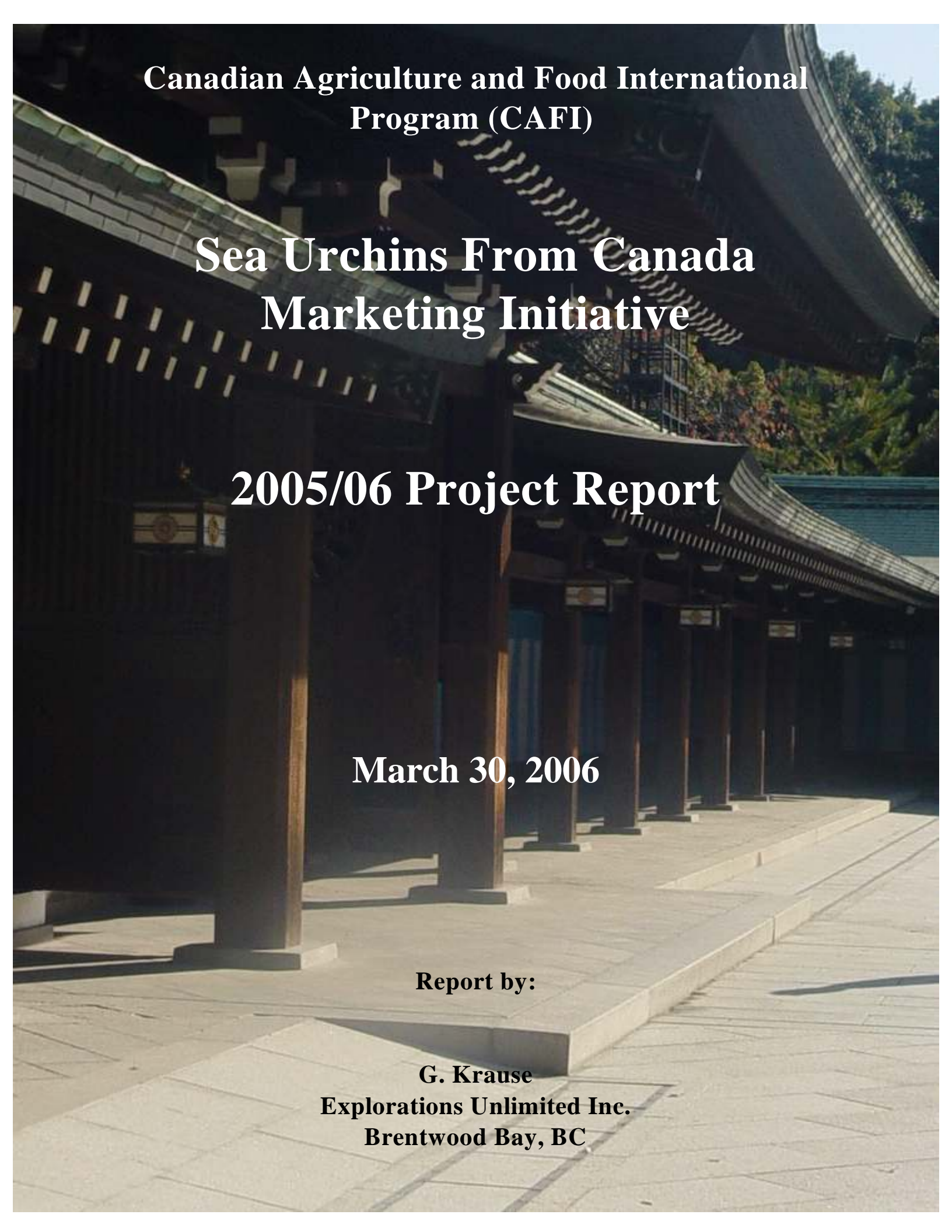




**Canadian Agriculture and Food
International Program (CAFI)**

**Sea Urchins From Canada
Marketing Initiative**

2005/06 Project Report



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March 30, 2006

Report by:

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Sea Urchins From Canada: 2005/06 Project Report

Executive Summary

The performance of the Canadian sea urchin products in the Japanese market for the 2005/06 season was again seriously impacted by the ongoing IUU Russian fishery in the Kuriles. Landings from the IUU fishery continued through the winter again, instead of falling off a bit in January as happened prior to the 2004/05 season, and the market was capricious (erratic) throughout.

Green Sea Urchins (GSU) from BC compete directly with the Russian IUU fishery and more or less got hammered this year, landing less than 20% of the TAC. This IUU fishery remains the greatest threat to the continuing economic viability of the GSU fishery and is also inflicting considerable pain on the Red Sea Urchin (RSU) fishery as well. In both cases there are a number of long-term science projects in both fisheries which can no longer be fully funded by industry and are likewise being cut back. Difficulties in the RSU fishery were compounded by stormy weather on the North and Central Coast of BC in January/February, which resulted in flow interruptions of RSU products to the market.

The products are sold in US dollars and the margins on both fisheries were also impacted by an additional 10% or so value increase for the Canadian Dollar *vis a vis* both the US dollar and the Japanese Yen. The competitive environment in Japan was therefore very tough this year for sea urchin product producers from Canada. Even with this, 2005 prices for Canadian uni declined by just over 10% from 2004 prices, an amount approximately comparable to the US, while the volume decreased by only about 40 MT (~10%) which compares favourably with the US decline of 213 MT (~23%).

The SUFC initiative this year made good progress on most of its objectives, reinforcing the relationships with buyers in Japan and attracting proposals for collaborating on product promotions in Japan this year as part of the Joint Marketing Initiative. The SUFC group is anticipating continuing progress in this regard. There have been a number of questions on developments on the temperature, water loss and quality profiles for loads from various locations but these efforts have not yet produced sufficient information suitable for release. The overall Branding program has not progressed as far as perhaps hoped for but coordination between the SUFC, other food representatives and the Federal initiative remains a critical consideration. Program guidelines from Agriculture and Agri-Food Canada are now being finalized.

The website has been enhanced and now includes much more information, including separate areas for the consumer and industry member “communities”, but because it is such a key tool for the Branding initiative, the consumer polling and response areas are still in the design stages. The pilot rollout in November drew some comments that the translations into Japanese came across as too harsh. Efforts to draw more content and comments from fishermen, processors and handlers in Japan are ongoing.

There were some testy relations between the RSU processors and harvesters this year as battles for market share broke out at the beginning of the year. This unfortunately distracted attention from the cooperative efforts of the SUFC initiative but the issue(s) were resolved by early February and harvesters and processors are again fully engaged in the CAFI program.

Canadian Agriculture and Food International Program (CAFI) Sea Urchins From Canada Marketing Initiative

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The proponents would also like to thank all those in Japan who so generously and graciously shared their time, insights and hospitality on our trips.

Canadian Agriculture and Food International Program (CAFI) Sea Urchins From Canada Marketing Initiative

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1.0 Introduction

The Pacific Urchin Harvesters Association (PUHA) and the West Coast Green Urchin Association (WCGUA) are industry associations established to examine fishery issues in the Red Sea Urchin (*Strongylocentrotus franciscanus*) and Green Sea Urchin (*S. droebachiensis*) fisheries respectively in British Columbia. The primary markets for each of these fisheries are in Japan and the two associations have joined forces as Sea Urchins From Canada (SUFC) to develop and implement a joint international marketing strategy. The BC marketing effort remains primarily focussed on Japan even as opportunities in other jurisdictions are explored. France is, at about 1,000 MT per year, is the second largest market for sea urchin roe in the world (Andrew et al 2002) while the US market is also growing. Both of these markets are supplied by domestic suppliers.

Canada has a very favourable reputation around the world as a technically and socially advanced society but is not widely recognized or identified by consumers as a supplier of high value food products. This issue has motivated a Brand Canada Initiative by the Agriculture and Agri-Food Canada which aims to link Canadian food products with the very favourable reputation of Canada.

The unfamiliarity extends to Japan and is handicapping efforts by the SUFC to establish a better profile for sea urchin products from Canada with consumers in that country. In more specific terms, we intend to present Canada's seafood production industry as a consistent and dependable source of high quality seafood produced in an environmentally sound manner. There are any number of communications and cultural obstacles to be overcome between Canada and Japan but there is also considerable goodwill. As a short summary, the SUFC group continues to earn credibility with Japanese buyers and handlers of Canadian sea urchin products to the extent that a joint marketing and promotional initiative is planned for this season.

This document reports on the progress made by the SUFC group over 2005/06. Activities include the attendance by representatives of the SUFC group at the Brussels seafood show and an annual trip to Japan by harvesters and processors to reinforce relationships with buyers in Japan and to get a first-hand look at landing operations from a large Illegal, Unregistered and Unreported (IUU) Russian fishery in the Kurile Islands. The SUFC group has undertaken a full overhaul of its website (www.puha.org) to re-orient it as a marketing tool and providing a forum where consumers, buyers, processors and harvesters can learn more about and provide advice on or otherwise discuss BC sea urchin production issues. A number of other market, economic, marketing and branding issues are discussed. The value of the Canadian product is also confounded by the continuing appreciation of the Canadian dollar vis a vis the USD and the Japanese yen. The sea urchin markets and the currencies involved are being tracked to our competitive position can be accurately assessed..

1.1 Description of Strategy for 2005-2006.

The continuing focus for 2005-06 remains on building relationships with international buyers using trips and enhanced communications through the internet to discuss issues of common interest and to develop joint marketing initiatives. The Canadian industry must build a brand presence and ultimately establish a relationship with consumers so the Canadian products can be positioned as an identifiable high quality, sustainable alternative to the commoditized sea urchin products as opposed to competing as simply another supplier of that commodity. Point of sale and promotional materials will be updated along with the PUHA website so they can be used in an integrated fashion to facilitate communications with our customers. New foreign language and consumer survey sections will be developed collaboratively with our value-chain partners and incorporated into the website so we can more effectively profile consumers of Canadian urchin products, their desires and their perceptions of our product(s) and address any concerns they may raise. Short term indicators of success in the Japanese market will focus on the responses to the Joint Marketing Initiative (JMI) from the buyers in Japan - as measured by their positive responses, contributions and suggestions to the JMI. We were also looking for consumer responses to these materials and to an e-survey on the website, but various components have been delayed and are awaiting the wider roll out of the Brand Canada guidelines. Long term indicators will, however, include increasing recognition by Japanese consumers of Canada as a supplier of high quality seafood to the Japanese market as measured by an increasing proportion of positive responses to questions in the survey designed to examine this recognition.

It is very hard to project the market conditions in Japan for the next year because many of the factors affecting the market are beyond the control of the Canadian industry. The most prominent issue remains the unregulated fishing in the Kurile Islands by Russians which continues unabated. On the other hand, the Japanese economy appears to be in better shape than it has been for some time and demand for these products is not expected to decline so hopefully next year will see things turn around and exports pick up and prices recover.

The marketing initiative is also exploring market opportunities in Europe, Hong Kong, China and the US to diversify our markets and reduce our reliance on Japan. The collection of market intelligence, including supply and demand factors for various product forms and our competitive international trade issues (tariffs, plant certification requirements etc) and position vis a vis other competing sources, will continue to inform the on-going situational analyses.

Short term indicators of success will again focus on increasing the number of contacts and business leads in these markets, particularly those in Europe. Establishing benchmark metrics on sales into these markets are still being worked out within the group but additional information on preferred product specifications and related sales opportunities are anticipated this coming year. Long term indicators of success then will include increased communications (signifying rising interest) from buyers in these countries and increasing collaboration with them to jointly differentiate and position the Canadian product in their markets.

2.0 Market Summary for 2005/06

Japan continues to predominate as the world's single largest sea urchin products market and sales to Japan currently absorb about 80% of BC's annual production. Traditionally the product, uni, was strictly considered a luxury product but an increase in the relative value of the yen in the 1970's made imports competitive, increasing the supply and allowing more popular use of the product. As a result, the average unit (whole weight) prices of *S. intermedius* and *S. nudus* of \$US 23.10 (¥2,772) and \$US 13.30 (¥1,596) per kg in 1991 had, based on a steady exchange rate of 120¥ per USD, dropped to \$US13.70 (¥1,644) and \$US 8.60 (¥1,032) respectively by 2000 (Sakai et al 2004). The acceleration of the Russian IUU urchin fishery (*S. intermedius*) fishery in the Kuriles since then has rendered the Japanese production increasingly uneconomic because that production is coming in at between ¥150 - 600 /kg. Graphs of Tsukiji uni prices for select countries from 2001 through March 2006 are presented in Appendix D.

The high, mid and low end markets are quite different with respect to the revenues and growth potential. The use of uni as a flavour additive market is dependent upon low cost supplies which may, again, be in some jeopardy because of the trajectories of the Chilean and Russian fisheries which may see the curtailment of these fisheries in the not too far future. This may provide a window to supply lower grade material until cultured product comes up to speed but the interval cannot be assumed to extend beyond a couple of seasons at this point. It does suggest that moving to re-balance the production profile towards higher value uses even as the lower value demand remains strong may be a safer route to continuing economic sustainability. In the retail supermarket segment, assumed here to be the mid-grade market, BC holds a significant market share in part because of the product's reputation with regard to taste but also because BC's current clients are large scale suppliers of these outlets. BC's market share in the high-end sushi restaurant segment is low because these outlets get their supplies through the central markets.

The major competing suppliers for the extracted uni (fresh and frozen) market in Japan in 2005 were Chile (2,548 MT or 57.5% of the imports), US (755 MT or 17.0%) and Canada (387 MT or 8.7%). The volume and average price rankings for fresh chilled roe, the highest quality product form, are listed in Tables 1 and 2 respectively. Significant supplies of live animals were also brought in from Russia (13,826 MT or 93.4% of live imports), North Korea (819 MT or 5.5%), US (106 MT or 0.7%) and Canada (35 MT or 0.2%). The live production from Russia is particularly problematical in that it is reducing prices throughout the Japanese uni market and impacting all legitimate producers.

Table 1: Import volumes (kg) of uni into Japan (Can. Trade Comm.)

	2002	2003	2004	2005	Vol Chge 05/04	% chge 05/04
World	3,033,310	2,636,830	2,466,385	2,194,916	-271,469	-11.01%
USA	1,185,405	946,557	933,602	720,165	-213,437	-22.86%
Chile	693,354	638,486	559,258	460,000	-99,258	-17.75%
Canada	401,726	380,129	380,189	340,127	-40,062	-10.54%
China	260,674	288,719	239,921	270,196	30,275	12.62%
North Korea	182,324	112,328	136,165	204,138	67,973	49.92%
Mexico	101,037	109,267	113,148	107,537	-5,611	-4.96%
Peru	63,801	54,493	51,855	58,515	6,660	12.84%
South Korea	100,340	82,183	49,241	30,413	-18,828	-38.24%

Table 2: Average wholesale prices (\$/kg) in Japan (Canadian Trade Commissioner, Tokyo, Japan)

	2002	2003	2004	2005	\$ Chge 05/04	%chge 05/04
World	\$63.02	\$58.31	\$54.22	\$46.32	-\$7.90	-14.56%
USA	\$73.35	\$71.56	\$63.02	\$55.81	-\$7.21	-11.45%
Chile	\$50.40	\$45.94	\$45.24	\$41.32	-\$3.92	-8.67%
Canada	\$61.73	\$58.46	\$56.82	\$50.81	-\$6.01	-10.58%
China	\$44.55	\$41.58	\$38.57	\$32.24	-\$6.33	-16.41%
North Korea	\$63.35	\$49.55	\$45.20	\$33.67	-\$11.53	-25.51%
Mexico	\$86.90	\$79.49	\$62.78	\$49.59	-\$13.19	-21.01%
Peru	\$52.13	\$47.67	\$45.87	\$39.38	-\$6.49	-14.15%
South Korea	\$65.20	\$58.39	\$59.06	\$56.33	-\$2.73	-4.62%

The unit value, gross value and export volumes of sea urchin products sold to Japan have declined in recent years primarily in response to the saturated supply situation in Japan caused by the IUU Kurile Island fishery conducted by Russian interests, and the Canadian suppliers to this market continue to suffer. The 2004-05 season started better than the 2001-02 and 2002-03 seasons which had previously been the most affected by the market collapse in Japan. In these and previous years, demand had remained somewhat robust through January as the Russian fishing was curtailed but things changed last year and operations continued throughout the winter. As a result, demand collapsed last year in January primarily because Russian landings in Hokkaido flooded the market with the equivalent of a full-year Canadian GSU TAC each week.. The Russians generally fish at the same time as Canada through the fall and up to Christmas, so starting fishing a bit earlier in the season to beat the Russian product to the market is not likely to prove an effective counter-strategy.

As a measure of the problem faced by Canadian producers, some 20 - 25% of the BC sea urchin Total Allowable Catch (TAC) was not harvested last year. Overall, only about 45% of the GSU TAC from BC was taken in 2004-05 while less than 20% of the 2005-06 TAC was taken as of January 15, 2006, a point where regularly 60-80% should have been harvested, making this the worst season on record. Only 12 of the 49 green Sea Urchin and 101 of 110 Red Sea Urchin licences were activated this year.

In more general terms, Japan is BC's second most important export market after the US and BC boasts the most successful trade relationship with Japan of any of the provinces. In the mid-1990's Japan took 25% of BC exports but these numbers have been sinking since, hitting 14.5% by the 2000 and 12% by 2004. The mix of exports has not changed much in the last century, comprising commodities such as lumber, fish and ores like copper and coal, despite all of the changes that have occurred and despite the success in improving trade relationship to Japan that other countries, such as Australia, have been able to realize.

In many respects it seems that the effort put into strengthening the trading relationship with Japan, whether it be through diversification of exports or better adopting our products to the unique requirements of the Japanese market, has been lacking. This is particularly disturbing because the Japanese are known as behind the scenes movers and shakers throughout much of Asia and there are any number of opportunities to joint venture or partner with subsidiaries of Japanese trading companies, which are set up right in BC, to explore and expand business opportunities in the many countries, including China, where they have a presence (Young 2005).

2.1 Economic Update for Japan

There were rising hopes by mid-summer 2005 that the recovery in Japan could be real and lasting this time. Domestic spending is becoming a growth engine in Japan for the first time in 15 years (Anon 2005 i), output is rising, job markets are tighter than they have been in 7 years, consumer spending is ticking upwards (Anon 2005 f), the Nikkei 225 index was up 35% in 2005, rising to 4 year highs and land prices are again rising, all supporting the conclusion that Japan is indeed back in business (Carrick 2005).

Prime Minister Koizumi called, fought and won a snap election over the issue of privatizing Japan Post, the largest single source savings with assets of about USD 3 Trillion. This privatization is important to Japan because political influence is applied on public sector banking institutions to fund pork barrel projects. This seriously compromises the capital allocation of Japan Post (Grimmer 2005 d) particularly given that obscure accounting and market manipulation in Japan have been called near traditional arts (Anon 2006 f). Much of the country's commercial code has been re-written and tightened up over the past 5 years or so but the process still has a ways to go before the rules and enforcement are transparent. Corporate Japan and the general population are craving reform including clarity on governance rules, how enforcement will be applied and whether the courts can be appealed to efficiently during disputes (Anon 2006 f).

2.2 Some Global Trends

The US, Sweden and Canada are the world's three most globalized countries while Japan comes at # 15 (Reynolds 2006). Globalization is a fact of life and business survival increasingly depends on the ability to adapt to the rapidly accelerating change that is now part of today's world. Most people believe the future is a straight line through the present from the past but this is just simply no longer the case (Wilson 2005). The challenges Canadian fishermen face now include not only the market, weather, difficult logistics and product availability, but also global economic imbalances, global climate change and increasing competition for depleting resources, like oil even as new competition is emerging from China, India, Vietnam and many other parts of the world. Industry consolidation is at record levels as large companies invest around the world trying to make best use of resources no matter where they are.

The recent emergence of China, India, Brazil and Russia as major active members in the global economic community has effectively doubled the world's labour force. China's effect on the world economy is not exceptional from other Asian tigers but it is more dramatic, not just because of its massive labour force but also because its economy is so unusually open to trade. It now appears that global inflation, interest rates, bond yields, house prices, wages, profits and commodity prices are increasing driven by decisions made in China, a development that may be the most profound economic change in the past half century (Anon 2005 d). The global effects of the modernization in China are projected to continue for another couple of decades as China still has at least 200 million underemployed workers to absorb into the workforce.

They are also providing their citizens with the tools to compete. More than half of all primary school children in China now learn English and the 500 million English speakers in China and India now exceed the total number of mother-tongue English speakers elsewhere in the world (Johnson 2006). These multilingual workers, and the companies that employ them, have significant advantages including a vital understanding of the different cultures in our quickly globalizing world.

The competition from China and the threat that firms can move more of their manufacturing and services offshore is keeping a lid on wage growth in the developed world. China's growing influence is revolutionizing the relative prices of labour, capital, goods and assets in a way that has never happened so quickly before. Take, for example, the price of oil. Despite doubling in price over the past year inflation rates have remained low and global growth robust because it is being driven by strong demand growth in China, as opposed to a supply disruption.

The notion that the future for North American business lies in innovation and talent while India, China and other new entries into the global manufacturing scene remain static as low-cost operations still has traction among many in the comfortable west. Unfortunately things don't seem to be working out that way. More and more effort is being directed by many companies in these emerging economies to identify and empower talent to fuel research and innovation. Many large companies are moving their R&D to the developing world, with developing Asia as the preferred prospect. Innovation is on the rise in China which filed some 2,452 patents in 2005, overtaking Australia, Canada and Italy to take over 10th spot globally (Anon 2006 c).

European officials have projected that China could be spending a greater proportion of its GDP on R&D than the combined public and private sector funded R&D in Europe by 2010. China is the most attractive R&D location in the opinion of 62% of respondents in a recent poll while the US and India round out the top three. Canada is tied with Taiwan and Singapore at 4.4% each. The workers in China, India and other developing nations are "hungry" and with the many skilled and trained technicians and scientists there, genuine leaps through innovation are likely (Grimmer 2005 a).

Advances in technology are also affecting how business tracks the expectations of consumers providing new tools for supplying exactly what their customers want, when and where they need it. For example, there is a food chain in Japan which collects the outside temperature, time, height, age and gender of the buyer and more with every sale. This is known as context information and is useful for making decisions on timing and sizing replacement orders as part of their just in time inventory control system (Wilson 2005). Attention to design, efficiency and innovation is increasingly being sought universally and companies, and industries, which do not promote innovation will soon be left in the wake of those who are less comfortable and more eager to move ahead. The dedication to serving customer needs as the paramount mission is on the rise in India and China and North American companies need to nurture their "better understanding" of the customers and their needs to maintain their advantage (Martin 2005).

2.2.1 Demographics

The United Nations projects that 2050 populations will be lower than today's in some 50 countries. Russia's population is projected to fall by 22% by 2050, Ukraine's by 43%. Japan's population has already started to decline and will soon be followed by Germany and Italy while even China's will be shrinking by the early 2030's. There is a considerable amount of angst about the economic impacts of this, primarily based on fears about falling absolute GDP, but a more meaningful measure is per capita GDP which is likely to rise with the introduction of more technology etc. spurring productivity. These new demographics can also be celebrated as heralding a golden age (Anon 2006 b).

Japan's population is projected to decline by about 20% from a peak of about 127.6 million to about 100 million by 2050 (Anon 2005 i). As of October 1, 2005, Japan's population was 19,000 lower than it was a year earlier (Anon 2006), suggesting that an anticipated population downturn arrived about a year early (Anon 2005 b). Immigration and larger families are both discounted as realistic solutions in Japan and the best option relies on attracting and retaining a larger proportion of the population into the active workforce. Women are particularly at issue here as female participation in Japan's workforce, ~55% in recent years, remains well behind the 61-62% levels in Canada, Britain and the US (Anon 2005 i).

2.2.2 China

The US has reported a trade deficit every year, amid mounting wails of woe, since the 1970's. Japan had a turn as the main antagonist through the 1980's because it had such large trade deficits with the US and used tariff and non-tariff trade barriers to limit imports. China now runs very large trade deficits with the US and is taking a turn, as an economic threat to continuing American prosperity. Despite the finger pointing exercises, rational economic analysis reveals that upwards of 70% of the trade deficit is due to intra-firm trade within US owned or affiliated multinational firms. As such, the US trade deficit is a largely private, self-sustaining and self-financing affair. Less alarmist observations on the situation note that these sports of arrangements are set up to earn profits and that they are generally very profitable for their parent firms (Reynolds 2006).

US politicians, therefore, should be careful what they wish for when they talk about punishing China for its unfair trade practices for when they actually see the enemy, will find they are looking at their own most successful companies. Protectionist measures to reign it in would be a catastrophe as it would not just close off a powerful source of future prosperity but also engender a veritable tidal wave of resentment towards the developed world in the developing world.

Low cost manufacturing in China is disrupting manufacturers in advanced countries but the situation it faces at this point is probably best described as pretty much on the edge. Peasants and migrant workers still make up about 2/3 of China's 1.3 B people (Kahn 2006) and have limited access to the benefits of development. Local officials operating with impunity, and little to fear from a legal system that often answers to the Party through them, have been fomenting land

grabs, pollution, corruption and other abuses which have been growing by leaps and bounds in recent years. These are now leading to mass uprisings which threaten stability in the country.

China has responded by focussing on economic growth to provide opportunities to as many people as possible. It stimulates economic growth by heavily subsidizing fuel prices and their fuel prices are among the cheapest in the world in spite of importing more than 40% of its oil. The drive to own a vehicle is as high in China as anywhere in the world and millions of new motorists are clogging the roads every year. This means the multiple new roads and expressways built every year are jammed with cars as soon as they open. Despite the limited wealth through much of Chinese society, public transportation infrastructure is under-developed and China's biggest cities are expected to face gridlock within two to three years.

The cheap price strategy is applied across the Chinese economy, particularly the manufacturing sector, making it shockingly wasteful and promising an environmental nightmare and eventual energy crisis. The government is now starting to take some steps to avert disaster, increasing fuel prices by about 10%, hiking taxes on large SUV and luxury cars etc, but there is still no fuel tax despite its being acknowledged by economists as one the most effective means to limit fuel consumption (York 2006).

China's growing economic clout is transforming the world economy and that stability is as much in its interest as it is in the rest of the world. The size of China's economy was revised upwards by USD 285 B. in early 2006 from the estimate released only a month or before when the government took account of the services sector. The services share of the economy has now jumped to 41% of the economy, compared with 46% for manufacturing and 13% for primary industries such as agriculture and mining. This extra activity is a natural consequence of development because, just as everywhere else it happens, wealthier people want more restaurants, bars, car dealerships, private hospitals, beauty salons, bookstores, real estate services, gardeners, legal and banking services etc. The proportional size of the sector is roughly as large as those of Japan, Taiwan and South Korea when they were at a similar stage of development (Anon 2006 e).

Canada and China's economies are in many ways complementary, China has a huge developing market while Canada has an abundance of natural resources and in terms of transportation costs, Vancouver is the closest major North American port to China (Wong 2005). In China, Canada is widely held as multi-cultural society, friendly to Chinese and eager to develop relations with China. There are some recurring points in any advice to conducting business in China that bear repeating. These include:

- Never trust a Chinese feasibility study- it is aimed at attracting interest, not in defining the real opportunity;

- Do not bribe- invest instead in long-term mutually beneficial relationships with customers including training, travel and recreational opportunities;

- A conflict of interest is considered a competitive advantage in China;

- Government officials may lie to you but you must never provide them false information;

- In disputes with the government, respect is gained by being tough but arguments must be framed to show how the business is good for China, not what is wrong with the Chinese government;

Chinese businessmen are known to request outrageous conditions just in case someone is dumb enough to say yes; and
 Never use the Chinese market as a last resort to save your business- Chinese businessmen detect any desperation and take full advantage of any weakness - if your boss moving that way- lose his passport (Schachter 2006).

2.2.3 Currency Exchange

The USD value has declined vis a vis the \$C to 77% of value registered in January 2001 while the ¥ has declined to about 76% of its former value against the \$C (Figure 1). The relative value relationship between the USD and the ¥ between January 1, 2001 and now is, at 100.1% of that value, virtually unchanged. Japan would seem to be doing a much better job of managing its currency's valuation vis a vis the world's primary reserve currency (ie. USD) than Canada.

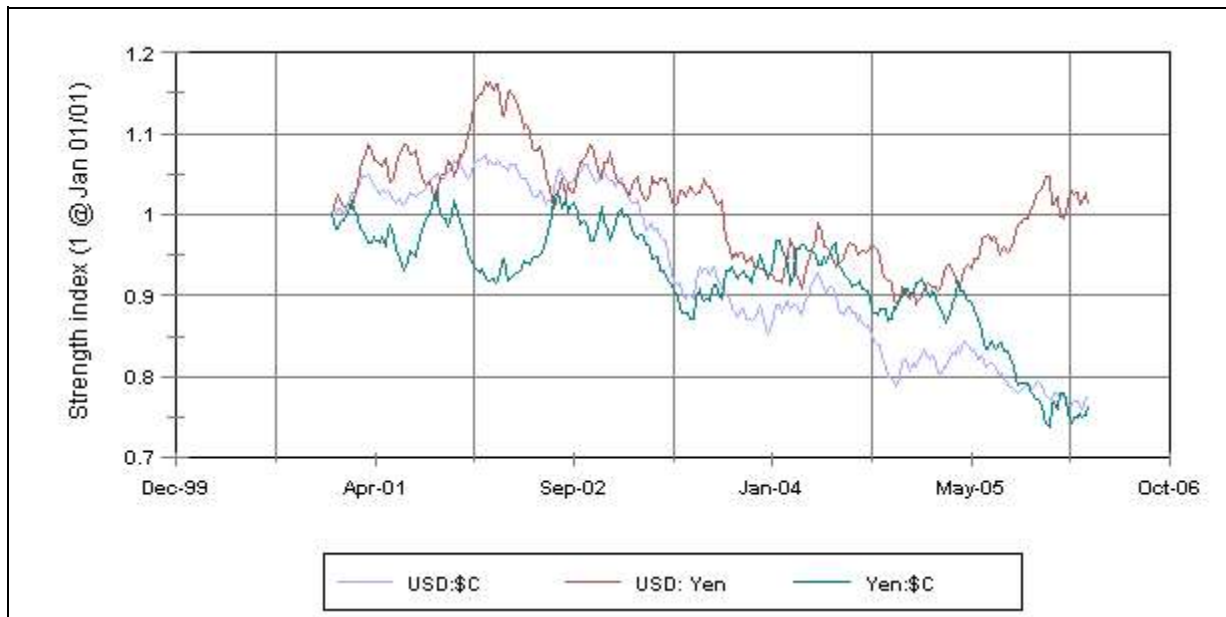


Figure 3: Relative standardized currency fluctuations since January 1, 2001.

The implications of this are mixed- on the one hand it does not bode well for economically sustainable returns to Canadian industry from continuing “status quo” sales of seafood. From another perspective though, the prospect of an appreciating currency holds tremendous potential as an investment consideration, assuming the industry can respond successfully to the increasing competitive forces mandating a shift towards higher value production. The USD is projected to continue declining against other world currencies in at least the medium term because of that country's very high current account and budget deficits, whereas Canada's currency is projected to continue increasing because of our surplus position in both these accounts and because of our increasing stature as an energy and resource backed currency. There are of course many other implications with the USD situation but an appreciating Canadian dollar will logically make investments in or perhaps through Canada more attractive.

3.0 Marketing Environment

Fishermen are coming to realize that if they continue to do what they have always done they will simply continue to get what they have always earned. Given the trends towards greater corporate control in many resource industries and international trade, this is not particularly alluring. There are however, increasing options for personalizing business and many fishermen are taking more pleasure producing food they can take great pride in purveying to source conscious buyers which represent a growing segment of the population (Weber 2006). For example, the internet offers tremendously exciting marketing avenues and is available to any scale enterprise. If it is used to amplify genuine natural, open, funny and honest human conversations, something valued by virtually every person on the planet, it holds the potential to make a laughing stock of the humourless monotone of the mission statement or marketing brochure style more typical of corporate campaigns (Anon 2005 k). The so-called blogo-sphere does this very thing, allowing consumers the world over to voice their opinions on any subject and there is now at least one site, Technorati, tracking updates in near real-time so bloggers can track the trail of their own posts. Even executives recognize that blogs can be an incredibly effective yet low cost way to influence public conversation about products or companies (Schachter 2006).

Fishermen more actively marketing and promoting their products must keep in mind that the five most important words in marketing are:

1. You- convey clearly what is in it for the customer;
2. Why- describe why we are better, different or superior;
3. Commitment- build confidence through commitment to quality and service;
4. New- people are attracted to new products and services; and
5. Free- this attracts attention but can also be the most dangerous word in marketing.

On this last point, some care is required to ensure that promotion programs do not make customers feel cheap. Customers in North America are unlikely to use a coupon for a 10% saving if they are in a situation where social impressions are important, such as on a date or amongst friends. Strategies to keep the customer from looking cheap might include giving a charitable donation on redemption or including the coupon as part of the packaging on the product so it does not appear to be the reason for the purchase (Schachter 2005).

An important point that must be kept right out front in the design of any advertising or marketing program (including the website features) is that consumers are real people and companies that remember this and treat them with respect as such are more likely to do well (Markillie 2005). Consumers everywhere have one thing common: a distinct lack of time. Whatever ad campaign develops it must be hugely respectful of the users and their time if success is to be even remotely possible (Markillie 2005b). Herein lies the value of a trustworthy 'Brand' because it provides a navigation aid to people in what is an increasingly complex market. The benefit of a strong brand is that it can convey information about a product very efficiently so the promises associated with the brand are passed along to the consumer basically in mere seconds (Markillie 2005a). Any information provided must not only be real and relevant, but it must be presented in an engaging format so they keep coming back. Hype should be avoided because it is increasingly seen as condescending and/or even insulting.

3.1 Consumer Empowerment

Consumers are finally seizing ultimate power because of the internet and, having achieved power, are not likely to give it up. Projections are that this will cause more market fragmentation as customers needs get more diverse and their sophistication grows. As media become increasingly interactive, consumers will exercise more choice over what they consume along with the how, when and where (Markillie 2005e).

All of this has profound implications for marketing strategies because it is changing the way the world shops and even firms which claim to be “customer driven” are having their claims tested as never before. People can now not only compare products, prices and company reputations in great detail, but they can also tally the claims of the company with the opinions of others and discover what previous buyers have to say (Anon 2005). These capabilities will continue to evolve and suppliers will be increasingly judged on whether they are walking the walk or just talking the talk. Those which are found lacking can expect to suffer. (note: are there any blogs or other websites in Japan which discuss seafood and national suppliers?)

The rise of the increasingly discerning consumer means advertising may become more permission-based and increasingly involve economic or financial incentives. Advances in the world wide web and its growing availability anywhere at anytime in major markets (like Tokyo) means that anything that is screen based will be able to be used as an ad-serving mechanism. In Japan in particular, watching video and/or accessing web information on mobile phones looks like a winner because so many people have to deal with a long commute on the trains (Markillie 2005b). Many of these consumers are tapping into web sources to get ideas, recipes, notification of specials, etc at work or during their commute. Technical advances of the past few years include web-enabled mobile phones able to isolate the location of the user and forward relevant notices to them are providing new opportunities for marketing to individuals. There are also mobile phones which read RFID's and able to check into the best before dates, any uploaded product history and/or upcoming specials. etc (Markillie 2005b). As these capabilities become more entrenched they will further redefine the shopping experience and raise consumers' expectations on just what background information is part of the purchase package.

3.2 Cultural Differences

Effective advertising recognizes that different cultures respond to different sorts of messages (Anon 2006 a). For example, Asians and North Americans literally see the world differently. When shown the same picture, North Americans of European ancestry pay more attention to the object in the foreground that is the focus of the picture while students from Asia spent more time studying the background and taking in the whole scene. This is attributed to the fact that Asians live in a more socially complicated world than North Americans and tend to pay more attention to others than North Americans who are more generally characterized as individualists (Anon 2005 g).

3.2.1 Heroes in Japan

A recent survey of American and Japanese heroes identified government leaders, parents and religious figures in the lead in the US while in Japan the ancient samurai leaders of yesteryear still command the most respect.. The code of bushido, the code of the warrior, with its emphasis on loyalty, being grounded in reality, conservatism and, last but not least, sword wielding, is still the bedrock philosophy of Japan. The sword play is included as an allegory because in business the winner is often the one who can sense a competitor's feint or parry and respond quickly and appropriately (Schachter 2006). The elements of the samurai code that can help win any business battle include:

- Act honourably- honour is not negotiable, it is an overarching requirement;
- Act with Courage- once what needs to be done is known, do it;
- Act with Rectitude- always do the right thing;
- Be loyal- without loyalty, there is no trust;
- Be compassionate- one must care for others to be a leader;
- Appreciate the arts- these are a doorway to understanding and appreciating life;
- Be honest- without honesty there is no credibility;
- Be polite- it shows and draws respect; and
- Maintain self-control- one must manage one-self if one is to manage others (Diffenderffer and Immen 2005).

3.3 An Update on Brand Theory

Brands provide customers with an assurance of quality but they also express a set of values with which customers can identify with. A brand is based on, and must remain true to, its identity. In a personal sense it is who you are, what you stand for and what you hope to accomplish, and this in turn can be divided into three parts: the core extended and potential identities (Dunne and Moulden 2003).

The core identity is that part of you that does not change and determining this requires an honest appraisal of who you are etc so you can identify what is constant.

The extended identity can be thought of as the intersection between the core identity and what the consumers want and need from the brand. This might include the skills, technology and protocols etc you apply to build the brand promise. Developing an extended identity requires careful consideration of the audience's needs and how you can satisfy that need in a manner consistent with the core identity.

The potential identity of a brand is all about the vision behind it and what extensions or repositioning can be envisioned given the current identity. It is important to understand the brand's boundaries and to consider the different directions in which it can be sensibly expanded, choosing only those that make sense in terms of the current identity, interests and what the marketplace might require in the future (Dunne and Moulden 2003).

There is considerable evidence that the country a product comes from can strongly influence consumer attitudes on their perceptions of the goods they purchase, to product classes and to specific brands from that country. Unfortunately, Canada's reputation abroad is not particularly flattering in this regard. For example, Asians see Canada as a land of beautiful lakes with courteous, friendly people but not as a producer of high quality products or advanced technology. Even our reputation with Americans is underwhelming- Canada is seen as pristine wilderness populated by nice laid back people, perhaps too nice and laid back to be successful in business (Dunne 2003).

Canada elbowed its way in front of Switzerland and Britain into second place, just behind Australia, in an analytical ranking of the world's nation brands. (The US came in at #11) 10,000 consumers in the US, Britain, India, Germany, South Korea, Canada, France, Japan, Denmark and China were polled. Canada ranked second in investment, immigration, people and governance and third for tourism but only 11th in awareness of brands and export products. The results of the survey testify that the value(s) Canada embodies are the same values that most people in the world subscribe to these days. The positive nation brand has a direct impact on selling products and influencing governments and this survey highlights the goodwill of people around the world to buy a lot of stuff from Canada (Alphonso 2005).

Building a good brand requires a long-term perspective and strategic thinking and communicating Canada's advantages is only a small part of the process. Every experience consumers have of the brand - positive and negative, contributes to its reputation so every point of contact between the Brand and the consumer should be controlled. Concentrating the brand-building effort on simply a bigger and better advertising campaign will not bring success, the effort needs to be more focussed on creating a new reality (Dunne 2003).

The following guidelines apply:

1. Success starts with an understanding the target market including insights into what they need and what they value;
2. Effective articulation of an accurate value proposition which is clear on what we want to represent, how it fits with customer needs and how it makes us better than our competitors is key;
3. The focus must be on quality and not marketing *per se*. The basis for customer satisfaction is the product and developing products which meet their requirements is the core of the Brand identity. Advertising and promotion are used to bring the products and their benefits to the consumers' attention but the product(s) themselves are the key- they absolutely must meet the promises; and
4. Consistency and making sure all the communications deliver the same fundamental message remains key to maintaining clarity and avoiding mixed (confusing) messages (Dunne 2003).

One of the most costly steps in establishing a new product is getting the name known. By extending the reach of an established brand to a new product, these costs are avoided even as the new product's quality is vouched for. This can work as long as there is some basis for linking the product to the brand but it can also harm the brand equity if it does not live up to the inherited standards, and thereby damage all of the other associated products. The possibility of collateral

damage from weak extensions and the difficulties of maintaining consistent positioning with a large number of disparate products puts a practical limit on how far the process can go. A brand extended over many products becomes increasingly unwieldy and incoherent, eventually becoming nothing more than a shaky house of cards (Moorthy 2003). With a national branding effort like this one, it must be seriously guarded against by all.

3.4 Traceability and Tracking Technology

When competing in world markets, the more objective standards you have in place, the better (Loy 2005). By pro-actively incorporating a Quality Assurance Program (QAP), comprising in part a standardized grading scheme, enhanced handling protocols, access to documentation of product by lot and an improved communications capability with consumers as part of the branding effort may provide an opportunity to differentiate branded BC Sea Urchin products as “superior value” in the mind of the Japanese consumer.

Radio Frequency Identification (RFID) technology has been around since the 1940's but is projected to become integral to a broad based initiative to transform the way manufacturers and retailers plan demand, manage inventory, distribution and supply chain partners and market to consumers at the store level. It is no longer a question of if, but when these devices will become the workhorses to replace the UPC codes (bar codes) currently used. The benefits include better traceability, increased efficiency, improved quality control and the ability to provide greater assurance to the consumer on the quality of their purchase (Christmas 2005). An RFID reader currently costs between \$10 - 15 K and, while the tags are still over a \$1 each, adoption is gathering strength and costs are continuing to drop.

Satellite tracking systems have been available for years to big trucking fleet but their cost and complexity put them beyond the reach of small outfits. New cellphone based systems are cropping up that allow drivers to download route and schedule updates, notify dispatchers of completed deliveries and report problems etc for about \$1,500 per month, including cellphone fees. The use of a service like Cube Route, based in Toronto but likely to be copied quickly across the country, avoids up-front costs of up to \$10,000 per truck. The premise is as simple as a “pay as you go” cellphone plan, after paying an initial setup fee customers only pay for the features that they use. A web-based interface, such as a web-enabled cellphone or handheld PC, is used by customers to communicate directly with drivers in real-time. The Cube Route service delivers at least 15% savings immediately by allowing better optimizing of routes, a reduction in the number of stops and improvements in the delivery cycles (Deveau 2005). This might be just what is needed to set up a more efficient reefer pickup and delivery network which could include consolidated south coast fishery landings and transfers onto scheduled reefers to Vancouver.

3.5 Certification

The Marine Stewardship Council (MSC) has certified 14 of the world’s fisheries since it’s birth 5 years ago and has a number of other certifications in the pipeline (Anon 2005 j). There is still a

long way to go, only 4% of the world catch is so certified, but a growing chorus of consumer voices for better management are providing it impetus.

3.6 Barriers to Entry as a Business Strategy

“Barriers to entry” work to keep potential entrants away and make it difficult for competitors to expand and are only effective strategic tools available to business. When barriers to entry are present, protected companies can consolidate their competitive advantages in economies of scale, a greater degree of customer captivity and privileged access to crucial inputs, all of which provide cost advantages to help ward off competitors. Absent such barriers, competitors flood into the market until the profits are meagre and the only possible option is tactical and encompasses the need to operate as efficiently as possible (Greenwald and Kahn 2005).

Even in these days of globalization, competitive advantages are generally grounded in local advantages and the economies of scale realized in the local market are considered the key to a sustainable competitive advantage (Greenwald and Kahn 2005). If, however, local barriers fall, new and perhaps larger competitors can move in and extend their greater economies of scale into the more local situation and re-define the standard by which the local market operates.

3.7 Website

The best ad-men spin a good story (Anon 2006 a). This is our goal- there are many good story lines coming out of the novel situations every year in the urchin dive industry, lets get them out there.

A website can work like a living brochure, providing a very powerful foundation for a ‘Brand’s’ identification, appreciation and follow-on recognition. Whereas a print or TV ad might get a few seconds of attention, a website typically holds the browsers attention for 2 to 5 minutes. They are accessed at the discretion of the consumer, increasingly at any time and anyplace. Many consumers first encounter a firm, and its brand(s), through its website but despite this, for too many firms their online presence remains a low priority.

A good web site is particularly beneficial if it is used to establish a personal link between the company and the consumer thereby facilitating relationship marketing. The website can also be used to solicit and/or record peoples’ opinions about the product and their experience(s) with its use and any directions they would like to see the product, and/or any services associated with the product (Markillie 2005c). Consumers like to feel their vote counts and on-line marketing can be configured to solicit the opinion(s) of consumers and include these as part of a marketing campaign. So-called brand democratization can be used with any on-line campaign, including contests, cross media initiatives and promotions (Wegert 2005).

It does not seem to make a lot of sense to design a web presence that cannot accommodate simple communication capabilities as a start and incorporate more sophisticated add-ons later. It

may be a bit over the top right now but consumer demand for ever-more advanced capabilities is sure to continue. Already there are retailers in Japan which provide recipes for download onto PC's or web-enabled cell phones and a reciprocal web-based ordering system which allows consumers to simply pick up pre-ordered and packaged ingredients or meals on the way home. Other companies provide coupons over the internet, which can again be downloaded onto mobile phones and which can be exchanged for discounts or samples (Markillie 2005a).

3.8 An Update on Nutritional Benefits of Omega-3's

Omega-3 fatty acids are now recognized as a vital nutrient. They have a variety of benefits, including reducing feelings of anger in adults who cannot control their tempers, but probably the most important contribution they make is to fetal development. Pregnant women who do not eat omega-3's have children with lower IQ's, impaired social relation skills and poor fine tuned physical coordination than women who consume more omega-3's.

4.0 2005/06 Program Activities

4.1 Fishing Season Reviews

4.1.1 Red Sea Urchin Fishery

In the Red Sea Urchin fishery, basically the full South Coast quota was taken again in both the 2004/05 and 2005/06 seasons. In the 2004/05 season, four quota areas on the North Coast were not touched but the harvest rate increased in April *vis a vis* other years. Fishing on the North Coast is just now being wrapped up and the season review will not be complete until May 2006.

4.1.1.1 South Coast

Fishermen believe that the competition offered by having new processors entering the fishery is good for prices but the established processors feel it threatens their position in the market. The processors have continually complained of undercutting by the new entrants but the fact remains that these new buyers have been paying higher landed prices. Their ability to do this while selling their products at lower prices suggests the undercutting story is not as straight forward as the established companies would have it.

Packers and truckers used to work for the fishermen but now work for the processors. This has given the processors leverage to exclude others from the shipping but has also left them with the associated administrative responsibilities and costs. When Individual Quotas (IQ's) first came into force, D&D collected the packing and trucking fees from the processors but found they were continually chasing them down and never did collect 100% of the assessed fees. If fishermen retake these responsibilities it will entail considerable costs now covered by the

processors. This will likely be a bit of a saw off though as the price structure will increase as it shifts from FOB at the port of landing to CIF at the plant. This would reduce the associated administration costs to the processors so the better prices to the fishermen could be fairly rationalized.

The South Coast/North Coast break is detrimental to getting new processors involved in the fishery. There is too much playing around going on when it comes to the packing, unloading and trucking on the North Coast. There was some discussion rejoining the North and South coasts to reduce the leverage on new processors who do not have a South Coast licence but this is likely to exacerbate the problems of optimizing the fleet operations as everyone could then fish the South Coast down so no fill-in quota from the South would be available when needed later in the season. Right now, many boats have both South and North coast quota on board and shift around as they see fit. This provides flexibility but the system could still use some tuning to get the best use out of the South Coast.

4.1.1.2 North Coast Report

The two fleet system working the North and Central Coast areas last year (2004/05) worked out very nicely. Smaller fleets provide more flexibility and spread the fishing effort so the chances of getting a steady flow to processors increased. They are also better for more detailed and slower working of an area compared to the large fleet where everything basically just gets creamed (cherry picked) the first time over and then the fleet moves on leaving more area quota in the water for cleanup fisheries later on.

Having Smith and Rivers inlets open all year also worked out nicely although the quality in the fall was poor and good in the spring. There was some discussion of the merits of breaking the coast up into three areas- North, Central and South Coast, to further the goal of evening out the product flow to the market but the consensus was to continue on a more informal basis for another year so more of the pitfalls and bugs can be identified and worked out.

4.1.2 2004/05 Green Sea Urchin Fishery

Overall, only about 45% of the TAC was taken in the 2004/05 season and 30 licences were fished this year on 16 vessels. Of these, 14 completed >80% of their quota, 12 were between 1,200 and 7,200 lbs while 2 caught 20% or less of their available quota. With regard to the proportion of the TAC left in the water, 2004/05 was the worst season on record since the TAC was established for the 1994-95 season. This was a bit of a surprise after the better performance for the 2003-04 season which had given hope to the premise that the worst was over as far as the market went. This year started better than the 2001-02 and 2002-03 seasons which had previously been the most affected by the market collapse in Japan but in these and previous years, demand had remained somewhat robust through January. In contrast, it almost totally collapsed last year in January (2005). Part of this may have been due to the late onset of winter freezing in the northern Japanese waters, but whatever the reason, the impact was serious.

The results for the 2005/06 season were even more disastrous. Only 15 of the 49 available licences were activated and less than 20% of the TAC was caught. The problem again is the Russian IUU fishery in the Kurile Islands. Encouraging Federal Government action to find some resolution to this problem remains a very high priority for the WCGUA. There has been some discussion over whether it might make more sense to start fishing a bit earlier to beat the Russian product to the market. The effectiveness of this is difficult to judge as the Russians generally commence fishing in October and immediately start landing between 300 - 350 MT per week. The Green Sea urchins are very seasonal and recoveries do not reach the 15% average until October- November.

The majority of Japan's demand for Green Sea Urchin remains focussed on live product that they then process but "wet packs"(in brine) appear to be gaining market share in Japan. These do not require the use of alum and are somewhat cheaper to produce than the standard tray products because the grading is not as intense. Having near-daily intelligence available on landings coming in from the Kuriles could allow some opportunity to deliver when Russian landings are interrupted. Including information on their prices and recoveries might also allow more competitive pricing based on the price per kg of uni.

4.2 European Seafood Exhibition 2005

The SUFC group had 5 representatives at the 2005 European Seafood Exhibition in Brussels last year. This is the world's largest seafood show with about 40 - 50K people attend this event every year. Mike Featherstone was accompanied by William and Michael Choi from Kiku Fisheries, Spencer Cheung from Grand Hale Marine Products Ltd. and James Mahon, a long-time RSU diver and licence holder. A report on the show and the participation from BC fishing interests was published in the July 2005 Fisherman Life Magazine.

Grand Hale and Kiku had samples of fresh and frozen product available at the booth which went over very well. Kiku entered its canned uni into the new products contest as a high-end caviar with a very attractive origami type label. It came in second in its category but the results did attract some good attention for Kiku. There are about 5-6 categories in the contest.

There was considerable interest at the booth last year and contact details for some 39 people were obtained (Table 3). This list includes buyers, chefs and other interested parties from many countries around the world.

Table 3: 2004 and 2005 ESE contact lists (Blue = 2004) sorted by country

Company Name	Contact name	Country	Comments
Deli Trade	Willy Defour	Belgium	C&F Brussels
Rugbyman n0 Two	M. Lutz	Brussels. Bl	restaurant owner
Montreal Fish	Martin Beaudry	Canada	President, imports weekly from Van Isl./Chile
Daily Seafood	Jessie Ho	Canada	
Australis	Juan Alarcon	Chile	general manager
Socope	Guy Desplats	Congo	
Nowaco	Ilona Smidova	Czech Republic	
Caviar House	Elias Daher	Dubai	send a quote
JFC (UK)	Ken Ishida	England	C&F London
T&S Enterprises (London) Ltd	Koichi Okabe	England	Wholesale manager, already importing uni
Seafoodexport	Jim Goriou	France	supplies large & small distributors in France
Byzance	Philippe Poulachon	France	C&F Paris
Xavier Amchin	Xavier Amchin	France	imports for the high end market, seafood buyer
Diana Vegetal	Alain Fournet	France	gourmet importer. Culinary Advisor
	Eric Hilaire	France	C&F Paris
	j.c. Alibert	France	sauce maker
Bacchus et Demeter	Herve Marjon	France	Comercial director
Deutschese	Glenn Schmittner	Germany	Bremerhaven
Kagerer	Fritz Kagerer	Germany	
Caviar Creator	Jesper Okkels	Germany	Sales Director EU
JFC Duetschland GMBH	Ryuji Horino	Germany	sushi supplier,
JFC Europe	Masahiro Yamamoto	Germany	C&F Dusseldorf
Vass. Androutsopoulos & Sons Ltr	Vassilios Androutsopou	Greece	C&F Athens
Namako	Nektarios Kechagais	Greece	C&F Athens
Hokkai Suisan	Marinus Noordenbos	Holland	C&F amsterdam
Fortune Seafoods	Francis Ng	Hong Kong	imports from Canadian east coast
Family Care Ltd.	Betty Chu	Hong Kong	Importer, sells to supermarkets
A-Mart Gourmet Ltd.	Nicky Chow	Hong Kong	
Ma'adanei-Yam Seafood	Shalom Maharovsky	Isreal	would consolidate with lobster to Tel a Viv
New Shark	Levaorato Carlo	Italy	C&F Milan/Venice
Gourmet Line	Bernardo Journo	Italy	import manager
Longino & Cardenal	Luca Monica	Italy	
Taiyo A & F Co. Ltd.	Koji Tokudome	Japan	Supplies direct to sushi bar chain
Bandoh & Co.	Zhang Ming	Japan	Tsukiji, Chou-Ku Tokyo
Bugeja Fish Market	Lawrence Bugeja	Malta	
Triton	Bernard Debono	Malta	Director, loves uni and would like all year
	Alaine Gertrude	Martinique	C&F Martinique
Takuhai Products	Louis Schotoemeijer	Netherlands	internet marketer, imports mainly from Japan
Mama Fish Products	Grant Clark	Netherlands	
Yama Products	Midori Oki	Netherlands	C&F Amsterdam
Sushi Ran	J Tsujimaru	Netherlands	minimum order
Moana Pacific Fisheries	Jason Ashford	New Zealand	Marketing manager -frozen products
Smart Club	Masaru Inage	Norway	fresh chef, mail order co.
Wannebo International	Tore K. Wannebo	Norway	managing director
Prod Co	Oleg Titov	Russia	import manager
Fish House	Ella Sidorenko	Russia	President
Van Diemen Seafoods	Larry W. Hallet	Singapore	managing director
DMI Trading	Ivan Ilencik	Slovakia	Director of Marketing
Ecole Hoteliere De Lausanne	Rodrigue Beniot	Switzerland	Culinary school
Shialin Group	Debra Chen	Taiwan	Exec VP
Akuvatur med seafoods	Haluk Tuncer	Turkey	C&F Istanbul
Oxygen	Junichi Hiraga	Turkey	Sushi chef in Istanbul
Cite Marine	Bruno Jaffre		purchasing manager
	Christian van Osselaer		C&F Brussels
Mariscos Ouinana	Simon Otamendi		
Axel Eibenstein	Appel		Key account manager

4.3 Marketing Committee Meetings

4.3.1 May 31, 2005

Present: Spencer Cheung, Francis Cheung, Tim Joys, Mike Featherstone, Dave Lansdowne, Paddy Wong, Geoff Krause, Dave McRae, Mike Crawford, Darin Macy

The first thing discussed at the meeting was the results of the logistics study undertaken towards the end of April, 2005. There was a lively discussion over some of the findings, particularly that the fleet does not apply standard handling protocols for their catch (eg. not all of the boats hold their product in the water until the end of the day or even cover their product with a tarp to protect it from the sun after it has come on board); that the packer held about 15 k lbs of product over for a whole day in the sun to ensure that it had more on board to boost his economic returns and did not get underway to Prince Rupert until he had about 100 k lbs on board; that there is no financial incentive for fishermen to adopt better handling practices because all the product at each plant is consolidated and all the boats get the same price with no regard to their handling particulars (i.e. there are no bonuses or other arrangements to compensate for additional efforts to improve handling). There used to be a recovery-based payment system but when the market was so strong in 1996 the system was dropped.

Some problems with the unloading procedures were also discussed, including the overload of the totes and the practice of shaking the totes with the forklift so more product can be piled on. This forces spines through the shells of adjacent urchins and some of the tips are actually embedded in the uni. These are often virtually undetectable and has led to lawsuits by final consumers in Japan who suffer injury when they eat it and get stabbed in the mouth. Darin mentioned that the fleet used to simply load the bags into totes on the packers and that this dramatically reduced the breakage of urchins as they no longer had to be shaken out of the bags. This would also speed up the unloading at the dock, although the hold design of some packers prevents the stowage of the totes in the hold so the use of totes would reduce the carrying capacity. The bags provide a degree of flexibility not available when the totes are used on the packers but this too might be an advantage given that a full packer load often gluts the supply and processing chain system anyways. This was suggested as a workable option that should be implemented for next season.

The processors were pretty much in agreement for the need to develop compulsory handling protocols for the fleet and were particularly concerned about the resistance of some boats to taking measures to maximize the product quality as opposed to simply trying to maximize their harvest volumes. Refining the bases for payment should be possible to resolve most of these shortcomings. These might include penalties for non-compliance with standard handling protocols (harvesters), penalties to the packers for delaying departure once product is harvested (although this might have to be complemented with a base trip rate for those times when the size of the load is marginal). There are other scheduling possibilities that should be developed so the packers, unloading and trucking can be more effectively coordinated to optimize downstream unloading, transport and processing conditions (eg. do not have packers arriving for unloading at the hottest time of day). It might be possible to get some assurance for the processors that the protocols are being adhered to by attaching some temperature loggers (eg. iButtons) to a proportion of the bags as they are brought on board. Right now there seems to be a bit of a dis-

connect on quality between the owners and the fishermen and the fishermen do not seem to be getting the big picture because the owners are simply not passing the information along.

There was also some discussion of the need to get some refrigeration onto either the harvest boats or the packers. As things stand, the product temperature varies in large part with the weather. There are some strong indications that BC is getting its shoulder season markets back in the spring, late summer and early fall because of problems in the Chilean fishery. This is great but it means that higher temperatures have to be anticipated and dealt with. There are a number of options being looked at to overcome the risks and at least some of them will be tried out and assessed during the experimental fishery which is tentatively scheduled for sometime in August. Everybody acknowledges that this past year was very hard on everyone, no one more-so than the packers, but this work is intended to define some options and their projected effects and costs so they can be more objectively considered by industry reps.

The prices for Canadian product are used by some to question the necessity of moving towards a higher quality product profile as they doubt they will recoup the investment(s) needed to really raise the bar. In fact, the Japanese are renowned for their willingness to pay premium prices for high quality products but they also have very high quality standards when it comes to assigning a “good value” label on the product. Spencer related one anecdote regarding some limited special California production which receives ¥12,000 per tray vs a more standard price of ¥ 3,000 - 4,000 per tray. We are currently not making even the lower benchmark but the story illustrates a certain upside potential for higher quality production if the Japanese are convinced the product represents good value. The non-cynical meaning of this is that the market is telling us that we are not there consistently enough to build that reputation.

Chile has been supplying close to 50% of Japan’s uni imports for the past few years but there are recent signs that the Japanese consumers have soured on their production because of poor taste and that they no longer feel the product is a good value - even at the low prices. Spencer mentioned that Ito Yokado, a large supermarket chain in Japan, is no longer allowing Chilean product on its shelves any longer. Takame, the biggest Japanese uni re-packer, is in trouble and may even go under because they have very large interests in the Chilean fishery. Maruki may also be running into a stiffer headwind as they too have, or possibly had, some kind of operating interest in a Chilean uni processing operation. Y&L is likewise reported in some difficulty, although in this case it may be more because they can’t keep workers at their Alaska operations and are moving their processing down to Mexico. This will have a number of attendant quality impacts as the shipping times by truck adds at least another couple of days before the product is processed. It also sounds like Harbour Marine is dropping out of local urchin processing but Seagate is staying in despite taking a bit of a bath at the end when some of their consignment product received no more than ¥ 200 per tray on Tsukiji. It also sounds like they are moving to larger premises which could mean they are setting themselves up for a fall. She only used a couple of licences last year but still had a great effect on the market at times when the lower prices she accepted cascades through to other processors who were likewise pressured to lower their prices. There are also rumours of another firm starting up in the industry although no details were provided during this meeting.

The Russian competition is having a smaller impact on the RSU tray market this year as

declining recoveries and rising price demands are slowing demand for their products. Both of these represent a very large development in the market but complacently assuming Canadian production will be the default option to replace them may be very dangerous unless steps are taken to further assure the buyers and consumers that Canadian product meets their expectations. Considerable research is still going into cultured production and, while it is reportedly not quite ready yet, future significant competition from these sources can be anticipated once they work out the production regimens, especially the feed formulas, needed to get a consistently high quality product. The next couple of years (almost certainly less than a decade) may be a window to get the wild Canadian production established in the mind the consumer as a safe, dependable and preferred 'brand', which could then effectively compete with rising volumes of standardized high-quality cultured production. Failure to establish this reputation for at least a proportion (which should rise over time) of the production will eventually put the industry in the direct line of fire and again competing on price alone as simply another supplier of commoditized uni.

The discussions moved along to the experimental fishing. The decision from the quota planning meeting that it would likely best be prosecuted in early to mid-August, prior to the beginning of the normal commercial season to protect the market, but even at that - there is not yet a lot of interest from harvesters. A base price of \$0.60 - 0.70 per pound will be required to get 6-7 boats needed out there. At this level it should take about a week (@~160 K-lbs) and GHMP, Paladin, Territory and Kiku should be able to handle 40 K-lbs each. An alternative is to set a base rate of about \$5 K for all the fishing operations each day meaning the fishing costs to PUHA would be about \$25 - 35 K (15.6 - 21.8 ¢/lb). Last year the fishery turned into a bit of a charade as only 3 boats, including 2 single-diver boats, participated and an associated pre-harvest survey was not completed. The urchins in this area may be spawning at this time of year and the processors will be needing recoveries of at least 4-6% to break even. The alternative would be to wait until just before the commercial fishery opens, the first area anticipated this year is the WCQCI so the most difficult and exposed fishing area(s) can be completed before the onset of more severe winter weather. The idea here would be to start with the experimental fishery and then move North along the outside towards Langara through September. By October the WCQCI should be close to completion and then the fleet can continue on even as some of the boats move along to the sea cucumber fishery which starts on the first Monday in October.

The experimental fishery will also be used as an opportunity to test a number of handling options to address issues that became apparent during the first phase of the logistics study. These will include the use of a chill system (RSW hold?) and refrigerated holds and/or totes on the packer, leaving the product in the water until the end of the day, covering the catch with wetted burlap, an insulated blanket and variously coloured tarps (green vs. blue vs. white vs silvered) and how these affect the final product quality in terms of recovery, melting, taste etc. A number of small temperature loggers which can be inserted directly into some of the urchins will be used to track the internal temperatures of the products as these options are characterized. Geoff is also researching the cost and availability of smaller size chill tanks or tubs which might be used on the harvest vessels, the rationale being that by having a dispersed chill capacity throughout the harvest fleet might in fact raise the actual cumulative refrigeration capacity of the fleet and might facilitate the development of a "super premium" product line. The actual market demand for higher quality product is not known at this time but approximately \$12 - 15 K from the

logistics study funds provided by the Province remain available to test the feasibility of applying these operational options.

There was then some discussion around the transport logistics from WCVI. The time for running a packer around from Tofino to Vancouver is about 24 hours and will also be weather dependent. This arrangement might work well in September but increasing problems can be anticipated later in the year. It is not generally worthwhile to run packers around from the Barclay Sound fishery as it usually peeters out, so it might be better to have those harvesters run over to the unloading dock in Ucluelet or perhaps Port Alberni. The water losses are greater on the South Coast *vis a vis* the North Coast so it also might make sense to have a packer tied up along the dock to take and hold product for a few hours before it is validated since there is a lot of water drop over the first 3-5 hours. This would also allow the harvest vessels to get back out closer to the harvest areas and rest up in preparation for the next day's fishing.

The financials for packer owners are pretty marginal right now. Sending the packer contracts out for open tender is a possibility and opening these services would provide competition into the mix. The benefits could include having refrigerated vessels on hand but it is worth considering that packing urchins is fairly specialized and the lack of experience in some might cause some problems. The packers are currently expected to provide a number of ancillary services to the harvester fleet and the current vessels have been involved for some time. This proposed change, if it comes about, must be handled with some sensitivity as there are personal relationships involved and there are enough personnel and morale problems in the fishery now that further blows could complicate continuing smooth operations. There were a couple of instances this past season where things got a bit haywire to the point where guys were having trouble performing their jobs effectively some days.

The change-over last year from M&M unloading to Keep It Cool generated some ill-will amongst the fleet and the new guys received a bit of a shellacking with regard to the quality of their work despite favourable reviews from the processors who generally feel they were doing a better job than M&M. Rumour has it that the terms of the unloading contract in Prince Rupert are going to be up for re-negotiation because Keep It Cool is not entirely happy with the way things stand. The unloading company on the North Island is likewise looking to bail so there are a number of changes coming up this year.

The 2005-06 lease prices are expected to come in at between \$10 -15 K while the prices of the licences are between \$100 - 150 K. All in all, the news sounds pretty disheartening and there is considerable dissatisfaction amongst the fishermen about how things are going. (My thought on this is that when things are generally perceived as bleak as universally as is coming across now- it is likely a good time to start picking up more licences etc- but that's only me. I think the worst is now behind the industry and that this year will see better performance- particularly if the Chilean and Russian situations turn out as reported)

There was also a little bit of talk about the amount of information held by Japanese buyers and how it is used by them to squeeze prices. D&D updates all the harvest information on its website on a daily basis and provides unrestricted to it over the internet. This is a valuable intelligence source for the Japanese buyers. The same holds for the two large buyers in Hong Kong. Darin

said that D&D would change its update schedule so the information would not be available via the web quite so quickly so the product has more time to move through the system.

4.3.2 August 16, 2005

Present: Ming (HiTo), Paddy Wong, Alpha, Ross Morris, Ken Ridgeway, Francis Cheung, Mike Crawford, Spencer Cheung, Alice, Sean, Sung, Mike Featherstone, Tim Joys, Dave McRae, Geoff Krause.

Summary:

The majority of the processors (excepting KiKu and PUP) met with PUHA representatives on August 16th in Richmond to plan the start of the 2005/2006 season. After considerable debate and discussion the processors recommended to open areas in the Port Hardy region which would allow either north or south coast licences an opportunity to fish. The recommended areas are, in the south Allison Harbour and in the North Smith, Rivers or Grief.

Processors have different markets and buyers and not all processors are planning to participate in the first openings. There was general agreement that Tofino should not open early and that a pre-harvest survey should be conducted to check the quality and recovery. All processors commented that Tofino was squandered last year by opening early. It was recommended that Tofino not open before Sept. 15.

The processors commented that the Japanese market will not really pick up before October 1. Once Tofino is completed the north fleet is scheduled to start the QCC experimental harvest before commencing on the West QCI. Each processor has agreed to take a portion of the QCI experimental harvest product.

Keep It Cool has installed a couple of live video feeds on the unloading station in Prince Rupert so any processors can actually watch live their product being unloaded

4.3.2.1 South Coast Openings

The initial suggestion that Tofino be opened up on September 6 raised a number of objections revolving around the experience in past years that the product quality (especially recovery) are still a bit marginal at that time and that it would be better to wait until at least the 15th if not later. Tim mentioned that the water temperatures are about 5 - 8° F (2 - 4°C) warmer than usual which might slow the development of the urchins down a bit further this year. It will definitely not be advantageous for the main feed source, kelp.

There was also mention that the Labour Day weekend in Tofino is usually pretty crowded with tourists which of course complicates things a bit as well. Paddy for one preferred to hold the opening there back until October 1 to give recoveries a chance to rise but all seemed satisfied that September 15th would work. Tofino can be a very good, profitable area and it would seem to

make sense to preserve the quota there until everybody can actually profit off it and maybe even conserve some it to later in the season when some in-fill catch is required because of supply interruptions from Central and North coast areas. In any case, some retained quota in the South Coast somewhere should be preserved for this use to help even out the supply. Tofino used to be a sensible area to start because the other WCVI fishing areas were tougher to access and Tofino let everyone sort of get used to the idea of working again. Last year there was no fishing on the South Coast until October once Tofino was cleaned up.

Demand from Japan does not usually really build until October and too much production before orders start coming in means the product must be pushed onto the market which often depresses the prices. Everybody seems to agree that scheduling the fishing to market makes much more sense. Having Smith Inlet, Rivers Inlet, the bottom end of Calvert Island and Allison Harbour (just South of Cape Caution) open from the beginning of September should allow the filling of any early orders and provide some work for guys who are keen to get going. It is good to have a couple of different (sub) areas open at one time in case the product quality is a bit spotty.

The pressure to start things off early generally comes from fishermen (weather is good and bank accounts generally somewhat depleted) but once the first guys get going, there is usually a bit of a rush by everyone to get out there. This is particularly true in 'good areas', like Tofino, where no body wants to miss out on good fishing. GHMP wants product flowing by Sept 2-3 at the latest but is satisfied with the delay until mid September in opening Tofino with the caveat that someone should get in there for some preliminary quality surveys prior to the opening so it can be most effectively utilized before boats are committed to the area. Spencer also made the point that GHMP is expecting to be pushing full steam ahead right from the get go as soon as things start. They would like to see an opening by August 22 and intend to get 3-4 boats working immediately. The weather in Port Hardy is usually pretty good at this time of year although the quality (recoveries) in some areas (esp. the south end of Calvert) may take until mid- September to develop. The summer temperatures suggest that reefer capacity on any packer used at this time of year might be advisable, although Phase 2 of the Logistics study has yet to define and characterize the quality impacts of different temperature environments and handling procedures. It usually does not matter too much on what the actual fishing start day is as the processing crews at all companies can work whenever they are required.

There may be some problems with unloading on the South Coast (Port Hardy) this year because the unloading contractor has decided not to continue this year. In the absence of other available solutions at this point it may make sense to try out some of the small totes so fishermen can at least unload their own boats. The limited product density holding capacity using these totes immediately became apparent when they were tried for general on-board holding last season but this more limited use may be helpful. The Strongs have picked up a mobile Hiab and may be interested in unloading at least some of the SC product.

4.3.2.2 North Coast Openings

The spring PUHA AGM decided that the experimental fishing program should commence just prior to the opening of the Queen Charlottes so it is out of the way before the things really get

rocking, at this point estimated to be somewhere around the 3rd week of September. The alternative would be for it to go at the same time as Cumshewa opens. About 100 - 150 MT production is projected and boats will be paid a \$1,000 per diem (flat rate) by PUHA for participating. Hopefully at least 8 boats will join in as this will get it all over with in fairly short order while filling a truck each day and generally allow economies on the logistics of moving the product down to the lower mainland. All the processors agreed that they would share equal portions of the catch, thereby sharing the risks and benefits.

4.3.2.3 Japan Trip

There seemed to be general consensus around a September 14th or so departure. Notification timing is an issue as far as the timing of the trip to Japan this year. Mike will contact the Canadian Embassy by email tomorrow to notify of our intentions and hopefully a 1 month lead time will be sufficient to allow them to arrange a meeting at the embassy for the third week in September and get all the requisite invitations out.

Sung mentioned that his sources in Tokyo are suggesting that Russian imports will remain high again this year and that the poaching is expected to continue for at least another season. This despite the promising sounds emanating from Russia and Japan on their intentions to deal with this. There was also no further news on the Chilean situation although it seemed that their production is continuing apace although confirmation of the state of the stocks (thought to be poor and declining) the fishing conditions and the extent of culture operations is required.

4.3.2.4 Lease Prices

Lease prices are up in the air right now because of the appreciation of so many other 'input' prices and the \$C. So far asking prices are around \$20 K but there have been no takers to date at that price and the high thus far is reported as \$12.5 K. 10 K seems like a pretty reasonable guess on the average projection for the year and it is not thought likely that any will exceed \$15 K. Using the 'standard' that the lease cost should not account for more than 25% of the value of the catch, this would roughly work out to a landed price projection of about \$0.60 per pound.

4.3.3 October 7, 2005

Present: Michael Callow, Dave Kensall, William Choi, Lawrence Chan, Francis Cheung, Spencer Cheung, Tim Joys, Mike Featherstone, Dave MacRae, Geoff Krause
Also: Lorne Swift from "Keep It Cool" and Ken Kanazawa and (?) from Wonderland Tours (setting up shots for the Tokyo TV crew in Port Hardy at the end of October) attended.

There is the issue of the two groups of processors and the conflict between them. The main group (the 5 sisters) comprising Grand Hale, Paladin, Kiku, Hito and Territory are worried about the price competition the new companies are bringing along and the effect(s) this is having on their sales and bottom lines. This main group of companies is willing to work with Pacific

Urchin Processors (PUP), because they have their own markets, but not with Sung Fish, Harbour Marine and Seagate, which together comprise the second group, because they are simply poaching existing markets from the 5 sisters. Seagate's primary interest is reportedly sea cucumbers and urchins are just accepted as part of the package deal. It may be that they do not really want to be in the urchin business.

The 5 sisters are particularly worried about the new companies cutting prices as a way to steal the established company's customers. They are therefore trying to restrict access to the packing, unloading and trucking services used in common by the urchin industry so the new companies have to pay a higher price for entering into the market, thereby reducing their scope for undercutting. This is however putting a further squeeze on the packing, unloading and trucking firms involved because they need as high a volume as they can get to counter the low margins and escalating costs they face- particularly because of increasing fuel costs, so they can operate at a modest profit.

4.3.3.1 South Coast Unloading/Trucking

Dan Carter has an unloading and trucking proposal that he wants to put forward. The problem from his perspective is that single boats are working alone here and there around the South Coast and it is very hard to service the fishery because there is often some distance between the different landing ports. \$0.15/lb just does not work for him any more and if he is forced to lose money on this job, he is just not going to continue.

Dan Carter relayed down his quote for the trucking out of Port Hardy and Northern Vancouver Island this year.

Trailer size	Capacity (# totes)	Cost (per trip)	Unit cost (full load)
48'	66 (11 rows) (41,250 lbs)	\$2,400.00	\$0.0582/lb
PUP	48 (8 rows) (30,000 lbs)	\$2,200.00	\$0.0733/lb
5 ton	20 (13,125 lbs)	\$1,350.00	\$0.1028/lb
3 ton	12 totes (7,500 lbs)	\$1,200.00	\$0.1600/lb

One problem that was brought up by the processors is that when the 5 ton is busy he will sometimes send the product along on the pup, charging the full rate so the unit costs actually come in at about \$0.1676 per lb. These are the highest prices Lorne has seen from Port Hardy and he suggested that another trucking firm, Sea force, is larger and may be able to more effectively consolidate loads with other users, thereby providing lower unit costs.

As for the totes etc in Port Hardy, Cove Fish has refused to take care of the totes while Keltic might be talked into it. Another advantage of using Celtic would be the availability of ice to chill the holds on the packers as a prelude to taking on product. If any hot spots are present in the

holds, the addition of ice some hours, or perhaps days, in advance of taking on urchins might just help cool things down a bit and thereby help out the product quality.

One of the problems from Dan's perspective is the use of widely separated landing ports and the need for widely dispersed trucks and unloading crews on Vancouver Island at various times of the season. He or his crew cannot be in two places at one time and some concessions and slack from the fishermen will be required to keep him keen. Territory for one says that he will have his boats fishing, and therefore unloading, only when other boats are working in the same area so the unloading and trucking effort is worthwhile.

In small harbours, the boats can unload themselves. This is slow and somewhat arduous, there being no portable hyab at hand, but then the truck just has to stop by and pick up the totes on his way by. Ken Ridgway is interested in trying out the smaller gray totes in this sort of situation as they should make the hand-bombing a bit easier. Lorne will send them down to GHMP and Mike and/or Tim will make sure they get moved over to where they can be used on the island.

There was some discussion on packing the product right into Vancouver by water. This might make sense as long as the load is large enough to make the economics work for the boat. The product quality may not suffer excessively either as the interval to the plant from say Campbell River south using this method might not be too much longer than by truck. It costs about \$140 / hr to run a packer according to recent calculations (provided by Tim from Mike) so the packer owners and crews might be happy with a 70,000 lb load (= \$7K gross @ \$0.10/lb from Campbell River or about \$4.2K net for a ~ 20 hour return trip). Smaller loads, say in the neighbourhood of 35 k-lbs though might not be so attractive because the \$2.8 K running costs are pretty much fixed meaning the net only works out to about \$800 when everything goes right. Trips to Port Hardy take about an extra 12 hours, so the return trip time would be closer to 50 hours, which would translate to about \$7K in costs per trip. A 70 k-lb trip would gross about \$10.5K (@\$0.15/lb) while a 50 k-lb trip would gross \$7.5 K meaning the margins would again be pretty slim at less than optimally sized loads.

Running RSU all the way down from the Charlottes might also be possible although again the load size would be a critical factor. The return running time is likely to be in the neighbourhood of 100 hours, presenting costs of about \$14 K. A 70 k-lb load (@ \$0.25) would gross \$17.5K for a net of about \$3.5 K if all goes right. A 50 k-lb load on the other hand would not be economic as the gross revenues of about \$12.5 K would not cover the \$14 K expense bill.

For the longer runs, some sort of quality control measure, such as a chilled brine shower in the holds to cool the product, might be well advised. Mike Crawford mentioned that the RSU start moving around when they are in the water and in confined spaces will break their spines and then die, although he did not know if this would apply in a brine shower system. Continuing work is still required to establish that this sort of chilling is a cost effective quality preservation option.

4.3.3.2 North Coast Unloading and Trucking

Keep it Cool has installed video cameras at the unloading station that the processors can link up with through the internet anytime they want to see what is going on at the station. The processors will need to get some viewing software from Keep it Cool and it might also work better with a dedicated computer so their other work flow is not interrupted while the video is streaming in.

Lorne was saying that they still have a number of totes up in Rupert but that they want more. They have totes from Paladin, GHMP, Territory, Hito, Kiku and PUP but none from Sung, Harbour Marine or Seagate. A full truck is apparently heading down today so should be able to grab a bunch for the trip back up. A 48' trailer will take 66 totes while a 53 footer will take 72 although trailers with a large intruding reefer will reduce these numbers by 2. Keep it Cool is taking a wait and see attitude for the unloading situation- it is not their fight and they do not want to get in the middle.

The cost for trucking this year is \$3,900 per trip for a switch truck (tractors are traded off in Prince George). The companies involved are generally set up for making grocery runs to Prince George etc and so are not desperate to give further price concessions. As long as the trailers are full this should work out to about the same unit cost as last year (~ \$0.10-0.11/lb).

The switch trucks use a central dispatch system which means they are more difficult to get a hold of while en-route. One difference from last year is that no-body is going to co-ordinate the trucking etc for free anymore. The dispatching etc will cost about \$100 per load and it is up to the processors themselves this year that all the trucks and tote needs are taken care of. Lorne will not be taking care of these issues this year. The processors say they will take turns monitoring and staying on top of the situation when they are fishing with each of them taking on the responsibility on a rotational basis for about a week or so.

4.3.3.3TV Tokyo crew

A film crew from TV Tokyo is coming to BC on October 24- 30 to get some footage for a show that will be broadcast as a Christmas/New Years Special. They will likely spend some time with the RSU dive crews around Port Hardy between the 26- 29 October. The show is looking for large edible animals of all sorts in many locales around the world and the RSU is undoubtedly one the world's largest urchins. They are hoping to get some footage of some real basketballs. They might also be able to get some footage of some large halibut and the Giant Pacific Octopus- also the largest in the world.

Ken Kanazawa is a Vancouver-based tour guide with Wonderland Tours Inc (604-734-0898; email: tours@wonderland-inc.com) and attended the meeting with a colleague to introduce themselves and forward the expectations of the actual TV crew when they visit. They are heading up to Hardy right after the meeting to scout out the area and some of the shots they might be able to use. Cory Hayes (from the CFV Silver Lady) has agreed to be the local contact for this week's excursion. Dave McRae will also make his vessel and crew available for the end of October shoot in Port Hardy/Port McNeill area if it is at all possible.

They may be interested in using some of the footage used in the PUHA promo-DVD, there is quite a bit of existing footage in Vancouver that PUHA is willing to share, so it seems to make sense that the same boats be made available for this project. The crew will be using its own mini-DVD underwater cam (NTSC format) for some underwater shots.

The final decision will of course remain with the TV Tokyo group but it would be a very good thing if the e-dress for the PUHA website (www.PUHA.org) could be included in the broadcast as a site where more information can be obtained. The onus is then on us to make sure the site is ready to go live by the time this show airs.

4.3.3.4 Water Loss Study

The water loss study has basically ground to a halt because a number of processors have not forwarded any of the plant weight data to D&D. DFO requires data from all areas and all plants before it is willing to take a position so the program basically has to be re-started this year to get a full data set. D&D has been collecting the packer (= grounds) weight and the landed weight. The processors must properly record the plant weights so the data can be tied directly to particular loads so all the data can be coordinated and reconciled.

4.3.3.5 Trip to Japan

The timing for the trip to Japan is now set at just prior to or just after another trip to China already scheduled to leave Vancouver on November 6 with a return on November 15. The preferred timing would be for the meeting at the embassy on November 17 which would allow parties on the China to join up with the PUHA delegation in Tokyo with some time to spare. Mike will contact the Tokyo embassy to confirm the meeting date(s) so the rest of the plans can be put into place.

4.3.3.6 Packing and Transport

There was some more discussion about the packing and transport situation. The packers need to have full loads this year more than ever to ensure they can operate profitably. Last year there were some vessels making a run with 150 K-lbs and leaving the next packer in line with only 15 K-lbs- a distinctly unfair situation. This might pretty much balance out over the year but the incentives for the packers to stay around and pull in a two day load (ie. they make more on the run) might be counterproductive for the industry as the wait can be detrimental to the quality profile, particularly of the first day's product. The fishermen, packers, unloaders and truckers have to accept that this is a money contest, not a pounds contest.

There was some suggestion that pooling might be an answer but given the general competitiveness of a normal fisherman, this might run into a bit of resistance. However, if the weights above a certain base level- say 50 K-lbs per run, were pooled and divvied up pro-rata each month (based on perhaps the number of hours running for each boat/ total number of hours

running for all boats), it might have a better chance of flying. Using a baseline just above a minimum run trigger (say 40 K-lbs), will allow the boat to make some extra money directly on the run, but the incentive to wait for even more is reduced, which should be good for ensuring quality preservation measures are applied. In situations where another packer may not be around for the next day hanging the product in the water appears to be a very workable option as long care is taken to ensure the product is not laid on a muddy or otherwise inappropriate bottom.

Another issue is the need to co-ordinate the capacities. Coming in with 65 K-lbs is not good because it takes up more than what a single truck can carry. There are pups available, increasing the load size of about 66 totes by about 48 for a total of 114 (weights = 41 K-lbs plus 30 K-lbs for a total of 71 K-lbs). Some consideration must be given to utilizing the packers and the trucks as efficiently as possible to keep the unit costs in line.

The processors said they will work together on this collaboratively. Every buyer knows their own market and only orders enough that they are not flooded. Grand Hale, for example, prefers only about 15 K-lbs per day for 6 days per week as pushing more product than this can force their price down. Bulk prices are changing day by day and mainly in a downwards direction. The tray markets also seem to be responding similarly.

The packers also feel they need some sort of schedule for what the fleet is going to do so the processors can better plan their needs and everybody then co-ordinate their activities a bit better. The next opening is Calamity Bay but there still appears to be some problems on deciding when to move areas and on who should be making the call.

With reference to the Experimental Fishing- Grand hale had 7 K-lbs delivered which was fished on the 25 and 26 of September, the two days then comprising a two day load on the packer (Western Commander). The product from the second day's fishing was OK but the first day's product was rotten. This suggests that the first days product was loaded directly onto and held on the packer while it waited around for an extra day to get the second part of its load.

Contrast this with the experience at Kiku which accepted a two-day load from the Ocean Ranger. In this case the product from both days was in pretty good shape although the recoveries seem a bit low at around 3-4%. In this instance, the first day's production was laid on the bottom and held in the water instead of on the packer. Kiku also took another load which it suspects was held on the packer for an extra day. This product too was not up to snuff, the RSU had few spines and they were stinky.

The quality advantages of holding the product in the water over holding the product on the packer are thus far indisputable and the in-water holding for multi-day loads should be adopted as a Standard Operating Procedure until either further work counters these indications or an easier but equally effective alternative is proved. This will become even more important as the season goes on because the urchin quality tends to drop with the approaching spawning season. Additional work with chilling will likely prove advantageous in this regard but the in-water holding seems to be the most do-able option at this point.

There are still no standardized RSU product grading procedures or accepted standardized grading criteria so fishermen cannot tell what they are actually bringing in. It would be a great help here to have colour charts and recoveries reports from the processors for on-board reference and guidance. It would also make a lot of sense to start paying for quality so the fishermen actually have an incentive to fish for quality.

With reference to the Green Sea Urchins: recoveries in these are now generally below 16% which makes them very difficult to sell. The recoveries used to normally lie between about 18 - 22% but there was no reason given for the apparent declines noted although this sort of thing generally signifies declining unit feed for the urchins which suggests that the TAC may be due for a significant bump upwards. Dave McRae enquired about an appropriate price for the greens and it would seem that \$1/lb with a 15% is a very easy sell. As far as processing greens in BC, the really nicely coloured GSU uni is very soft and melts very quickly. BC processors are not keen on taking that step as they find them difficult to work with and have not developed the best procedures to this point.

4.3.4 December 9, 2005

A meeting of the Urchins from Canada Associations was convened at the Steveston Hotel on December 9th, 2005. The meeting was held at this venue because the ongoing dispute between two camps of processors precluded having the meeting in the boardroom at Grand Hale Marine Products which was the more normal host. The established companies are concerned that the new entrants are continuing to hit the same buyers with lower prices to buy market share at whatever cost. Mike Featherstone got assurances from all the processors that they would attend and this was decided on as the best option to minimize frictions at the meeting. Attendance, however, turned out to be a little but disappointing as only Sung Fish sent along a junior representative while none of the principals from Harbour Marine, Seagate or Sung attended.

Attendees:

Dave Kensall, Darin Macy, Mike Featherstone, Tony Hieda, Tim Joys, Ross Morris, Geoff Krause, Jeff Kannada, Paddy Wong, Dave Lansdowne, Mike Crawford, Dave McRae, Spencer Cheung, Francis Cheung, Shogo (from Sung)

Summary

Darin started off with a quick review of where we are in relation to other years at this time. In short- things are looking pretty dismal in comparison to last year which was, as everybody remembers, pretty grim as well. In comparison to more normal years, the harvest is about 2 million pounds behind where it was in the 2002/03 and the 2003/04 seasons at the same time of year. There is not too much difference volume wise on the South Coast so the majority of the production lost is on the North Coast. This fall-off is due in some large measure to the poor market conditions, engendered as it is by the Russian IUU fishery, but the continuing discord

between the Canadian processors and the disruptions in packing, unloading and trucking are increasing unit costs and therefore not having a good effect on anybody's finances. In a good market- there would not be a problem.

From D&D's perspective, the split between the processors is increasing their costs dramatically because the packers are not being unloaded at the same locations, even though they are sometimes being unloaded at the same times. This means they have to either pay or otherwise have two validators on duty or have one zipping between the unloading stations. In the North (Prince Rupert) this should not be too much of an issue because the two unloading stations are quite close together but in the South the stations are often widely separated and the additional costs are considerable. Even in the North, the validator has a set up routine they must do before the boat actually starts unloading as well as a bit of a conference session with the unloading crew at the end of unload, so they are putting in an extra hour or two per day because these job requirements are basically doubled up.

D&D needs some help on getting things a bit better coordinated so some of the costs can be rationalized. Last year there were, at times, 5 different ports open for unloading and validation. This is very difficult for them to service, particularly with the boats insisting on working even more independently so they require validation for each individual boat at a separate port without regard to the cost or difficulties involved. Some of the ports have extremely inefficient unloading operations, sometimes using a one or two man crew, including the hyab operator.

Everybody realizes that each area in the South Coast has a small quota and that it is consequently difficult to get higher numbers of boats working in the same area. Having just one area open at a time might be an option- but the fleet will not like this because of the extra travel involved as each area is finished off more quickly. There will be a number of fishermen wanting to move to the South Island while another bunch will want to stay on the North Island so another workable option might to segregate the South Coast fleet into boats that want to work North and South after they have all worked together to finish off Campbell River and then coordinate the North and South Island openings.

There was agreement that this ought to be the preferred route. D&D will catalogue the recommendation and PUHA will convene a South Coast meeting to present the recommendation as a common united front because there is likely going to be a lot of flak flying over this.

There is also a rising call to open up some of the reserve prior to the scheduled opening times because of quality shortfalls in many areas of the coast. The quality problems are thought to be possibly due to warmer than normal Sea Surface Temperatures along the West Coast over the past couple of years. It should be noted that when this has been allowed in previous years the industry has always paid a pretty steep price when they have not been able to fully satisfy the Japanese market over the December - January peak.

D&D have projected their cash burn rate and have basically concluded that there is no way they will make it through the year on their current budget and have projected a program collapse, that is the entire program mandated by DFO as a condition of the fishing permits, by about February. So yes- things are getting serious. They continue to hope that they will be able to muddle

through but there is an absolute need to get some sort of resolution to this civil war. On the fishing grounds all of the processor problems are causing a lot of dissension. Morale is way down, there are more problems with all of the boats, rumours are running rampant, nobody is sure of what packer they are supposed to be using. The trust between the fishermen, packers and processors is being tested like never before and no one feels comfortable with the way things are going.

It seems that the very survival of the industry is at stake here with everybody turning on everybody else. The ultimate effect of this is worst on the fishermen because they are the ones putting up with the hardships way out in the middle of nowhere and not getting any appreciation for their sacrifice(s)- if it keeps up divers will head for home in higher numbers after the holiday rush and not come back. Maintaining morale is especially critical when working in remote areas and/or under 'basic' conditions and it is ignored at peril of maintaining some semblance of productivity with good product quality, equipment condition and low injury rates.

On the bright side (maybe), DFO is not up to speed on what is going on as Juanita is too busy with a bunch of other stuff. This may not change much this year as there are currently only three people in the Prince Rupert office and one of them is going on maternity leave just after New Year's, one is thinking about taking extended leave and Juanita is hoping to take over the geoduck management position in Nanaimo.

This could be a make or break year for the program, even assuming all the licences get activated this year, although PUHA itself will be on the hook for any that are not activated as per the agreement. D&D provides the validation services etc for the fishery on a contract basis, at a price negotiated on the basis of the average costs recorded over the past ten years, but whereas last year things were looking pretty much FUBAR'd, this year is looking even worse.

Geoff gave a quick summary of the most recent trip to Japan including a overview of the observations from the Hanosaki Port where the Russian urchins are unloaded- these of course being the source of much of the market angst. There was some discussion regarding the positive, and perhaps enthusiastic, response from Japanese buyers to our proposal(s) to get a better handle on handling conditions and the testing of refrigeration on the packers, but the processing rep's did not seem to really take up the issue, probably because they are pre-occupied with the on-going battle.

The position of the processors on the more intensively monitoring and control of the product once it is on the packers is not known and must still be determined. There still seems to be some confusion even on what the new traceability laws in Japan and the US and EU mean- does it refer to only the plant onwards or from the harvest grounds onwards. The same sort of confusion still applies when, for example, product is harvested in the US and processed in Canada- some would still claim it is a Canadian product while others would (in my view correctly) claim it as a US product processed in Canada. To suggest it can be traced back to the harvest through the lot number by the processor is disingenuous- the information and assurances are there for the consumer and must be fully apparent to them to fulfill the spirit of the gesture as a marketing tool. To do otherwise, while it may technically comply with the letter of the law, it may be perceived by the consumer as deceptive. This is especially important for Canadian product as we

are trying to establish a trusted Brand identity with the Japanese consumer. This will shift the competitive criterion away from a single focus on price and allow the introduction of additional Prestige components provided through the other services included as part of the Brand Promise (eg. customer initiated web search providing full disclosure and documentation on traceability, product temperature profiles, product quality profiles, sustainability, etc).

4.3.5 March 20, 2006

In attendance: Mike Featherstone, Paddy Wong, Mike Crawford, Francis Cheung, Spencer Cheung, Peter Choi, Sasha Pavlovic, Geoff Krause.

The North Coast take thus far has come up to about 60% of the available quota, meaning there is still about 4 million lbs left in the water. Paladin has two licences which are not designated as yet while Grand Hale has one. Spencer mentioned that the divisions between the players in the BC industry have opened vulnerabilities that can be exploited by Japanese companies which have all switched over to a full focus on seeking lower prices.

There was some talk right off the top that opening the Charlottes so early this year turned out to be a mistake, but we moved along off of this quite quickly. Another factor affecting operations this year is that recoveries have been generally lower than in previous years and that the fishermen have to wear at least part of the blame for this. It used to be that fishermen were paid on the basis of quality but with the really hot market in the mid-1990's everybody just moved onto a flat rate kind of scheme and there is where things have sat since. It used to be that the prices were up to \$1.00 per pound and nobody was worried about it because everybody was able to make a buck. Prices are not all that different from last year so the fishermen should be making a bit more simply because the lease prices were lower this year. Even at that - this year some processors sometimes paid as low as \$0.40 per lb (and still lost money). This can't help but sting the fishermen a bit- it is always hard to accept a dramatic downgrade - so it isn't hard to imagine how this might sort of shift the mindset of the fishermen around a bit so they do not put the same level of effort into picking only high quality and go more for an acceptable average instead.

Recoveries are Key. Product from the San Juan Islands was picked up for about \$1.00/lb at one point this season and the processor made money because the recoveries were good. On other occasions, it lost money when it paid \$0.40/lb for North Coast product because dark roe colour translated to poor recoveries, reinforcing the point that a main contributor to the poor financial performance is a rising proportion of dark, unmarketable roe in the urchins. There were a couple references to this coming in at between 35- 40% of the total.

The processors can lose 10's of thousands of dollars during a single day when recoveries are too low and the fishermen have to realize that this directly impacts the prices they can pay. On those days when the colour is wrong or the uni is too skinny or spawny etc, they just have to accept that harvesting to fill up with what they can costs the processor way more than if they don't harvest their order. Once the product comes in, the processors have to pay the landing, trucking and processing costs no matter what else happens. It is only after this that they find out how

much they net for the day. With certifiably poor product, the only sensible option is to avoid all extra costs to the point where it makes more sense to simply dump the load in Prince Rupert.

Despite the need to get better quality into the plants, there is still a lot of resistance to paying on quality. It seems that part of their reluctance to move this way comes from resistance, or maybe its just flak, they get from fishermen who are not satisfied with the quality breakout they get and figure they are simply getting run around. The program in the 1990's used independent audits to keep everybody honest but the extra costs for this are now a real barrier. The use of a bonus system though allows the processors to reward high quality pickers and provides an incentive to the divers to focus on quality. It would be nice to find a workable compromise here as it would benefit the whole industry. Building solidarity amongst the players in Canada might also reduce constant push from Japan for lower prices because it would seem to counter one of the afflictions affecting the industry related to that old adage- divide and conquer (There were a number of comments from the processors that undercutting is still continuing).

Most companies are not doing their homework with regard to tracking the Japanese market and adjusting their prices accordingly. Domestic sales in Canada total up to about a few 10's of cases per week. This is fairly insignificant given that daily production is generally on the order of several hundreds of cases per day at each plant. Grand Hale does not sell locally, leaving the only Sung Fish and Kiku serving that market.

Grand Hale is the only company that produces only trays, all of the other companies focus as much or more on the bulk market. GHMP established its position in the tray market about 10 years ago and feels that it would be virtually impossible to get started now simply because of the changes that have transpired in the Japanese market and supply (re-packing) industry. The re-packers now dominate much of the supply industry in Japan and make it very difficult for new companies to break in. Number of the re-packers, including Maruki, have been moving more product through Tsukiji after they have done their bit on it. Sushi packs comprising a variety of seafoods and vegetables are big money-makers for the re-packers in Japan although tours of the 7-11's etc to check out the bento packs did not see a lot of uni in the packs, reportedly because of the really quick spoilage.

The battles between established and new processors stopped shortly after Christmas. Trucking and unloading are still a problem on the south coast. Dan Carter was charging upwards of \$0.27 - 0.28 per lb. Will Strong provided an alternative service but his charges were based on a flat fee of \$3 K for a 5 ton. This too worked to about \$0.26 - 27 /lb., or sometimes even higher when lower volumes were moving. This was apparently the case on too many occasions - which brings up the point that the basis for charge must be on a per pound basis as opposed to a flat fee. Getting some extra load consolidation out of Hardy and Campbell River would help but there are also a number of smaller landing sites where the guys unload their own boats and there might only be a couple of totes where this won't help too much unless a depot drop with some kind of quick turn to consolidate and ship to Vancouver can be arranged. The round trip cost for a 5 t is about \$400 so it is sometimes a bit of a cut off as to whether it is more cost effective to go with the Carter or Strong options or with the sending over a company truck.

There seemed to be agreement that the supply interruptions this year were again pretty damaging. The initial start on the Queen Charlottes this past season did not work out as well as hoped, despite the agreement of most at the quota planning session last year. Previous years have seen the initial start on Banks Island and there was considerable resistance from fishermen to changing something they maintained was not broke. A bit of a delay on fishing Kyuquot, proposed and agreed to by the processors prior to the season last year, to allow the product extra time to grow also went up in smoke.

Using the protected areas on the South Coast as a buffer to access product when the North Coast, Central Coast or WCVI were weathered out was not applied this year. This too contributed to interruptions in product flow because there were no protected sources available when the weather moved in. The weather caused quite a few interruptions, mainly in January and February. These shortages cascade through the supply chain so customers in Japan shopping for Canadian product can't find it and are forced to substitute other sources. When this happens often enough, they go shopping for the substitute and not for Canadian product.

The quota planning sessions are an important part of building a consensus on how the season should unfold each year. The system is pretty good but there is still a lot of rigidity built into the system that limits the flexibility of the fleet to respond to unique circumstances in either the weather or product quality. The problem of course is in the timing- the general knowledge for each area is pretty far reaching but the details on product maturity (recovery and texture) and quality (colour and taste) and optimal fishing patterns change every year. There does not seem to be any systematic cataloguing of how these show up each year so there can be no analysis of how they might be interacting with changing oceanographic and/or weather patterns. This is further complicated by the requirements that the fleet work closely in only a limited number of areas at any one time instead of dispersing more widely. The acceptance of Electronic Vessel Monitoring by DFO might provide an opportunity to break away from this in the next few years so the time for industry to consider what sorts of changes they would like to see is fast approaching. For example, it may make sense to send out a couple of fast, or perhaps suitably located, boats at the beginning of each season to do a quick recon on some index spots to see where things (maturity, recovery, colour) stand. (There are a number of stock surveys conducted each year already but I am not sure about when, how many or what data they may be limiting themselves to- these need not be solely dedicated to DFO objectives if industry can develop additional data collection requests). It should also be possible to combine these results with ocean temperature records etc from weather buoys and develop some patterns that eventually could be used for predictions on what sort of season is shaping up which could in turn be used as a marketing tool.

Yoshino-san suggested that it might be possible to separate consumer product from sushi (restaurant) destined product. The Russian product landed in Hokkaido is often labelled as Japanese and most of it is directed to the sushi restaurant trade. He also mentioned that Canadian uni has a 'thick' taste, possibly reflective of a high fat content. French and Italian restaurants in Japan like and use quite a bit of the Canadian product. The product is cooked, which of course changes its taste somewhat, whereas when it is used in sushi the alum taste comes across quite strongly. The average maximum retail price for Canadian uni is about ¥ 3,000 per 300 g. tray. This translates to about ¥ 10,000 per kg or \$C 45.00 per pound.

Mike Crawford mentioned that the roe off the South coast seems to have gotten softer and harder to process over the past couple of years. There are no explanations as to why on this at this point but there was some agreement on it from Grand hale and perhaps from Paladin.

The brown Russian product tastes sweet and even looks good when it is presented as sushi as opposed to on a tray. Dark Canadian roe also tastes as good as the brighter yellow material so the presentation remains key. Processors are exploring other markets, with a particular focus on China, where the brightness and purity of colour is not so important, but this is not likely to bear fruit for a couple of years. China is growing quickly as a seafood destination and uni consumption is growing quite quickly. This might be especially good news for off-colour production because they really do not seem to focus as much on the colour as the Japanese and the same sort of transition to China could happen with uni as happened with geoduck. Even in Vancouver sushi restaurants, the use of uni is higher in areas with more Chinese folks. Chinese are almost as likely as Japanese to take up a trendy buy.

Paddy also mentioned that it may be possible to get the PUHA video on tour buses to fill in a bit when the guides are tired of talking. there might also be opportunities on the ferries and perhaps the Vancouver Island buses servicing that route. Because the PUHA is not a commercial enterprise per se they may be willing to consider introducing it on a trial basis as a means to generate some advertising interest from companies. Getting the video on the buses might increase the profile of the Canadian uni locally and perhaps even internationally if these folks take the message back home with them. This could be an important part of building a market in China if it gets onto tour buses filled with Chinese tourists, although the video would have to be translated into Chinese. This assumes that Canada obtains the favoured destination status for Chinese tourists from the Chinese government as has been mentioned a couple of times since last year. The same sort of introduction and presentation of the DVD might be possible in Japanese and/or other Asian stores in Canada (such as TNT).

On the promotions ideas- PUHA will consider providing product to the processors who will then process it at no charge so the only expense is shipping it to the show (Tokyo Seafood Show) and/or to Japan for proposed late August store promotions. There was some mention of another show in Osaka just prior to the season opening (late August?). Paddy mentioned that Maruki's upcoming promotion of Canadian uni during the Tokyo Seafood show has led them to increase their order by about 10% over last year. In 2004 Maruki went through 60 cases of bulk in one day. Grand hale and Territory don't have any problem with placing little PUHA stickies with website directions etc on the packs they send over to japan but they also mentioned that companies like Maruki should also be approached to bring them on board as well- this might work well with the Tokyo show and subsequent promotions.

This is just the sort of proposal that we should work out with Japanese buyers as part of the Joint Marketing Initiative. The idea would be to have a sushi dispense free product in the store(s) just before the commencement of the season. This can be expected to really grab people's attention because uni is so highly valued over there. Cooking shows are also quite popular in Japan and it may be possible to develop an opportunity to involve one of their chefs as part of an on-site show with our contribution being again - the free uni. We should get the discussion going with the folks from Japan quite soon now so everything can be in place for the summer.

So that brings up the issue(s) of fishing in August. Bonilla (Point or Island?) is generally a good producer in the late summer, as might be expected as the period since the spring spawn ought to be long enough to allow substantial recovery by August, but the temperatures and time spent on the packer might present a bit of a problem. This could provide a good project for Provincial funding- particularly if we can successfully make the argument that a transition to some summer fishing might be required to use up the full TAC.

On a similar vein, this should provide an opportunity to shift the annual Embassy meeting towards a more active joint planning session. Francis and Spencer feel we should re-profile the meeting at the Canadian Embassy each year so we move away from simply reporting on the past year's results and put more emphasis on putting forward joint proposals for promotional activities etc. This should give it a more positive light and hopefully engender more cooperative action that will see things improve.

Right now there are about 12 boats working in Cumshewa Inlet. This should provide about 30,000 lbs of product per day, allowing the packers to run with fresh product every day the lads fish. There were a couple of comments that the packers are still sometimes messing around a bit and holding off running until they have more product on board. We phoned up Archie to see how things were going. He reported that 4 boats had unloaded about 9,000 lbs by 1530 hours but we lost the connection before he could let us know if he would indeed run with 30,000 lbs. The trucks can only take about 40,000 so showing up with an odd multiple of this, while perhaps good for the packer, sort of complicates the trucking, sometimes incurring extra costs.

There was good cooperation and everyone seemed pretty keen on the grounds so it seems that a lot of the complaining and morale problems we heard about through the winter were just the odd squeaky wheel. There seemed to be better control over the harvest this year in comparison to past years, again except maybe for those hungry times when guys were weathered out and not able to fish.

There were also a number of comments on how well the unloading in Prince Rupert was going this year. Lorne ended handling most of the logistics planning and co-ordination for the trucks again, but even there things went better this year than last and there were fewer complaints from that end as well.

One thing that came up on the processing side is the increasing difficulty in finding workers. in Japan they are using lots of migrant workers from China. The same sort of solution could work in Canada but the government policies are focussed more on getting more professionals in and make it more difficult to get temporary workers. The current crop of workers are getting older and some relief is required.

4.4 Website

The website is still under development but now has the architecture to accommodate information, stories, photo essays and video footage documenting the capture, processing, storage and transportation processes and will include particulars regarding contacts, individual

shipments, links, ordering options/ mechanisms, comment area(s), on-going customer satisfaction feedback and testimonial database(s) (forums). The ultimate aim is to facilitate ‘personalization’ of consumer’s relationship(s) with the Canadian harvesters, handlers and processors, and visa versa, so the human side of the story is available to both sides. The website will, as such, comprise a major tool for providing information to the market on the Canadian product(s) as well getting feedback on the market’s response to our production and marketing efforts back to fishermen and processors. This will allow the industry to become more responsive to the demands of various markets.

4.4.1 Quick Tour of Website



Figure 4: PUHA homepage

4.4.1.1 Homepage (www.PUHA.org)

The primary home page provides two routes of entry in to the website, one for consumers and the other for commercial members. The member ID’s and passwords are assigned by Ross Morris at the PUHA office. All pages are also presented in Japanese using the Google machine translation service.

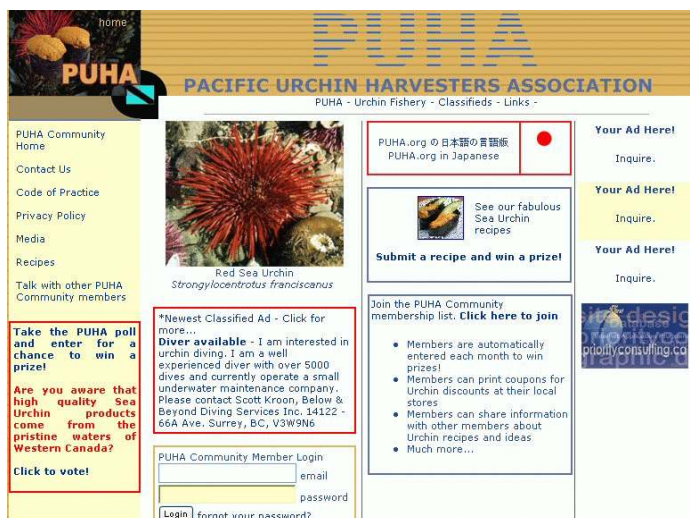


Figure 5: Consumer entry page

4.4.1.2 Consumer entry page

This page provides entry to consumers and is designed to showcase the quality of SUFC. A few things are available without joining but going further for the most part requires an on-line application to join the PUHA community. Further in is a user friendly area where consumers can find recipes and places where products are available. Additional information will be posted as programs develop



4.4.1.3 Consumer Media

This is the media resources page for the consumer section. The SUFC video and various pictures of the fishery, the products, coastal views etc can be downloaded from this page. Links to other resources available to consumers are listed along the side and top of the page.

Figure 6: Consumer media resources.

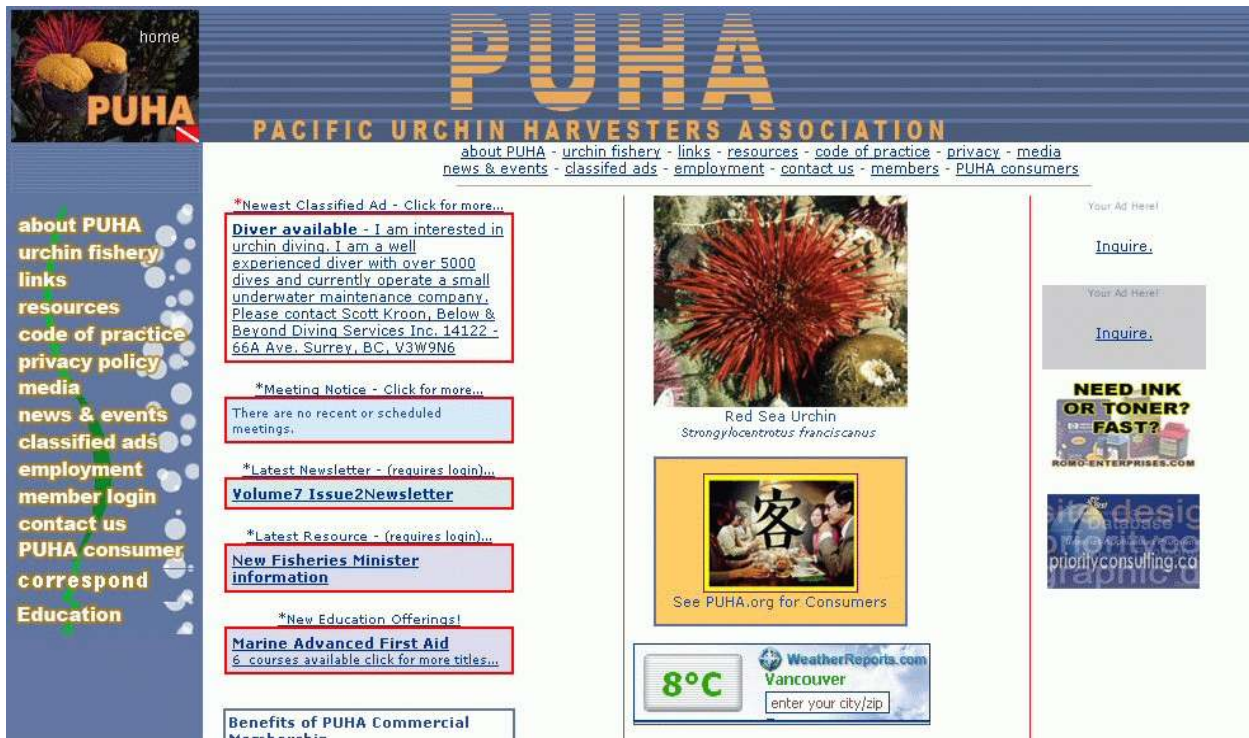


Figure 7: Main PUHA commercial members entry page.

4.4.1.4 Commercial PUHA Members Section(s)

PUHA members have access to a wide range of material through the site including all reports prepared for the CAFI program, all marketing updates, pictures, newsletters, etc. Members are invited to submit pictures, materials, ideas etc. to the website.

4.4.2 On-going Site Development

The focus at this point remains on building awareness, not just for “Uni from Canada” but also for the web site with fishermen, licence holders, processors, buyers and consumers. The effectiveness of the web site depends on what is actually presented on it and more contributions from fishermen and licence holders as well as from consumers are needed. There has been some discussion regarding setting up a members-only section where landings and the prices are listed so everybody can see what is happening. These would not identify boats, processors or fishermen but would look at building a weekly range & distribution. Even with these conditions, permission and buy-in from licence holders will be required.

If information on the actual quality, comprising real data on recoveries, colour, texture and perhaps taste, and handling variables (such as transit times, temperature accumulation (degree C -hours) could be collected and accumulated in a relational data base where it can also be cross-referenced by subarea and date, the benefits to industry could likely be very substantial. There are still many mysteries at play between the market (demand), product quality, production volumes and urchin prices at different times of the year and under different handling scenarios that deserve attention.

One of the next things needed is a means to inform consumers of how to access the website. One option might be to apply a ‘sticker’ with the address for the website. It will need to be in Japanese and agreement will be required from the processors- including re-packers like Maruki, so they will actually appear on the retail packages in the store.

Tracking consumer responses to the website in Japan will be difficult because of the language and distance barriers and there have been suggestions that it may make a lot of sense to pilot the strategy domestically so we can get a sense of what does and does not work before actually making the much larger commitment required to roll it out in Japan. This piloting will involve identifying ‘partners’ in the effort, including perhaps other (fisheries) organizations looking at the same kind of initiatives (Underwater Harvesters Ass’n, BC Seafood Alliance, etc), outlets selling Canadian uni, including wholesalers, sushi restaurants and Japanese food stores, and working with them to get some notification and directions to the website(s) to their customers. Their participation will also likely be key to successfully designing, and examining methods to get feedback from consumers on, the product(s) and the website itself. In the latter case feedback will be important on the structure, ease of use, content, promotional campaign options and offerings and any survey questions we may pose.

Additional tests are also required to ID the best automatic site interpretation service. English to Japanese or Chinese translations are amongst the most difficult and are frequently garbled. The “Google” translation service uses a new algorithm that is winning competitions on machine translation accuracy etc but our results to date indicate that additional care is required in writing the content. The translations thus far have come across as “too hard and uncompromising”, very likely turning off typical Japanese.

4.3 2005 Mission to Japan

As part of the 2005-06 Sea Urchins from Canada Marketing Initiative, a delegation including harvesters, processors and the project consultant travelled to Japan. Mike Featherstone, Dave McRae, Ken Ridgeway and Francis Cheung departed Vancouver on November 13th, 2005, arriving on the 14th, and were met by Paddy Wong, Kryzstof Machaj and Geoff Krause in Japan on the 15th. Activities over the next while in Tokyo included visits to Tsukiji market, a joint meeting at the Canadian embassy with Japanese handlers of Canadian sea urchin products and a number of other business meetings with our Japanese partners at various venues in the city. These activities are reported in more detail in Appendices A& B. Members of the delegation also made a trip to Nemuro and Hanosaki Port to observe landings from the Illegal, Unregulated and Unreported urchin fishing conducted by Russian interests in the Kurile Islands along the NE coast of Hokkaido which is reported in Appendix C.

4.4 Sea Urchin Culture Prospects in China

We met with Dr. John Liuph, the Vice Director and Senior Biologist at the Guangdong Dayawan Fishery Development Centre in Guangdong Province, China and got a summary of the Centre's research activities and facilities. The Centre was established in 1987 about 200 km from Gaunzhou on the shores of the South China Sea in Huizhou City to pursue enhancement of the marine resources and environment in Guandong Province. The Chinese government is serious about pursuing any and all ventures which can contribute to increasing the productive capacity of the China and aquaculture retains considerable potential. Wild stocks in China are increasingly depleted and as fishing licences have been retiring over the past number of years, fishermen are moving to aquaculture (AqC) as a livelihood. China has a very significant tradition in aquaculture and even now represents about 80% of the worlds AqC capacity.

The Centre has been formally collaborating with the Japan Overseas Fishery Cooperative Foundation in pursuit of these goals since about 1998. The facility is comparable to the Pacific Biological Station in Nanaimo, comprising about 35,000 m² including the main offices building, a water filtration plant, outdoor raceways and large ponds as well as about 5-6 building containing variously sized concrete tanks and another containing microalgae and rotifer growth labs. The Centre is researching culture technologies and methods for abalone, sea bream, various species of grouper and other fish.

They were actively looking at sea urchins but because of the remaining abundance of wild urchins and a subsequent lack of interest on the part of industry to further develop echino-culture at this time, work on urchin culture has been disbanded. There was some thought to using their hatchery production for stock enhancement but worries about the development of barrens in the enhanced areas also weighed in against this use. (Dr. Liuph mentioned that urchins are distributed only around a certain part of China's coast but I missed which part although I expect Paddy likely can fill me in.)

4.4.1 Additional notes on Seafood Distribution in China

The Guanzhou seafood market is the largest live seafood market in the world. A good portion of the seafood sold in China is sold live, in part because the penetration of refrigeration in the country is still limited and the quality of the product will not generally decline significantly while the product is still alive. Parts of the Chinese seafood industry are very sophisticated but for the most part the industry is pretty low-tech, particularly on the production side. This may well limit their impact on the high end urchin market for some time because the product is not cooled or transported efficiently by the small-scale producers at this point, although this could change quite rapidly if some of the bigger aquaculture players decide it is time to move on urchins.

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