

Sea Urchins From Canada

Report on the Annual Meeting in Tokyo between Canadian producers and Japanese handlers of Canadian Urchin Products at the Canadian Embassy in Tokyo

Wednesday, November 16, 2005



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Attendees:

Japanese Representatives

Akira Katagiri	Chuo Gyorui Co. Ltd.
Shoji Tsukamoto	Chuo Gyorui Co. Ltd.
Eisako Endo	Maruki Co. Ltd
Kitaro Endo	Maruki Co. Ltd
Hiroshi Yasuno	Global Eight Corp.
T. Tsuchiya	Ocean Trader Co. Ltd.
Masao Hashimoto	Kokusai Boueki Co. Ltd.
Youichi Ogawa	Tsukiji Uoichiba Co. Ltd.

Canadian Representatives

Tsuneto Sasaki	Canadian Trade Commissioner, Canadian Embassy, Tokyo
Mike Featherstone	President, Pacific Urchin Harvesters Association
Ken Ridgeway	Director, Pacific Urchin Harvesters Association
Dave McRae	Director, Pacific Urchin Harvesters Association
Paddy Wong	Paladin International Food Sales Ltd.
Francis Cheung	Grand Hale Marine Products Ltd.
Krzysztof Machaj	Red Sea Urchin diver and PUHA representative
Brendan Harnett	Flying Fresh Air Freight
Geoff Krause	Explorations UnLtd Inc. (PUHA and WCGUA Consultant)

The Urchins From Canada delegation requested a meeting with various companies and individuals handling Canadian Sea Urchin products in Japan to be held at the Canadian Embassy in Tokyo. Mr. Tsuneto Sasaki, the Canadian Trade Commissioner in Tokyo with responsibility for this file, contacted Japanese players identified by the Canadian processors and arranged for all to meet in the Boardroom at the Canadian Embassy on November 16, 2005.

The meeting started with each person introducing themselves and their company and quickly moved along to the presentation prepared by the Urchins From Canada group for the meeting. A pdf copy of the presentation is appended. Once this was complete, comments were invited by the Chair from particularly the Japanese attendees.

Akira Katagiri - Chief of Overseas Business Division for Chuo Gyorui Co. Ltd.

Mr. Katagiri is in charge of the fresh and frozen seafood imports for his company in Japan. Chuo Gyorui does not currently import sea urchin products from Canada but was interested in the meeting as background for possible future business.

Shoji Tsukamoto- Chuo Gyorui Co. Ltd.

Mr. Tsukamoto expressed his thanks for the invitation to the meeting. He mentioned that Canadian sea urchin products are not currently in Tsukiji. He mentioned the PUHA website but did not elaborate on any particular features. He did mention that there seems to be very little production off the North Coast in December- January, justifiably because of the weather, but was wondering if it might not be better to fish at least some of these areas in the spring, summer or fall when weather should not be such an issue.

Mike Featherstone responded that this is definitely true for the outside coast but that there are also many areas along channels etc. which are not as exposed to stormy weather and which produce good quality product.

Mr. Tsukamoto noted that deliveries from Russia declined in October this year, probably because of the increased presence of the Russian Coast Guard. These also coincided with reduced deliveries from California. Unfortunately the product quality from Canada during that period was not good, it was too brown in October, and no one took advantage of an emergent opportunity which included higher prices because of the lower overall supply.

Mike Featherstone came back with an observation that only about 5 out of the 40 boats making up the fleet were actually working in October. It therefore took longer to finish off the various spots so they could then move along to better quality areas. When the fleet is this much smaller, getting the product off the grounds and down to the processors is likewise slower because it takes that much longer to load a packer with a acceptable minimum volume of product. This lost opportunity, however, absolutely highlights the need to improve our communication with Japanese buyers as a number of additional boats could have been quickly deployed for fishing.

Mr. Tsukamoto again expressed thanks for the comments and appreciates the points made. He also mentioned that this was probably a bit of a one-off development and that it would be dangerous to assume the same phenomenon will occur again next year.

Eisako Endo- Manager for Maruki Co. Ltd.

Mr. Endo mentioned that Canadian imports into Japan generally start about the same time as those from Chile are winding down for the year. He also supported the position that it is a good thing to pursue initiatives to improve the standing and reputation of the Canadian product with Japanese consumers and with the market in general.

Kitaro Endo- Managing Director for Maruki Co. Ltd.

Mr. Endo thanked the delegation for the presentation and opined that these meetings provide a valuable opportunity to develop a dialogue between Canadian harvesters and processors and Japanese buyers. On another point, he would like to see at least three areas open for fishing during all of the heavier weather months so that availability of Canadian product to the market could be better ensured. It is critically important to their business that they are able to constantly supply their customers, otherwise they will move along to another supplier and they will lose that business.

Mr. Endo also made the point that there seems to be a bit of a mis-match this year on the timing of the areas being fished and the presence of optimal quality profiles. He feels that ensuring optimum quality at the time of harvest should be raised in importance.

Hiroshi Yasuno- Sales Manager for Sales Dep't II for Global Eight Corp.

Mr. Yasuno basically said Thanks, it was an interesting presentation and meeting but that he did not have any comments at this point.

T. Tsuchiya- Sales Manager for Ocean Trader Co. Ltd.

Mr. Tsuchiya acknowledged that the position of Canadian sea urchin in the Japanese market is not that high. He also agreed that the Russian IUU urchin fishing is a major problem but that it is one that must be worked on in the political arena, suggesting that he did not feel efforts by companies such as his would, or could, have any effect.

He also mentioned that the quality of Canadian sea urchin products was quite poor so it may be advisable to conduct more surveys prior to harvest to ensure that the quality is acceptable.

Masao Hashimoto- President of Kokusai Boueki Co. Ltd.

Mr. Hashimoto's company is based in Sapporo and this is the first time he has attended this meeting, although he has met with delegation members in previous years. He enquired about the total production of sea urchins in BC. Mike referred to a handout provided by Mr. Sasaki which quantifies the imports into Japan from major importing nations including the US (including both California and Maine), Chile, Canada, China, North Korea, Mexico and Peru. These numbers however refer to the processed weight, as opposed to the green weight, and so are of limited application to this question. On another tack, the TAC for Red and Green Sea Urchins in BC are about 8,800,000 lbs (~3982 MT) and 490,000 lbs (221 MT) respectively.

Mr. Hashimoto also mentioned that the list provided by Mr. Sasaki also does not include imports from Russia, legal or IUU sourced. In fact, Russia is now the largest single supplier sea urchin products, particularly in the live category, to Japan but it is not included anywhere on this list. This should be of particular interest to Canada because the two fisheries are conducted during the same time and therefore in direct competition.

Mr. Hashimoto then commented on the reduced deliveries from the Russian IUU fishery in October and how in one way it is actually a double edged sword because the demand for the product and expectations that it can be supplied at that price remain even when deliveries are reduced. The control imposed by the presence of the Russian Coast Guard (RCG) was limited, simply because of the remoteness of the area from the RCG bases in Vladivostok, and that as soon as the RCG vessels left, the IUU fleet was right back at it. He also mentioned that control will again be greater next week for President Putin's visit to Japan. Mr. Hashimoto is part of an official delegation involved in talks with the Russian government to get this fishery under some kind of control, particularly on at least two of the four closest Kurile Islands. It remains however, a very difficult issue. He does not feel the IUU fishery will be completely eliminated in part because consumer demand and expectations for a continuing supply of value-priced uni from the fishery have grown in response to this as a new reality but also because a number of Japanese and Russian companies are now dependent on it, thereby limiting the incentives for either government to assert control. However, he feels bringing 50% of the landings from the area under control is a do-able proposition.

He also had a couple of questions on the size of the RSU harvested. He reiterated that it is better to get smaller urchins so the skein size is a bit smaller and more appropriate for the Japanese market. Mike mentioned that Fisheries and Oceans Canada has reduced the minimum size limit on these urchins from 100 mm TD to 90 mm TD as a direct result of lobbying on this issue by PUHA and that the average size is likely to continue falling as the stocks are better utilized and the relative abundance of the larger urchins declines.

Youichi Ogawa- Chief, High Grade Fish Section II for Tsukiji Uoichiba Co. Ltd.

Mr. Ogawa mentioned that is the third time he has attended this meeting and again proffered his thanks for the invitation. He mentioned that he speaks regularly with processors but only very rarely with divers and that these meetings are important for that reason. He went on to mention the effect of declining exchange rates (he was the only person to bring it up) and how it is making it very difficult for importers selling the product. This is of course complicated by the fact that the Russian sea urchin prices are very low and effectively setting the market trend for all other sea urchin products.

In short, market conditions are not great but there are some behind the scenes improvements being seen. He specifically mentioned improvements in the colour and quality he has been seeing in Canadian product particularly in contrast to the situation two years ago when it was almost embarrassing. He said he did not have any bright optimistic comments on the market to offer at this point although he did feel that the horizon might be brightening for future opportunities.

Mr. Tsuneto Sasaki- Canadian Trade Commissioner, Canadian Embassy, Tokyo.

Mr. Sasaki mentioned that he had a couple of letters from people who were not able to attend the meeting. The first one he read out was from Mr. Mack Nishida (Macks Food Japan Co. Ltd.) Who reiterated his contention that the Canadian product has recently been

affected by poor colour and that prices are too high in Vancouver. He understands that these are difficult times and hopes that the cooperative efforts between Canadian harvesters and processors to find solutions will bear fruit.

The second letter was of a similar vein but was focussed more on why the price of the Canadian product has not declined like the California products. Mr. Sasaki then volunteered to take any additional comments from interested Japanese companies that they were not prepared to voice at this meeting and that he would forward them to PUHA.

Francis Cheung: Grand Hale Marine Products Ltd.

Mr. Cheung mentioned that he heard basically the same comments at this year's meeting as were voiced at last year's. He jumped in with the observation that the increasing value of the Canadian dollar (increasing equally relative to both the USD and the Japanese ¥ as both of those currencies have retained the same relative position to each other over the past 5 years) and higher fuel prices are translating directly to the Canadian industry as extra costs. He then, quite strenuously in fact, reiterated the common sense point that processors and fishermen need a certain floor price for breakeven and that it makes no sense to operate when losing money is the only option. He emphasized that many processors have many pounds to process and that some of this will invariably be reflected as questionable or poor quality, particularly as Quality and Price logically track each other. A minimum price is required by businesses to remain active and solvent, to continue otherwise is suicide.

It is true that Canadian producers are working to diversify our markets, but Japan remains our main market and Canada remains committed to doing its bit to support it. Canadian industry works very hard to maintain an even flow of product to Japan but when our harvest volumes exceed demand, we cannot continue production. Recent landings of Russian product will impact the market over the next while, it is currently flooded and will take a couple of weeks to draw down, but control of the Russian IUU fishery is essential to ensure a viable industry in Canada and we need the help of Japanese buyers.

Mr. Hashimoto responded that the effect of the extra control next week should show up in the market around the end of November or beginning of December. Right now they are stockpiling product for shipment but again, once things ease off they will be ready immediately start shipping so any market rise is likely to be temporary and perhaps very temporary.

Mr. Brenden Harnett- President of Flying Fresh Air Freight

Mr. Harnett has been involved in the industry since 1990 and attended this meeting in order to get a better understanding of the problems affecting the industry. This sort of insight will allow his company to provide better service to his customers as he negotiates with the various airlines used to ship the products.

Mr. Paddy Wong- President of Paladin International Food Sales Ltd.

Mr. Wong was sorry the supply of product from Canada this year has not been meeting expectations but offered the explanation that the quality is anomalously poor this year because of higher than normal sea surface temperatures have been affecting our coast for the past two years. This situation seems to be turning around though so hopefully the quality and supply profiles will return to normal in the near future. He agreed with the proposition that improving communications will lead to a better future for all of the participants around the table.

Mike Featherstone again took the floor and started his concluding summation by reiterating that we feel, as do many of the Japanese participants, that these meetings are valuable in and of themselves as a means to build and reinforce trust in our relationships even as we become more aware of and sensitive to the issues affecting each other's business results. He emphasized that the Canadian group is also looking for additional ideas to keep things moving forward so we can work together more effectively to better serve the needs of our customers and that any contributions from the Japanese side would be very much appreciated. He suggested that an initial step might be to better use email as a as a communications link so as to alert various players of emerging opportunities, such as the market opening provided by the decline in Russian landings and California deliveries in October. He acknowledged that a similar opportunity appears possible for the end of November and suggested that harvesters at least are willing to entertain the idea of accessing one of the reserve areas so that everyone can make a little extra. He also mentioned that the harvesters remain committed to raising the quality bar, including recovery, colour and texture indices, for Canadian product and that initiatives from industry in Canada in this regard are ongoing and should see some advances sometime this season.

Mike again expressed the hope that the efforts of this group, Canadian and Japanese participants alike, will produce results we can continue to build on so that we can all move towards greater profitability through better service to the consumer.

He finished by thanking everybody again for attending and thanking Sasaki-san and his staff for making all the preparations for this meeting.