestock Industry**

A presentation from Peter Liddel, Ant Bowyer & Sudeep Gohil of KPMG was aimed at branding SRL into China - potential strategies, marketing or logistics that should be employed and backed by the peak body.

This team has advised GFC and MLA on their export strategies.

Peter Liddel (KPMG) presented on the proposal for a branding project to the board and the following points were noted:

- Peter leads the AccessAsia team at KPMG to advise Australian businesses on their entry into Asian Markets.
- Core elements of selling into China was discussed including Seeing China with Chinese eyes, understanding who one is doing business with in China and the persuasiveness of Government and selection of distribution partners.
- The supply chain is dynamic and has shortcomings that can be mitigated by aligning product with supply chain prior to selecting a market.
- There might be opportunities in the second tier cities like Suzhou and Wuzhao.

Sudeep Gohil (KPMG) presented on the proposal for a branding project to the board and the following points were noted:

- The five brand pillars were noted: brand promise, brand perceptions, brand expectations, brand persona and brand elements.
- Potential approaches for SRL brand in China including provenance, legacy, authenticity, quality and value.
- China recognises Australia's brand as being high quality - although there is no single Australian brand.
- Several case studies were analysed including Australian mangos which have been purchased for \$150ea at the beginning of the season when branded with the Australian flag logo.
- There can be challenges when Australian brands have a self-image that is lost in translation when marketed in China.
- Fraud is an issue for all Australia and foreign brands in China. This includes domestic Chinese products.
- A well defined strategy, based on stakeholder engagement will resonate with Chinese consumers.

- Blockchain integration is becoming the norm in high end Chinese supermarkets and it is expected that these markets will only accept products with blockchain integration in the medium term.

## **Chinese consumer update and SRL traceability systems**

Luke Mirowski from UTas presented on his traceability project and the following points were noted:

- The UTas traceability project is due for completion in 10 months time. It focusses on traceability across the entire SRL supply chain.
- Traceability has become a factor of value in the Chinese market.
- Several parts of the Daxue and China Skinny reports were confirmed with regards to Chinese value, and the physical and cultural attributes of SRL as a product.
- The Board was shown videos of the current supply chain at the point of landing in China. The video showed workers throwing polystyrene boxes of SRL onto pallets and generally 'mishandling' them. There was no cold chain displayed in the video. Lobsters were sorted by hand by throwing them into tanks.
- Traceability should be leveraged to protect and empower the brand - as SRL is so highly considered in China, its distinction from other brands is important and valuable.
- Updates on Chinese fresh super marketplaces (like Hema) which are being pioneered by massive online platforms. They are a new business model (known as O2O - "Online to Offline". It enables customers to find a product online and then enter a bricks and mortar market to purchase the product.
- It is expected that the higher end fresh supermarkets will only accept products with provable traceability.
- 'Bonded markets' also exists in Chinese markets. These are markets where stall holders receive benefits from the Government for trading there. These markets are also increasing their capability regarding integration of traceability systems.
- Learnings from the China Hairy Crab fishery were shared - namely, that traceability and provenance can increase price to an unprecedented level (10x) for the product.
- The Hairy Crab fishery established a national single brand (YangCheng Lake Hairy Crab) and every crab is traceable back to its origin.

## **China Skinny Report and SRL Branding**

Following receipt of the China Skinny report from LENZ, the Board discussed branding of SRL in China. The following points were noted:

- Whether SRL should adopt a national brand or individually company branding.
- Noting that the China Skinny report is now 2 years old and that LENZ are now not as united as they were at the time of publication of the report.

- Currently, it is difficult for Chinese consumers to find the product via online channels.
- Australian and NZ companies elected to progress their brands individually due to the lag in joint decision making between LENZ and SRL/ARLEA.
- The joint marketing committee formed at the previous ARLEA meeting were tasked with the production of a website. The website was put on hold pending the receipt of the China Skinny report.
- The China Skinny report revealed that a website is relatively low on the list of priorities when establishing a digital strategy into China.
- Parts of the China Skinny report were common knowledge to current players in the SRL processing industry. Production of further reports should consider whether it is worthwhile to proceed.
- The China Skinny report raises questions on whether SRL and LENZ co-brand, IP rights for logos, whether a campaign should be based around provenance or health, value of a competitor analysis, registrations for trading names etc.
- The SRL industry (and quota holding) is fragmented and disables the benefits that large consolidations (eg WA and New Zealand) provide.
- Vertical integration to the point of consumption is being experienced in China.
- Prior to continuing the digital strategy, more fundamental supply chain and industry components should be sorted out. As an example, 29% of the quota in the SZSA has been caught in the first month of the fishery opening. This leaves doubt as to whether there will be product available for CNY in early February.
- The China Skinny report does not include any collaborative approach with jurisdictions outside of New Zealand.
- The major issues in SRL supply chain are occurring in Australia (freight forwarding, catch 'scheduling', cold chain), rather than in the Chinese digital marketing space.

The Board summarised its position as preferring to progress SRL branding as an Australian initiative ie separate from NZ noting:

- This approach also mirrors the current Chinese perspective that Australian lobsters are different from New Zealand.
- In reality, there is often no signage at the end consumer point of sale that distinguishes Australian SRL from New Zealand SRL.
- Using Clean Green as a co-branding tool to establish a standard alongside individual brands had merit and should be explored.
- QR code analysis via a project like the Two Hands project might be a good scoping activity to ascertain whether there is a unique set of circumstances that result in a high price increase.
- Emphasis on storytelling included in the product sale is evidently attracting greater value at the point of sale. It even seems to be more attractive than MSC certification.
- Working with partners in China willing to be educated about the SRL industry and its characteristics (wild caught, irregular size and shape, procurement quirks) is essential to maximising the value of the fishery.

- The Qingdao trade show lacks Australian representation and could be a target for next year's marketing strategy.
- Consumers are unlikely to know single exporters - using a single unified brand to target Chinese consumers is highly recommended.

Professor Colin Buxton - SRL Chairman