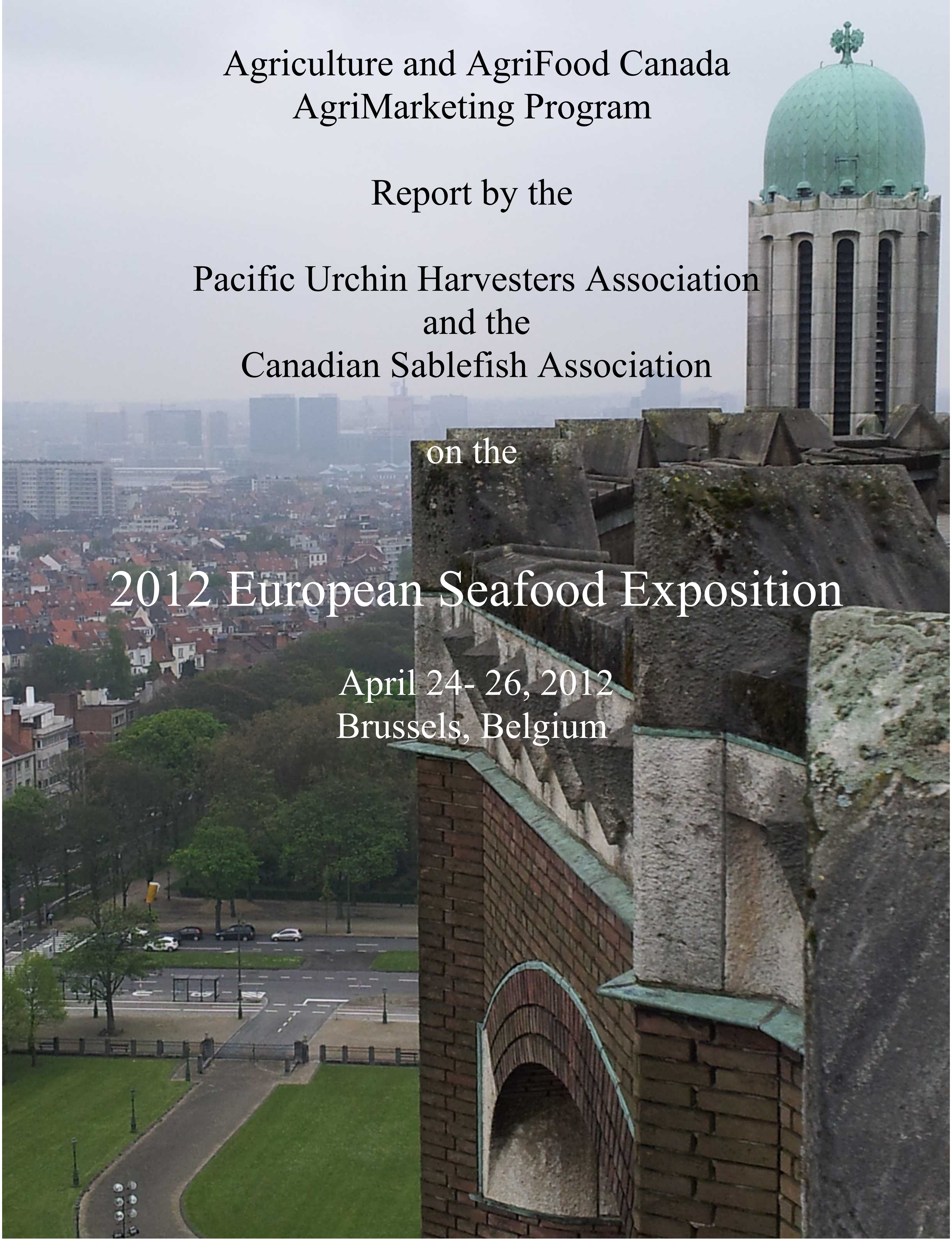

Agriculture and AgriFood Canada
AgriMarketing Program

Report by the

Pacific Urchin Harvesters Association
and the
Canadian Sablefish Association

on the

2012 European Seafood Exposition

April 24- 26, 2012
Brussels, Belgium

The Pacific Urchin Harvesters Association and Canadian Sablefish Association at the 2012 European Seafood Exposition

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Introduction

The Pacific Urchin Harvesters Association (PUHA) and Canadian Sablefish Association (CSA) each committed to have a small delegation attend the 2012 European Seafood Exposition (ESE) in Brussels, Belgium. The trip was included as part of each association's 2012 AgriMarketing Program (AMP) proposal and was to include using the British Columbia booth within the Canadian Pavilion as a shared base through which to engage international Canadian services including Trade Commissioner advice and consultations. Unfortunately the BC booth did not work out as planned but other options were available and adopted so most of the mission objectives were achieved.

One feature stands out as somewhat notable on these sorts of missions as neither association has product *per se* to sell. They must, of necessity, be sensitive to the commercial interests of members active in these markets and the delegation has no implicit or explicit mandate to negotiate directly with customers, either current or potential, on behalf of their members. As such, the primary objectives of the trip are to: introduce the products and fisheries for sea urchins and sablefish from Canada to interested parties, consult with Canadian Trade experts at the show on emerging opportunities, risks, services and planned events at their posts. The latter includes discussion(s) on time lines, notification options and effective liaison structures and contacts for product introduction events. We were also intent on developing a better understanding of trends, trade regulations, importation procedures and tariffs for Canadian seafood entering the European Union (EU) and including an updates on the progress of the Canada-EU Trade Agreement (CETA) negotiations and current and expected certification and inspection requirements etc..

Mr Geoff Krause was retained as the consultant for both associations for this trip. He met one PUHA and two CSA representatives in Brussels, Mr. David McRae, Mr Erling Olson and Mr. Jock Bray respectively, in Brussels on Saturday, April 21. All attended a sablefish product introduction event arranged by the Canadian Consulate staff at the Canadian Ambassador's residence on Monday April 23 and the ESE on Tuesday through Thursday. Mr. Krause and Mr. McRae also attended a Canadian Industry Roundtable Breakfast sponsored by British Columbia, Prince Edward Island, New Brunswick, Nova Scotia and Newfoundland and Labrador on the Wednesday and Mr. Krause a Fish and Seafood Distribution Value Chain seminar arranged and hosted by Canadian Trade Commissioners on the Friday after the show.

This report is laid out chronologically for the main events and comprises the observations and findings of the trip as gathered and interpreted by Mr. Krause.

Monday, April 23: Sablefish Introduction

An early afternoon reception was hosted at the Canadian Ambassador's residence in Brussels on the Monday just prior to the start of the show. There were some 63 people invited who showed up including Mssr's. Olsen, Bray and Krause representing the CSA, 7 Canadian Embassy representatives as our hosts, 11 journalists from local and other European news media outlets and 39 European restauranteur. 5 renowned local chefs contributed their time and expertise to the promotion by preparing dishes using sablefish as the main ingredient.

As the event got under way, Embassy and business representatives provided overviews of the fishery, the product and its uses for all in attendance. Many in the audience were taking notes as the speakers outlined their points. This was followed in short order by a sampling of sablefish dishes prepared by the chefs who volunteered (I believe) their time to prepare 3 dishes for each person in attendance using product purchased (?) from the main European distributor.

One of these dishes was a sashimi style of sablefish (raw) which had a number of people struggling to cut as the piece was a bit too large to simply take in a single mouthful. As with most expertly prepared Japanese dishes, the plate looked superb and tasted wonderful but it probably was not the most appreciated of the three. The other two dishes comprised cooked (baked) sablefish which was very nicely done and probably more appreciated by most everyone as it had the more typical flakiness once cooked. Of course, the cream sauces and seasonings used with

them also contributed to the abundant compliments, salutations and expressions of interest. Mssr. Paul Vanbosterhaut, Canadian Trade Commissioner based in Brussels and our primary contact in the Ambassador's office, promised to collect and forward the various comments and opinions.

One significant comment overheard concerned the size of the shipments. Most restauranteurs want smaller amounts than the 50 lbs contained in each box, if only to reduce the load on their limited storage space. Cash flow is generally acknowledged as critical in the restaurant business and providing flexibility that allows them to reduce the money they have tied up in inventory would also be beneficial. There seemed to be some agreement that a 10 - 20 pound (5-~10 kg) box would be more appropriate for most chefs.

Having product portioned as a value-added format would likely also be viewed as a bonus. One of the more popular preparations is the traditionally Japanese method for gindara. Sablefish is a delicacy in Japanese cuisine and a common method of preparation is to marinate fillets in sake, miso and mirin for three days. There was some interest expressed in accessing product prepared for this process so all the restaurant would have to do is unwrap the product, get it into the marinade and pop it into the fridge to shorten the investment of effort to get it to that point.

The distributor attending the presentation reported that his company has broken out individual fish for restaurants or other customers, but inferred that the extra effort and facilities required on their part are not always fully compensated. Even with this extra service, the J-cut still requires considerable preparation on the chef's part and once that is undertaken for a fish, they are committed to selling the whole piece within a few days at most. Many of the chefs most interested in the product cater to high-end clients and are adamant on using only premium quality. They understandably worry that the quality may be compromised if slacked off product is not used within a very short period.

It is fairly common knowledge that the nature of the fishery itself requires the fish be a Frozen at Sea product to ensure maximum quality as the holding time on board during transit is long enough that at least some deterioration would have to be expected were it simply chilled. There was some discussion on the value of having additional processing (fileting) on board prior to freezing. The concern is that slacking the product off on shore for re-processing, packaging and then re-freezing it compromises the quality as a little bit of quality is lost each time it is frozen no matter how good the freezing system. Unfortunately, Canadian fishery regulations do not allow on-board processing beyond dressing (H&G for the J-cut) despite the fact that this is demonstrably a self-imposed handicap and a missed opportunity for Canadian industry. A special "P" licence is required and this is very difficult to get on to vessels. This law was (I believe) implemented years ago to prevent the use of factory ships in BC fisheries because of the implications their emergence might have on shore-based processors.

Markets are getting more demanding all the time, one example being the changes that occurred with the emergence and growth of farmed salmon supplies since the 1980's. In the good old days when wild caught salmon were the only game in town, buyers would have to purchase (CIF) how ever many containers they figured they would need for the year, break them out as needed and hold remainder with all the attendant costs as inventory. They would not realize a profit from the transaction until the latter half of the year when their revenues finally exceeded their costs, if in fact that turned out to be the case. This changed with the arrival of farmed product: they order as much of any particular specification (eg. weight, colour, fat content, etc) that they need for the next week, have it delivered on Monday morning, have it all sold by by the end of the week and not have to pay for 90 days. In short they see their profit on the transaction(s) by the end of the week. No muss, no fuss, way less risk and way less money tied up holding that risk. It was a sea change for the seafood trade and the changes have not slowed much since.

Distributors for the EU have added individually vacuum packed fillets in the past but the demand was insufficient to justify the additional effort and investment in facilities on their part. They are however confident that the market would respond nicely to such packaging. Canadian processors may be well advised to start experimenting with some sort of portioning for filets as a means to open access to smaller users, like restaurants. One adage of note is that the customer is always right, and if they only want to buy single vacuum packed portions in 5 kilo boxes, they are going to find suppliers willing to deal with just that. There are margins available in that transformation and it may as well be undertaken at the most advantageous point for Canadian producers.

One main distributor for the EU, Sheild Foods (UK) Ltd, based in London, had a representative at the presentation. They are bullish on the product but feel that getting people to just try the product is getting them over a bit of a speed bump as many are put off by the relatively high price point. Still, they started out 6 years ago by bringing in 10 cases but now bring in 10 MT of sablefish every couple of months. They used to sell overwhelmingly to Japanese restaurants, which are not surprisingly still a major customer as sushi restaurants are among the fastest growing food service sectors in the UK and the EU generally. However they now also sell to Thai, Indian and Chinese restaurants among others as well. They hope to continue working with their many friends in this audience to continue developing new markets for the product in other locations throughout the EU. There was considerable confidence that sablefish can succeed just about anywhere even if it starts out as an item on special select menus. The product is unique and held in such esteem that demand will grow throughout Europe from the initial locations as it becomes better known and more people start asking for it.

Despite rumours to the contrary, MSC or some similar certification is definitely an advantage but is not necessarily a deal breaker when it comes to shipping into the EU at this point. The sablefish fishery in particular stands out in this regard as it is MSC certified, but many other

Canadian fisheries also have very good reputations with regard to food safety, quality and sustainability.

Tuesday April 24 through Thursday April 26: The Show

The European Seafood Exposition attracts buyers and suppliers from all around the world and is arguably the most important global event in the seafood industry each year. The event started in 1992 with 230 exhibitors filling 3,614 m^2 and has since grown to include 1,600 companies from over 80 countries and 34,000 m^2 of exhibit space. The company producing the show is Diversified Business Communications out of Portland Maine, a firm well known in the industry. DivComm as it is also known is also responsible for the Boston Seafood Show and the Asian Seafood Expo (ASE), the latter of which is only a couple of years old but which has been a target show for the sea urchin and sea cucumber associations over the past couple of years. The company's experience in Brussels and Boston supports their contention that the ASE is quite likely to continue growing in significance and providing improving exposure to seafood business and buyers throughout Asia, including China.

This year the Canadian Pavilion included about 34 companies as well as Provincial representations from British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island. The Pavilion was laid out in a "T" configuration with the majority of the booths surrounding a central lounge area where samples of Canadian seafood provided by participating companies was prepared and served by a chef and his team. The location of the pavilion was in the far-back corner which may not sound all that great but it was also located immediately in front of the main cafeteria for the show.

The facility and the staffing were arranged and sponsored by Agriculture and Agri-Food Canada. There was also a very generous contribution of Moosehead and various snacks provided by some sponsoring companies that lubricated many planned and unplanned (serendipitous) meetings and discussions. There was a constant flow of people through the lounge area and it seemed that a fair bit of business was being conducted in that particular venue. There was more or less general agreement that it presented an approachable, friendly atmosphere where the full range of products and the professionals representing them was available.

Trade Commissioners from around Europe were available to exhibitors and in our case, "New to Market Walkers", throughout at least the first two days of the show. We had intended to situate ourselves at the BC booth as exhibitors but this did not work out as numbers allowed in the booth were restricted because of its small size. It turned out that the BC Salmon Marketing Council had a larger booth right next to the BC booth which they did share with other companies, including Grand Hale Marine Products of Richmond. Participation in the booth within the Canadian Pavilion provides access to the Pavilion resources including the Trade Commissioners, the meeting lounge, a chef to prepare and serve samples and of course opportunities to meet and get to know other Canadian seafood industry representatives from around the country. Grand Hale Marine Products took the opportunity to have the Chef prepare and some uni, which was shipped frozen but did not appear as if it had been. Other than perhaps the colour which may have been a bit darker than what is preferred in Japan, it looked and tasted great.

One advantage to having a variety of fisheries and/or companies represented at one booth is the increase in exposure each can provide others as visitors come by. The sea urchin and cucumber associations have similarly shared space at the Asian Seafood Expo in Hong Kong over the past few years have seen this happen in a number of instances. It may be worthwhile to discuss such arrangements with the BC Salmon Marketing Council and/or other groups for future shows but in this case the “Walker” Program was quite satisfactory. As association representatives, we do not have product on offer or for sale *per se* as that is appropriately more within the purview of member companies.

As mentioned earlier, our primary purpose for attending the show is to better define opportunities for introducing the product(s) to new customers and regions and constraints and/or factors that are likely to affect outcomes in one way or another. This is of course valuable information needed for developing a realistic competitive assessment of where we stand. Examples of factors or considerations include inspection or sustainability policies, food safety issues, social factors, infrastructure, distribution value chain condition and location(s), competition and/or differential tariff structures etc. Trade Commissioners can be uniquely helpful on many of these. Unfortunately they know there are some layoffs coming because of the recent budget cuts but even they do not know where the axe is going to fall and which of the stations is going to be unfilled. They are continuing on as per normal right now but are aware that changes are in the works.

There were opportunities to meet with Trade Commissioners from various posts at the show. In this case, getting details on market conditions and specific product introduction events was not the aim but getting more information on the required preparations, notification or bulletins etc. that come with such opportunities was. There is considerable speculation on what the implications of recent Canadian budget cuts might have on staffing at consulates etc., but there is also some confidence that the services offered by Trade Commissioners will continue, albeit in a possibly somewhat diminished capacity. The consulate in Paris for example is closing so there will not be any promotional events possible at the scale as the only available venue remaining will be the ambassador’s residence.

For promotion events, there is no formalized schedule available at this point but it may be possible to have stations send out notifications to potentially interested groups (associations) with say a 6-8 week lead time so all the preparations and certifications can be lined up in time. One opportunity that is generally a good bet occurs at most Canadian Embassies and consulates on Canada Day. Food and drink of Canadian origin is featured in receptions celebrating the Day and in most cases the hosts will welcome appropriate fare. For other dates the instigator of the event is generally the Association and will include an indication of the target market segment, preferred timing, attending members and venue type.

There was no indication of whether donations are preferred over local purchases but, again, all the appropriate health certificates and inspections are required for product(s) before it can be served. In order to ease the burden on staff, a local importer or distributor with the product on hand is preferred, actually even required, so nobody has to rush around to try and get product through inspection just prior to the event. On a number of occasions, product has been held over for inspection for so long that it does not make it to the table. This is an embarrassing situation that all really prefer to avoid, especially when there are hundreds of people showing up.

The best advice is to get companies active in any given area to have their distributors contact Canadian Trade Commissioners in the regions of interest to let them know that the product is on hand and that we (the company and the Association) are interested in any promotion events they may have planned. That way perhaps lines of communication can be opened and the appropriate logistics developed that enables timely response to any call to participate. This also allows companies to keep much of the information they'd prefer not to share confidential even as they still benefit from participating in the program and the alliance.

Crossed wires also get in the way for getting product to the show when the lines of communication and product documentation and transfers are not well defined. This happened with a number of products destined for the 2012 ESE, including a box of sablefish that was apparently delivered as advised in BC to the designated transport service but which did not make it to the show. This of course left CSA representatives scrambling for replacement product to use in the pavilion demonstrations. They were eventually successful but exactly what happened was not known before the end of the show.

That may have changed but there were some cases where product delivered to the shipper was not included in the overseas shipment because required documentation, including and perhaps especially a health certificate, was not included. Other foul-ups can occur when show staff, including cleaners, are not properly included in the process. If workers are not accorded a level of respect they consider sufficient, and that is something largely out of our control, some of them at least are likely to embrace the notion that they are only hired from the neck down and refuse to apply their discretion in cases where they suspect their prescribed actions are counterproductive.

The chef serving samples from exhibitors in the Canada Pavilion feels additional effort to streamline handling arrangements to avoid similar glitches in the future is warranted . The series he suggests starts with each company working through a designated Representative (dR) from each province so that each dR deals with the Agriculture and AgriFood designate who in turn coordinates everything with the shipper. What has happened in the past is that some companies have dealt with a dR, some with the AAFC designate, some with the chef, some with the shipper. Quite a few of these try to get by with deficient paper work and ad hoc arrangements- despite it being a recipe for confusion as the end result is that no one knows who is responsible or is accountable for what. In cases like this responsibility has to rest on the individual processor. It might help if some sort of checklist could be provided to processors that includes an outline of the process, contacts, timelines, documentation requirements, packing and packaging requirements.

Additional requests to, say, the chef on processor preferences on when their product is served and maybe some suggestions on preparation and presentation, could also be copied with the shipment

with a primary route through the dR up the line through the AAFC rep to the chef so there is a consistent and redundant chain of communication. The chef would like to have at least 2 weeks notification of product coming (species, product form, amount) to provide sufficient lead time to incorporate and accommodate requests and develop a variety of recipes.

As a bit of an aside, to a direct question as to what is his favourite fish, he first replied sablefish but on further digging revealed that, to his mind, it is still very hard to beat Atlantic Turbot. This simply demonstrates that what comprises the Best Fish is going to vary regionally and that prefacing said claim with “We feel” might be more inviting than challenging. Referencing authoritative endorsements/agreement will further substantiate the claim.

We managed to walk through and check out booths of interest over the 3 days of the show. Interesting bits we picked up on these included the new live transport barrels that have been developed by Maersk. They resemble a large barrel within which a series of trays for live product are stacked around a central pillar. The barrels can be sealed to eliminate spillage and it looks like they are each equipped with a closed water circulation and filtration system. Being from Maersk, they are designed to be stacked inside a container for shipment so might be useful for highway transport and/or storage of live product. They might also be useful for shorter hauls, say a packer run into Vancouver for live product, but the service is not yet available on the West Coast. It is currently used primarily for the live trade in lobsters, and probably other shellfish, between the East Coast and Europe.

Sushi bars and other Japanese food service is growing very quickly throughout Europe. Frozen seafood is well respected by most chefs because of the extended shelf life and decreased risk of spoilage frozen seafood presents in comparison to fresh.

There were some new packaging options on view at the show. One that might be of some interest to uni producers has 3, 6 or 8 small clear plastic cups melded and sold together as a single unit. Each cup could work as a single shot container if there is in fact a market for said product.

A number of sustainability certifiers were at the show. These companies provide various options for third party certification for which Marine Stewardship Council (MSC) certification is still generally considered the gold standard. While likely the most expensive, MSC is no longer the sole option. Increasing competition in the market for environmental sustainability certifications should lead to lower costs for industry and there does not seem to be undue focus on MSC as the one and only.

One other contender in the field is a new FAO-based model that is an apparently "robust, common sense, practical, cost-effective, verifiable and transparent" process that incorporates the criteria and procedures outlined in the FAO Code and Guidelines, an internationally-agreed upon set of principles for responsible fisheries management. The program also uses a certifier, such as Global Trust (www.gtcert.com), to assess the fishery. There is also a post-assessment peer review process involved and an independent certification committee that makes the final decision on whether to award the certification. The Alaskan sockeye fishery recently withdrew from the MSC process and is now using this system as is Iceland for a number of its fisheries.

Recruiting fishermen in many fisheries around the world is increasingly difficult as opportunities to make substantial dough for young guys are diminished as boats and licences have become much more expensive and fewer avenues to actually buy a stake. There are also more educational requirements for those who want to rise above the simple crew level and these can be similarly viewed as a barrier to entry.

There were a couple of comments from various fisheries that markets in Japan were very tough this year. Prices seemed to remain fairly stable but demand did not similarly respond. One possible explanation put forward centred on the restricted power availability because all of their nuclear reactors have now been shut down in response to the tsunami and earthquake risks. This logically has increased electricity and other energy costs and possibly reduced cold storage capacity on the infrastructure side and consumption of more expensive luxury items by the middle class simply as a result of reduced discretionary income on the demand side. A solution is looking like it might take a while for them to work out and it may continue affecting demand for some time. They are apparently looking at more alternative sources, wind, tide, solar, etc, but the intermittent nature of these still requires the development and deployment of new energy storage technologies means full recovery of their energy capacity is some distance off.

QR codes were seen in many booths, on business cards and in other literature. They are apparently becoming ever more popular as an easy method to get people to visit your website(s). BC Fish is now placing them on the backs of their business cards so anyone picking up one of them can quickly and easily access more information about any BC fishery products listed on the site. Again, this is a system that can be used to establish communication links with customers at any level thereby allowing aggregation of information useful to either side of a transaction, and including a ‘map’ of where particular products are available. This could also be linked to reviews of many types allowing for more cross promotional opportunities.

There is an incoming mission including food, gastronomy and culinary journalists from Brussels to British Columbia in this coming Fall (September- October). The 2 days around Vancouver with 1 day dedicated to salmon and another to other fisheries, including perhaps sablefish if a vessel happens to be in and ready for unloading before moving on to the Okanagan for their fares and then on to Calgary for the bison. They will be interested in visiting some signature restaurants in the area so it should provide good press in Europe. It may be possible to get the guys into a Steveston market day if they are around on most days of the week. Attending this would let them see many different aspects of BC fisheries, all in one place, and get some of the real flavour of the activity. Air Canada is contributing flights so they are likely to fly in on a weekend. Paul Vanbosterhaut is the key Trade Commissioner contact in Brussels on this. They are looking for journalists from at least 2 daily and 2 weekly papers to join. They also hope to have some French and maybe even some Flemish speakers to meet with on the Canadian side as having a fully fluent person with good local knowledge to chat with can provide additional flavour and authenticity for the article(s). (This is information that should be shared with people like Sandra Merck as she is instrumental in setting up a number of events in Steveston and know all the people involved.)

Wednesday April 25: Canadian Roundtable Breakfast

An early morning breakfast was hosted by a number of Provincial Federal (AAFC) representatives on the second day of the show. The purpose of this is to give exhibitors additional insight into the EU market and some trends that are affecting it.

Talking with a lobster supplier out of the Maritimes: they cool water to 2-4 °C to reduce the metabolism of the lobster so they basically shut down and go to sleep. One of the major steps they had to figure out was the rate of cooling that works- if it drops too fast it kills the lobster. Lobster fishing has increased from about 20 k-lbs per fisherman per year to about 70 k-lbs and prices are running at about $5 per lb. Boats have increased from about 25-30 feet to upwards of 50' and the operations are moving further offshore. Fuel costs and bait are hurting fishermen on both coasts. Lobster prefer fatty fish for bait so herring is much preferred.

Introduction to the European Seafood Market- Julie Ferguson (AAFC)

The EU comprises a single market of 27 member states with a population of 500 million, 30% of the worlds seafood and the world's largest market which is worth about 19 Tr USD. It is however a series of different markets each with their own preferences and traditions. 17 countries share the Euro (€) as a currency.

The EU uses about 13 MMT of seafood per year. They produce about 6 MMT themselves, import about 9 MMT and export about 2 MMT annually. The total value involved is € 55 B. Canadian exports to the EU represent about 2% of the import market and are worth about € 4 B per year. We are not in the top 10 and our exports have been dropping.

The financial crisis in Europe has affected some of Canada's traditional export markets: Spain is down 30%, Portugal, Germany and Denmark down by 10% etc.. Much of this is due to substitution of cheaper products, again perhaps indicating that Canada is thought of as supplier of pricey seafoods, but there are also some nations (eg. Greenland, Iceland) which have preferential tariffs. Some of our less traditional markets in Europe on the other hand have seen increases. Ireland was up 180 % (lobster) Sweden - up 39%- so these sorts of nations might be interesting opportunities for exporters.

Tariffs are of course a very important part of the equation for companies importing into the EU. Companies can apply for a tariff classification from the custom's authority of any member state to get legal certainty and hopefully eliminate the sorts of surprises that can really damage a business plan. This classification is valid for 6 years throughout the EU zone and gives importers legal certainty on what sorts of tariffs, duties and taxes will be on their imports, an especially perplexing issue when products are composites (eg. bacon wrapped scallops). Canada is negotiating a Comprehensive Economic and Trade Agreement with the EU and while many details remain, there is hope that it will be ready for signing by towards the end of next year (2013).

Currency fluctuations (in excess of 10% a week sometimes) are also affecting sales and the revenues derived from them. The issue right now is that the Canadian dollar is quite strong right now. Environmental issues are important in the EU and also affect perceptions and sales of imports. They also have a very strong health and wellness trend and see seafood as a healthy alternative.

Martin Sullivan: A Canadian company perspective on doing business in Europe

Martin is CEO of Ocean Choice International, a company with sales of $C 250 M. The company sells 22 species, 85% of which are MSC certified. 10% of their sales are domestic with 30% going to each of the US, Asia and the EU. They feel that consistency and reliability of supply, availability and quality are key to maintaining one's place in the market. They have dedicated sales agents in their various markets and sell to many food service businesses. The company's main competition is not domestic so much as it is international and can further be defined as not even seafood as there are many other protein sources in the market, all with their unique and competitive price points. There are many factors affecting the market and it is up to each company to positively influence those under it's control to affect better sales performance.

The 3 major brand pillars are provenance, quality and sustainability. Ths is especially important in the retail while the provenance is not so important in the food service sector. People must feel they are getting good value. Their diversified product mix gives them the flexibility to weather any number of different cycles and is very important to their success, even though they have an anchor species in each.

Having the one currency (EU) makes things easier from a business perspective as is the homogenous inspection and customs system. Some countries have very complex and confusing rules and getting the tariff classification is likewise very helpful.

Ocean Choice feel successful conclusion of the CETA will be a game changer for Canadian seafood in the EU as it will in large degree even out the playing field. They are also concerned about the economic situation in the EU and have noticed that more people are buying retail and staying away from the food service outlets as a means to economize.

They find the Canadian Brand is a good one with advantages for companies that use it and would like to see more using it. Increasing cooperative actions can further entrench the CB cachet in consumer's minds and provide further benefit to Canadian producers.

Karen Galloway (Seafish): Future Market Trends in the UK

The UK market comprises about 60 M people. The UK includes many sector leading companies and trends and the economic challenges they are facing will be seen in and cascade through many other markets. The UK has now officially moved back into recession and this dramatically affects spending through consumer confidence and behaviour(s). It has recently slipped very badly in the UK. Inflation is a significant concern as consumers are very worried about the effects of higher (especially energy and food) costs on their overall budget so the growth is not coming from traditional companies, it is coming more from discount marketers. People are looking much harder to find whatever deals they can to save a few pounds and they are finding most of these in pork and chicken. It is unlikely that an increased awareness of prices and options is going to reverse as soon as things improve and this is something all retailers and food service businesses have to respond to.

Retailers are also looking to maintain their price points to hold onto sales and margins for profitability. This means that the manufacturers are having to rearrange their ingredients, formulations and/or portions to maintain their competitive position. This is a conundrum as the costs of harvesting, manufacturing and transport are all increasing and yet there is a decreasing willingness of consumers to absorb any of these.

Economic conditions and the resulting search for value are trumping eco-labels right now but even when things are good the labels are still kind of confusing to consumers. Many of the certification programs may be based on good science but most people do not actually have a clue about what is or is not good science and just get confused, if not defensive and less willing to try particular products when they are faced with too much information.

Using deception as a means to draw consumers into buying is also a very dangerous move these days. One example might involve substituting lessor species in for higher cost fish (eg. Sablefish) in the hope that most people do not know the difference. Emerging bio-technologies that will allow near instantaneous confirmation of any particular species are going to be a game changer in this regard as well.

Marie-Christine Monfort: Why and How to label seafood products for the European Market

Labels can be a real service to consumers as like a brand they comport significant information to consumers in a shorthand they can readily interpret and trust. This means that effective labeling, itself incorporating tenets of simplicity and trust (ie: supported by the use of accepted standards, authoritative references and published/reviewed audits), provide a very real competitive advantage by effectively addressing consumer concerns and values for those products successfully employing them.

There has been a change in values applied to food purchases over the past few decades. In the 1980- 90's, establishing the origin of seafood was a priority for consumers. By the 1990-2000 decade, origin and quality assurances were required and by the 2000-2010 decade a strong assurance of environmental sustainability was added to the list of requirements. Since 2010, ethics and the treatment of animals is similarly growing as a concern, and apparently no matter whether it is driven as real concern of consumers or is just an “academic exercise” , a number of Non Governmental Organizations (NGO’s) are taking up the baton and raising its profile.

The level of the customer must also be considered. The Alaska Seafood Marketing Program is an effective Business to Consumer (B2C) effort but seafood is quite often dealt only to buyers and it is they who communicate with downstream customers. (Remember the one up - one down traceability preferences for many buyers and distributors- some simply do not want their customers or their customers-customers to know more about their suppliers. Information is power etc...)

Ms. Monfort researched the Canada Brand and the logo for her presentation and had a few comments to the effect that while Canada has a beautiful image as a clean, technologically advanced country, the Brand leaves consumers somewhat confused. The “Maple Leaf” may be readily recognized but it is not used by all, or perhaps even most, Canadian food products. There are still some doubts about the efficacy of the embedded message as well as there is an apparent lack in the underlying substance with no standards published, no authoritative referencing and no audit process described to provide assurance that the promise is anything more than empty rhetoric. (This would appear to be an area where increased federal department cooperation and collaboration would be very helpful but it seems that not all departments hold the same opinion of the merit of or risks involved with providing authoritative assurance(s)). One example provided on this is that the message on sustainability is not apparently getting through as only 45.7% of polled Europeans believe Canada manages it's fisheries sustainably. (There is commonly a "home" bias at play in this regard so while a comprehensive backstop is needed for those consumers who are motivated sufficiently to research the bases for the brand claims, it should also remind us to question more openly some of our assumptions about ourselves, especially when it comes to what we think others think of us. What is that old saying: while we judge ourselves by our intentions, others judge us by our actions). They make their own linkages and not all of them are necessarily flattering.

More guidance can be obtained from the company's website:
http://www.sea-matters.com/?lang=en

Friday April 27: Seafood Value Chain Seminar

Introduction

Following the 2012 ESE, there was a Fish and Seafood Distribution Value Chain seminar focussing on mainly on Germany, the Netherlands and Belgium. The subjects discussed included an overview of EU seafood markets, seafood import requirements, strategically advantageous import planning, a logistics overview and innovations and marketing in seafood. Copies of the presentations (Powerpoint or Adobe) were provided and will be passed along on request.

The value of this event was evident in the introduction email that went out to participants prior to the show. I have taken the liberty to quote it directly:

" Belgium, the Netherlands and Germany are the gateway to Europe, giving immediate access to 500 million consumers with significant purchasing power and high educational levels. Excellent infrastructure (including ports, roads, airports and rail roads) as well as the presence of major importers and distributors are key elements for foreign companies targeting the European market.

Almost 40% of all Canadian fish and seafood exports to the EU27 are shipped to Belgium, the Netherlands and Germany. Canadian exporters are mainly small to mid-sized enterprises. Investments abroad and innovation partnerships with foreign companies are limited. The creation of value in Canada for seafood products is still in its early stages, compared to the European food industry.

There is a high potential for Canadian companies to expand their trade relationships with these three nations by gaining expertise and knowledge and the benefits it provides. In the long term, the Canadian seafood industry will need to better connect with the EU market. This can be achieved either by partnering with – or investing in – local players (logistic or marketing solution providers, innovation partners…) or by offering higher-value products (innovative finished goods…).

Comprehensive Economic and Trade Agreement (CETA)

The advent of CETA 'free trade agreement' offers major opportunities and an understanding of the market requirements and logistics offerings are essential. At a time when our programming is to anticipate the successful completion of the CETA, we hope to help prepare Canadian business with the knowledge they require for the regulatory environment and physical distribution of their products. The initiative will focus on the Innovation and Investment side in its next phases, once Canadian companies have assessed the high-value product opportunities and requirements."

The information available on the CETA is limited at this point. Suffice it to say that the negotiations are "going well" but there are still many details being discussed and changing economic and political situations in the EU and globally may still influence the outcome either way.

Overview of European Seafood markets

Germany

Germany consumes about 3.9 Million tons (Mt) of seafood each year and is highly dependent on imports (88%). The top items include fresh and smoked salmon, shrimps and prawns, tuna and frozen fish filets. At 15.7 kg, the per capita consumption is lower than the European average but it is increasing. The distribution system for fresh seafood in the country is weak but frozen food are held in high esteem as good quality and value choices. Sales are very price sensitive, probably more so in these troubled economic times, and discounters account for about 52% of sales and supermarkets 36%. Sales of both fresh and frozen convenience products are growing in Germany and throughout the EU.

Sustainability is very important, and MSC the acknowledged leader in the field as a certification agency. Animal welfare is rising as an issue of merit in the country with activists now targeting the Live Lobster trade because of humanitarian concerns about how they are kept and killed.

Belgium

Belgium is the 6th largest agri-food importer in the EU in large part because it has a strong export oriented food processing industry where more than half of production is exported. This also hold for seafood as about 50% of these imports are also re-exported. More than 85% of Canada's imports fall in the 'bulk' category.

44% of consumers maintain that they eat more fish than meat. The largest imports in 2011 by value were frozen Panaeid shrimp at about 391 M €, salmon (all forms) @~ 271 M € and mussels @ ~110 M €. The opportunity for salmon looks quite good but the primary supplier of wild product currently is Alaska. Canada's main contribution is through live and frozen lobster.

Netherlands

The Netherlands is the world's second largest exporter of agrifood products and is the main agrifood conduit into and out of Europe, in part because of its central location within the EU and superior logistical (ports, storage, rail, highway etc) infrastructure. The Netherlands imported about $C 550 M of Canadian agrifood products in 2011 with fish oil, live lobster, cold water shrimp and snow crab, all apparently from the East coast, comprising the main seafoods.

One point of interest in this presentation is that Unilever is a major force in the Netherlands. The Marine Stewardship Council certification body was developed by Unilever and, although it sold part of its interest in the MSC some years ago, some kind of continuing linkage and support to provide mutual competitive advantage is likely.

European Import Requirements for Seafood

The key principles of the EU import policy are that they are in line with WTO rules and other international commitments, based on scientific risk assessment(s), are supported by member states, that the requirements applicable to third countries are at least equivalent to those applying to member states and that third countries must be authorized before sending animal products to the EU.

Canada has such an equivalence agreement with the EU for at least some species, a list of which is part of the agreement. The Canadian Food Inspection Agency is identified as a Competent Authority in Canada and:

> guarantees compliance or equivalence to EU requirements
>
> is required to prevent the introduction of animal diseases into the EU emanated in Directive 2002/99/EC (animal health)
>
> ensures that:
>
> > its control services comply with Regulation (EC) No. 882/2204- the bible of EU regulations and which is now being revised to comply with international requirements;
> >
> > establishments comply with EC requirements; and
> >
> > certification requirements of Directive 96/93/EC abd Annex VI to Regulation (EC) No. 854/2004 are satisfied.

Import Procedures (Directive 97/78) require **prior notice of arrival** for products of animal origin, **all of which must be presented at a Border Inspection Post (BIP)** and **accompanied by all relevant certificates** required in EU veterinary legislation. This includes both a Health Certificate and since January 1, 2010, a catch certificate (Council Reg'n (EC) No. 1005/2008 designed to fight IUU activities). They **can only then be accepted if the products are derived from approved countries, regions and establishments as appropriate**. There are different levels of inspection applied ranging from cursory check of the documentation to verifying the identity and a full physical inspection etc. applied at anywhere from 100% to between 2- 50% depending in part on the country and its interpretation of the requirements in the legislation and/or on the established relationship and history the shipper has with the BIP etc. A reduced frequency of physical checks is applied to harmonized products and to products which have an agreement with the EU (frequency is contained within the agreement). One should note that animal welfare is a major inspection consideration.

If an inspection determines there is a serious risk to human or animal health, the consignment is seized and warnings sent to all BIPs so subsequent consignments from that source more intensively inspected over the next 3 months. Repeat infringements causes import (licence?) suspension and no doubt all sorts of grief for the Competent Authority in the Third Country.

100% of import consignments are given at least a cursory inspection. In Belgium, 13,400 of 25,668 of the "for human consumption" consignments coming in from outside the EU in 2010 were seafood. Fishery products is defined in the legislation (Reg. 853/2004) as all seawater or freshwater animals except for live bivalve molluscs, live echinoderms, live tunicates and live marine gastropods and all mammals, reptiles and frogs. The invertebrate members of this set are given special consideration because they are filter feeders or apparently thought to feed exclusively on filter feeders so they are more likely to accumulate toxins or bacteriological contaminants, thereby presenting a risk to human health. These species therefore can only be harvested from approved areas which are monitored to ensure they meet the toxin and microbiological criteria.

There are differences between **Harmonized Products**, which can be released throughout the whole community once they pass inspection, and **Non-harmonized Products** to which national legislation still applies and which are released only to that nation's market once they pass. Composite Products comprising >50% seafood require inspection through a BIP and are subject to veterinary checks. It is possible to get a special documented agreement with tax authorities which may allow it to get it through inspection without untimely delays. This is legal agreement which also provides some assurance on the applicable tax rate as well but is complex so appropriate legal representation is strongly advised.

Eurostat would seem to be a good web resource to track EU trade using Harmonized System (HS) codes.

If a consignment is approved, it is generally on the move again within an hour. If it is not cleared it can be stored for up to 60 days, generally a very expensive option and/or re-dispatched (to another jurisdiction), destroyed or converted to "feed".

Supply Chain Management

Logistics is generally concerned with managing and controlling the flow of goods and related information from the source to the market. It is important to get a good handle on all costs and factors affecting performance especially in a complex and competitive market like the EU. Regional and national differences throughout the 27 nations making up the EU dictate that a differentiated European Market Strategy require a willingness to commit resources to obtain local market expertise and effective logistics. In the seafood trade, this also requires effective cold chain management so the product can get to the customers in the bast possible condition.

Retailers are key to local market expertise and in a sense control the market, at least on the local scale. There are a number of options an importer can consider including using centralized or decentralized distribution and/or outsourcing these activities to a local, trusted partner. There are pros and cons to each.

Doing Business in Europe - A presentation by Greenberg Traurig, LLP

Any company importing products into the EU would do well to consider the tax, trade, VAT and customs implications of any options they take . Customs authorities are unique for each country in terms of how they interpret governing EU legislation and how it is implemented at their Border Inspection Posts. The effect of this is that from a customs duty perspective, the country of entry makes no difference but compliance requirements often differ by country. Remembering that a product can circulate throughout the whole of Europe once it passes inspection, it is best to establish a central business office in a specific country to better establish a relationship with a particular customs office. It is also worth considering that some, but not all, countries allow deferment of VAT on import so there are various strategies which can be employed to optimize cash flow (and associated interest costs) depending on the choice of where to locate.

Establishing a sales office can also serve to reduce the absolute amount paid in tax even though the tax rate does not vary. The taxes are based on the sale price so having an EU sales office purchase the product at say 80% of its final retail value can save a considerable amount compared to the 110% rate that will be used as a benchmark otherwise. The interim sales price must only be fair and justifiable, including manufacturing, transport and sales component costs in the calculation.

There is a document called a Binding Tariff Information (BTI), a legal agreement with a tax authority which confirms a classification for the product (often important in composite products) so the tax rate is assigned, known and documented, easing the job of the border inspectors and bringing certainty to applied duty rate and removing a possibly variable area of discretion. As a legal document, legal representation is recommended.

Developments in Fish and Seafood

Value added and convenience are critical for Northern European markets. Ready to eat and convenience meals may be declining because of the current economic troubles but there is still a reluctance on the part of consumers to watch cooking shows or develop the requisite “from scratch’ cooking skills.

Sustainable and responsible sourcing are important. The importance is reflected in the font size of many packages. Hook and line fishing is highlighted as a preferred capture method for albacore tuna.

It is also worth noting that tracking numbers on the packaging that allow the product to be traced using web resources by the consumer all the way back to where it was caught and by whom and including all the interim steps, locations and times, are also being more widely referenced. A regional identification as a branding element is increasingly common when the area has an appropriate reputation it can build on.

Appendix 1: Feedback on Sablefish from Belgian Chef

From Paul Vanbosterhaut:

This is the first reaction Mssr. Vanbosterhaut received from the chefs who participated to the Sablefish promotion. It was sent to him by Ivan Vanhelle, the chef of Tanuki (considered by Gault-Millau as the best Japanese restaurant in Belgium).

Sir,

In the meantime, it's now a month that we work with success with the Sablefish. It is a beautiful product, the customers are very satisfied. We have placed different preparations on the menu,

1) baked as "Teppan Yaki"

2) marinated and grilled as "Saikyo-miso"

3) fried and then inlaid in "Nan-ban su"

We and our guests found all three preparations very tasty.

Yet I have some comments;
- The name in Dutch is rather misleading, since all the guests confuse "wilde sabelvis" with swordfish, not unjustly, but this is a very different fish from another continent and ocean.
- The actual purchase price € 29.95 is quite expensive (you have to count another 20% loss, that makes net about € 35.00 / kg).
- Another important point is the "handling" of the product. Since the whole fish is frozen, defrost in the refrigerator lasts 48 hours. So it is hard to offer it "à la carte". You're also immediately with a large portion of thawed fish that you have to sell within the next 48 hours since you cannot refreeze it. At the same time, you can't serve it as "Day's Special", because the product is too expensive.

Appendix II: Attendance List for Sablefish Launch

Prénom	Nom	Titre	Organisation
Fournisseurs			
Jock	Bray	President	Aqualine Seafoods Ltd
Geoff	Krause	Marketing Consultant	Canadian Sablefish Association
Erling	Olsen	President	Leader Fishing Limited
Laurent	Blomart	Sales Director	Ocean Marée
Abbas	Lalljee	Commercial Director	Shield Foods (UK) Ltd
Hassanain	Daya	Managing Director	Shield Foods (UK) Ltd
Organisateurs de l'Evénement			
Louis	de Lorimier	Ambassadeur	Ambassade du Canada
Nicole	Delquiny		Ambassade du Canada
Andrée	Vary	Conseiller et délégué c	Ambassade du Canada
Paul	Vanbosterhaut	Délégué commercial	Ambassade du Canada
Johan	Willemen	Attaché Presse	Ambassade du Canada
Grégoire	Marneth	Délégué commercial ad	Ambassade du Canada
Paola	Silvani		
Presse			
Philippe	Bidaine	Journaliste	La Dernière Heure
Christian	Farinone	Rédacteur en Chef	The Brussels Magazine
Olivier	**Frey**	**Journaliste**	**Le Soir/Victoire Magazine**
Bernard	Geeraerd	Journaliste-Editeur	VignoblEchos
Hubert	Heyrendt	Journaliste	La Libre Belgique
Carine	Koreman -Van Steen	Uitgever	Desserts
Maki	Miyazaki	Rédactrice en chef	Journal Bon appetit
Heide	Newson	Journalist	Grenz-l'Echo
Claire	Rolin	Publisher	Belgian Golf Revue
Jean	Speetjens	Editeur	CampusMag | Campus Group
Nick	Trachet	Chroniqueur gastro	
Pieter	van Doveren	Journalist	Knack Week-end

Prénom	Nom	Titre	Organisation
Restaurateurs			
Guillaume	Babut du Mares		Restaurant François
Luc & Katrien	Bolle Strubbe		Restaurant De Zilverberk
Jonathan	Claes		Restaurant gastronomique Jaloa
Jean-Christop	Colemonts		Restaurant gastronomique Jaloa
Gaëtan	Colin	Chef & Propriétaire	Restaurant gastronomique Jaloa
Annelies	De Bisschop	Assistant Chef	Kok@home
Julien	de Moerloose		Restaurant François
Roland	Debuyst	Administrateur	Brabantse Brasserieen nv
Nadine, Alain	Delfosse		Les Embruns, Restaurant-Poissonnerie
Freddy	Devreker	Chef	La Belle Maraichère
Julien	Guin	Sales Executive	Royal Windsor Hotel Grand Place
Albert	Hankenne	LA CONFRERIE DE LA CHAÎNE DES ROTISSEURS DE BELGIQUE	
Dorothée	Herrewyn	Sales Executive	Le Châtelain Boutique Hotel Brussels
Mathieu	Houba		Such-e sprl
Erik	Jansen	General Manager	Dolce la Hulpe
Thierry	Kloos	Chef	Restaurant ALOYSE KLOOS
Pieter	Lefevere		Restaurant Hertog Jan
Hannah	Longman	Sales Executive	Thon Hotel Bristol Stéphanie
Pascal	Marcin	Chef de cuisine	Dolce la Hulpe
Alain	Neckebroeck	Maître cuisinier de Belgique	
Benoît	Neusy	Chef & Propriétaire	L'Impératif
Jean-Jacques	Olders	Restaurateur-Traiteur	Les Comtes de Champagne
Eric	Pankert	Chef	Hotel zur Post
Jean-Luc	Pigneur	Maître-cuisinier de Belg	Vieusart academy of culinary arts
Lucienne	Richard	Public Relations	Maîtres-cuisiniers de Belgique
Olivier	Sermeus	Directeur de la Restaura	Dolce la Hulpe
M.	Takao	Chef	Kabu
Christophe	Thomaes		Château du Mylord
Robert	Van Duüren	Président	Ass'n des Maîtres-Cuisiniers de Belgique
Alain	Vanbinst		Thon Hotel Bristol Stéphanie
Rik	Vandersanden	Traiteur	Cariva - Catering Rik Vandersanden
Ivan	Verhelle	Chef	Tanuki
Jean-Marc	Willems		Such-e sprl
Günter	Wortmann	Executive Chef	Château du Lac - Genval
Monsieur	Zuri	General Manager	Courtyard by Marriott Brussels Hotel