Pacific Urchin Harvesters Association
West Coast Green Urchin Association

2005 Mission to Japan

A Canada Food International (CAFI) Program Project

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Report by:
Explorations Unlimited Inc.

Report on the 2005 CAFI Mission to Japan

Introduction

As part of the 2005-06 Sea Urchins from Canada Marketing Initiative, a delegation including harvesters, processors and the project consultant travelled to Japan to exchange information and reinforce our relationships with Japanese handlers of Canadian uni. Mike Featherstone (President: Pacific Harvesters Association (PUHA)), Dave McRae (Director: PUHA), Ken Ridgeway (Director: PUHA) and Francis Cheung (Grand Hale Fisheries) departed Vancouver on November 13th, 2005, arriving on the 14th, and were met in Japan on the 15th by Paddy Wong (President: Paladin International Food Sales Ltd.), Kryzstof Machaj (PUHA member, licence holder and urchin diver) and the Project Consultant, Geoff Krause (President: Explorations UnLtd).

The following is a report on the findings and activities of the delegation while in Japan.

Day 1: Tuesday November 15

Paddy, Kryzstof and Geoff were picked up at Narita by Kitaro Endo and given a lift to the Ibis Hotel, where the delegation was slated to stay. Geoff hooked up for a late dinner with Mike, Dave and Ken while Paddy and Kryzstof were taken out for a dinner meeting by Kitaro.

Mike, Ken and Dave had taken some time during the day to tour some supermarkets to get an idea of the uni prices and product availability earlier in the day. They had made note of the fact that California uni was priced at ¥1,200 per 200 g tray while Canadian product was only ¥800 for the same quantity in the same store. (Are there any pictures available Mike?) It would also have been interesting to get some idea of the sales rates for the two products as demand for any particular product in the Japanese retail market is now reportedly very sensitive to price, which would suggest that the sales volumes of Canadian product should be outstripping California product. Japanese consumers have also known to generally value quality as much as the most discriminating customer in any other nation and to often preferentially choose quality over price although this has become less common over the past 15 years because of the poor economic conditions. The economy however is improving, in many ways dramatically, and, although a return to their old ways of buying the most expensive option simply for the prestige of being able to do that is unlikely, it may be that quality is again regaining its primacy in purchase decisions. If true, supplying a premium grade might trigger an increase in not just prices but also in sales volumes for Canadian product. This could lead to an almost exponential increase in revenues from the fishery but gaining this advantage is likely to be a hard fought battle requiring persistent innovation and patience.

At any rate, part of the discussion over dinner involved the Embassy presentation which was due the following day. There was still some work required to bring it all together so some time was devoted following dinner to seeing what everybody had prepared. This included sorting out who had pictures that might useful and appropriate and getting them transferred over to a single computer so it could be finalized.

Day 2: November 16, 2005.

Mike, Dave and Ken attended Tsukiji market early the next morning to view the auction and renew some of their relationships with the urchin auctioneers. Geoff had continued working on the presentation until all hours of the night and was not awakened to join the group.

The product and prices on offer at Tsukiji was by all accounts meagre because of the over-supply coming from the Russian IUU fishery in the Kuriles. The reported price for product comparable to that from Canada came in at about ¥100/tray and there was nobody, from Japan, the US, Mexico or Canada or anywhere else interested in trying to sell into this market under these conditions. The Russian situation is seemingly still affecting the whole of the Japanese urchin supply and distribution sector, providing an excess supply and setting expectations for prices which are simply near impossible to meet.

Comments on the Embassy Meeting

The meeting at the embassy commenced at 1430 hours and the presentation and comments from Japanese participants reported elsewhere in this report. I have a couple of comments on the session though that are not mentioned elsewhere. First off, we did not have the chance to translate the presentation into Japanese and I think this might have been a bad thing. I kept an eye on the table during the presentation and noticed that none of the Japanese even glanced at the presentation after the first slide - they basically stared intently at the hard-copies of the presentation text given to each of them. This may have been because they could not understand the English on the slides and they did not want to expose their inability but whatever the reason, it seemed to me that we should make sure do more to reduce any discomfort they may have because of this at these sessions.

The lack of attention to the slides may also have had something to do with the positioning of the presenter. Mike was seated at the table so whenever anyone looked up at him their eyes would not naturally move towards the screen. I think it might also be advisable to have the speaker stand at the podium next to the screen during the presentation so the eyes wander more naturally to the screen

As far as the comments from the Japanese players went, they were pretty much the same as last year except for one difference. I think of the eight (potential) buyers in attendance, at least four of them directly mentioned quality problems and/or the lower esteem Canada’s product is held by the market. I expect this was a response to some of the points in our presentation but it might be, I believe, a bit of a breakthrough. We are, after all, proposing to work more closely with them to produce a better product for the consumer and I think they were simply signifying that yes- there are some things which we can do improve the product.

Preliminary Discussion of Trade Tables from Embassy

At the beginning of the meeting, the Canadian Trade Commissioner, Sasaki-san, circulated a table listing the value, volume and average price of urchin product imports into Japan from a number of countries and some of the trends in here deserve comment. The data was presented in two forms, the first covering the period from January to September for years covering 2003, 2004 and 2005 so that we could get an idea of the state of affairs this year, and a full year summaries for 2002 - 2004. It is worth emphasizing again that the Canadian fishery generally commences in September, albeit at a generally low level, and is generally completed April which of course means that no fishing is undertaken between May to September. This means that the data provided by Sasaki-san basically splits the season so the new year's 9 month data series includes only the January through April fishing. Still there are some interesting trends that can be picked out.

One of the first criticisms must be that these tables do not include any of the imports from Russia, currently the largest importer of especially live product into Japan. The annual volumes of fresh or chilled sea urchins (products) imported into Japan according to the tables ranged from about 3,033 MT in 2002 to 2,466 MT in 2004 but Russia alone has been supplying somewhere in the neighbourhood of 10,000 MT per year of live urchins to Hokkaido since 2001 according to a number of sources. The whole import trade in live sea urchins into Japan from all countries up to the year 2000 was only about 7,000 MT, a realization that highlights the impact of the growing Russian IUU fishing. The recoveries from the Kurile IUU urchins are, at about 5% - 10%, low and so would translate to only about 500 - 1,000 MT final product weight, not completely outrageous but still a fairly significant portion of the total import market.

The decline in the Japanese import indices seemed to picking up pace a bit in 2005 as compared to the changes seen between 2003 - 04. The value of urchin product imports into Japan between January and September in $C terms has declined by about 30% since 2002 while the quantities have declined by only about 17%. Part of the difference between the two measures is due to the approximate 15% increase in the value of the Canadian dollar relative to the Japanese Yen over this period. The volume and value of Canadian urchin product imports into Japan over this period have only declined by about 2.2% and 11.5% respectively, so we appear to be doing better than just holding our own in this regard. This is supported by an import market share increase of about 3% (from 11% to 14%) and 2.2% (from 10.2% to 12.1%) in terms of value and volume respectively in the January to September period despite a drop of 10% in terms of the absolute volume of shipments. The value of Canada's imports between January and September declined from about $C 11.7M in 2004 to $C 9.95 M in 2005.

In contrast, import volume and value declines from the US are 45.6% and 31.6% respectively for the same period. The decline in import volumes over the January and September period between 2004 and 2005 were about 34% and 10.2% for the US and Canada, again highlighting the relative stability of the trade from Canada vis a vis that from the US, although it should also be pointed out that urchin products imports from the US remain about 2x the volume of those from Canada (371 MT vs 182 MT) even as their average prices remain marginally higher ($C 57.30 vs. 54.62). The volume of imports from Mexico for the same period have remained virtually the same (@ about 54.3 - 55.5 MT) although they have seen a more dramatic fall down in prices from $C 88.61 in 2003 to $C 51.06 in 2005, leading to an overall revenue decline of about 42% from about $C 4.7 M to $C 2.7 M.

The only country importing a greater volume into Japan than the US, aside from Russia, is Chile (416.6 MT between January and September 2005) although their average price is also considerably lower at $C 44.68 per kg. The value and volumes of imports from Chile have dropped by about 26.1 % ($C 25.2 M to $C 18.6M) and 24.1% (549 MT to 416 MT) respectively over the January to September period since 2003. The Chilean fishes generally opens in March or April and closes in early October each year so these numbers are close to the full year's production for the fishery

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Following the meeting at the Embassy, Mike, Dave Ken and Geoff got together with Hashimoto-san for dinner where a range of topics were discussed. The primary focus was on the situation with the Russian IUU fishery in the Kuriles and its affect on the whole of the Japanese uni and urchin sector. Japan no longer has the production capacity to fully satisfy its uni market with domestic product and it needs imports. A sizable proportion of the urchin processing sector in Hokkaido has become somewhat dependent on the low cost supplies from Russia as the expectations of Japanese consumers for low cost- high quality uni has become more entrenched simply because of the its availability and companies are more or less being forced to access these sources to maintain their competitive standing. Companies that have not have seen their sales volumes decline, because their prices are necessarily higher, and the supporting service companies (trucking, processing, sales and distribution etc.) have likewise been forced to move to where the action is. This shift is now simply a fact of life and the full elimination of the IUU Russian trade is no longer a realistic option. As he mentioned at the Embassy meeting, raising the proportion of the total imports from Russia from its current level of about 25 - 30 % to somewhere in the neighbourhood of 50% would seem to be a realistic start and even this might be enough to turn the market around and get prices moving in the right direction (ie. up). As things stand now, some Green Sea Urchin (GSU) products from the US (Boston) are coming in, presumably at lets call it a very competitive price, but there is no room for GSU from Canada.

He also mentioned that his company, like others all over Japan, checks into the Tsukiji prices every day to get a feel for the market and set his prices. He reiterated the point that it is important to maintain a favourable product profile on Tsukiji because this is used to benchmark the quality of the product and it is a critical element behind the market's expectations on price and quality. From the perspective of the auction itself, maintaining steady supplies and sales are critical, with intermittent and/or inconsistent supplies or quality presenting problems, for sustaining support for the product and the supplier by the auction and it staff.

He also made some reference to domestic Japanese production schedules. The coast of Hokkaido is well developed and the urchin grounds are generally easily accessed by the dive vessels from at least one of the many ports. Japanese product is now harvested using SCUBA and is generally landed and processed within hours of coming out of the water. The Prefectural government maintain its support of the fishermen and spent about $US 6 M on urchin enhancement last year.

He also brought up some recent research in Japan that seems to identify oxidation processes as at least part of the cause of discolouration of uni. This suggests that the BC industry's preference to land drained urchins might be counterproductive, particularly in light of comments regarding the poor colour of uni from BC's fishery earlier this fall presented at the Embassy meeting. There is no confirmation yet on the potential extent of the impact of this practice on the quality of BC product but at the very least, it does suggest that it is an issue worth exploring further. One easy way to start tracking any changes would be to get fishermen to crack some urchins and take pictures of the uni as soon as they come on board the dive boat. Processors could likewise take pictures of uni from the same load, there would have to be some coordination here, but then the colour profiles could be compared to get a preliminary indication on the effect.

A more familiar example of oxidation might be the rusting of iron and steel. A common treatment for this involves using an acid solution to chemically reduce the oxidative environment (REDOX solution) to at least reduce further oxidation. An option that might be workable in this regard could be vinegar, an accepted food additive which is actually a weak solution of acetic acid, should the effect be substantiated. Vinegar is, of course, a pickling solution and is used with seafood to produce seviche. The acid causes changes in the cell walls similar to that of heat (and I suspect the alum solution used to firm the uni up) which removes water from the cells even as it reduces the water transport mechanisms across the cell membranes.

At any rate, multiple effects, good and bad, on the product quality are likely. On the one hand, it may have a positive effect on the product colour and texture but on the other it will also affect the taste, although substitution of a sugar (glucose or sucrose) for some of the salt in the brine solution in this situation might produce a truly new and innovative "sweet and sour" product.

On another unrelated point, Hashimoto-san mentioned that octopus stocks off the west coast of Africa have recently collapsed and that a severe developing shortage of product in the Japanese market could be an opportunity for other suppliers. BC has large unexploited stocks up on the Central Coast, as evidenced by reports of prawn fishermen using grinders on their boats to treat all the octopus that come up in their traps.

Day 3: Thursday, November 17, 2005

There were no meetings for the PUHA representatives organized for Thursday so the day was spent consolidating and discussing the information from the Embassy meeting and preparing for the trip to Nemuro to get a look at the landings procedures from the Russian IUU fishery. There was general agreement that the message from the presentation, particularly with our focus on improving the logistics, better monitoring of the post-harvest handling procedures, improving the communications with Japanese marketers, and improving the website and Canadian industry's Information and Communication Technology capabilities to support an improved Quality Assurance Program and including traceability, did seem to strike a chord with the Japanese.

Some of the measures proposed, with particular reference to the utility of refrigeration on the packers, were considered to be of questionable value but Geoff at least felt that the response from the Japanese buyers was quite positive. It seems that some of our guys remain convinced that Canadian producers, fishermen and processors alike, are applying all the necessary measures to ensure the highest attainable quality and that getting better prices remains only a matter of better marketing. The value of a 'Brand' is readily acknowledged but it is the reputation behind the Brand that is really the deciding factor. Gucci is recognized worldwide as an exceptional repository of quality in design, engineering, service, integrity and prestige but it only got there by being an exceptional repository of quality in design, engineering, service and integrity. The same "exceptional" label must become part of the Canadian uni Brand product handling and customer service protocols to convince consumers that Canadian uni is indeed a prestigious Brand deserving of premium pricing and consideration.

Establishing a superior grade rating using only acceptable handling and service practices is not what the process is about and will eventually backfire, particularly if customers ever feel they have been 'had'. This applies to individual relationships as much as it does to a Brand relationship- in fact they are very likely the same thing. We heard from a number of companies on this trip how inconsistent and mixed grading from suppliers around the world has led to such concerns and the consequent loss of business.

The importance of maintaining strong relationships and their almost total dependance on trust cannot be over-emphasized - simply because as soon as buyers (consumers) lose faith in their suppliers (the Brand) honesty, they are looking for a way out. If a good friend screws you and dismisses your concerns they become an acquaintance. If a Brand screws you and dismisses your concerns, it becomes a commodity.

Days 4 and 5: November 18 - 19, 2005

These days given over to travelling up to and back from Nemuro and Hanosaki to view the port and unloading facilities used by the Russian IUU fishery. The report for this part of the trip is included as a separate section.

Day 6: Sunday November 20, 2005

We had been scheduled to spend the weekend in Nemuro but found that we had obtained all the information we were likely to get on the first day and so returned to Tokyo on the Saturday. We did not have any other plans for the Sunday other than getting together with Hashimoto-san to go over and discuss our findings. Most of the points made in these discussions have been included in the Nemuro/Hanosaki part of the report.

Day 7: Monday November 21, 2005.

The day was given over to moving to another hotel for our last night in Tokyo and to continuing consolidation of the information gathered thus far. We got together for an afternoon meeting and dinner with Maruki where we had extensive discussions on the market situation in Japan, our plans as laid out in the presentation and had a tour of their plant operations. They seemed particularly interested, right up to the point of (dare I say it) outright enthusiasm, in our proposals for addressing the logistics, quality, traceability and joint marketing goals. They were fully supportive of virtually all the measures we proposed ("more is better") and proposed themselves that we work together with them again at next year's Tokyo Seafood Show to jointly promote Canadian sea urchin products. Their support and proposal were both very gratifying to, and accepted by, the PUHA delegation.

There were a number of other interesting points brought up and discussed but unfortunately your faithful scribe did not have pen and paper at hand to get them all down. We got confirmation that 300 MT of product had been landed in Nemuro during the last week and that 150 MT had been landed today.

We also heard that China has been ponding juvenile urchins from Japan (joint venture projects?) around the area of Tsing Tao for grow-out and sale back in Japan. Kitaro said the quality of these urchins was generally good but that their taste and/or texture were not great. He could not produce additional details on the companies or the volumes involved but it appears that this sort of culture activity is moving ahead even though research into closed cycle urchin culture has been shelved at the Fisheries and Aquaculture Research Station in Huizhou City, Guangdong Province, China. The station stopped research and production of seed at this facility just last year because of a lack of interest by aquaculture companies in proceeding - at least for now.

He mentioned that they are receiving processed GSU from Boston, although the available volumes are apparently lower than they have been over the past few years. The fishery in Maine is pretty much closed now because of a lack of biomass but the processors and dealers in Boston also source considerable volumes from New Brunswick and Nova Scotia. He also reported that the GSU from the East Coast are more firm than those obtained from the West Coast, for whatever reason, and that reddish coloured uni is superior to the golden yellow uni most commonly sought in the West Coast fishery. On a less optimistic note he also mentioned that there are very large stocks of unexploited GSU (*S. droebachiensis*) on the eastern half of Etorufu Island, the Kurile Island furthest away from Japan. These stocks have not been fished for a very long time and are therefore considered to comprise very large and old urchins. Another feature that is kind of encouraging is that the packing time from these grounds would be about 60 -70 hours over some very exposed water so they are not economically feasible to harvest, at least at this time.

Day 8: Tuesday November 22, 2005.

Mike, Dave and Geoff returned to Canada on JAL while Ken left for a trip through China.