

further processing. In Australia and New Zealand, phytosanitary regulations which effectively prohibit any imports of fresh, frozen and most smoked salmon are a contentious and long-standing issue. The draft MTN Agreement on Sanitary and Phytosanitary Measures (SPS) should provide increased leverage to resolve these problems.

Government support measures (subsidies) provided by major producing countries such as Norway and Chile for farmed products and Alaska for the promotion of wild harvested salmon, impact adversely on Canadian exporters' ability to compete on price in third markets. The US has taken trade remedy action against Norway in the past. Chile has also been cited as a potential candidate for trade remedy action.

B. COMMERCIAL PRACTICES AND CONSTRAINTS

Aggressive and predatory pricing practices pursued by our major competitors are a major factor facing Canadian producers and exporters. Generally, this is felt in export rather than in the domestic Canadian markets although there has been concern that allegedly dumped Norwegian frozen and smoked salmon is capturing an increasing share of the Canadian market.

Norway, Scotland/Shetlands, Ireland, Alaska and Chile have been and are continuing to provide active, sophisticated and well funded generic promotional campaigns in major markets of interest to Canada. There is a perception that Canadian exporters have more limited access to promotional funding and materials (particularly from government) than their prime competitors. These countries have each mounted effective generic promotions and implemented a form of levy system. The levy systems introduced by the major Canadian salmon associations are a positive development attesting to a commitment by industry to invest in marketing efforts.

Somewhat limited transportation links (especially by air) into major offshore consuming markets can work against the ability of Canadian exporters to supply fresh salmon relative to our competitors. On the other hand, this may work to our advantage in the USA to the extent that alternate and direct transportation modes, such as trucking, are feasible.

The option to purchase smaller sized shipments on a regular basis appears to be a factor (apart from price and quality) that has prompted some European importers (e.g. small smoking operations) to switch from Canadian to Norwegian and other sources of supply.

As basically a commodity, price continues to be the prime determinant for salmon assuming acceptable quality. Ceiling prices are now being established by Scotland (formerly Norway) which enjoys a small premium while Chile is setting the floor price. Price elasticity exists in some markets, such as the USA, where the ratio is higher than 1.0. For example, a 5% decline in price should