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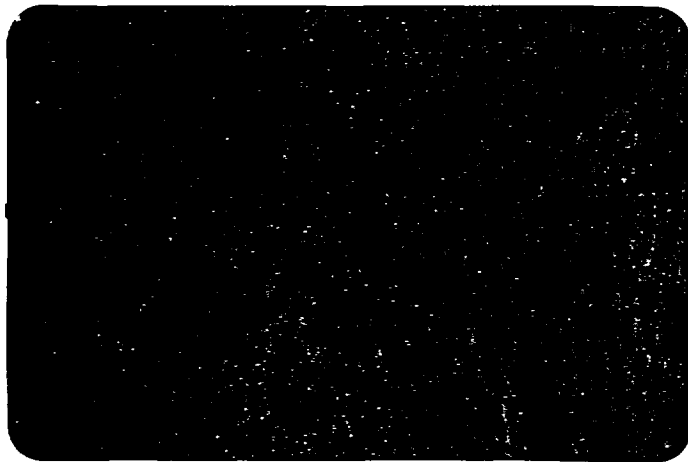
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Prepared by the International Trade
Development Branch

Publication préparée par le Secteur de
l'expansion du commerce extérieur



External Affairs and
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SEAFOOD OUTLOOK '89

PROCEEDINGS

ST. JOHN'S, NEWFOUNDLAND
APRIL 13-14, 1989

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Seafood Outlook '89

RADISSON PLAZA HOTEL
ST. JOHN'S, NEWFOUNDLAND
APRIL 13-14, 1989

SPONSORED BY
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ACKNOWLEDGEMENTS

The International Trade Centre, Newfoundland, wishes to acknowledge the valuable assistance received from the following individuals and organizations who contributed to the overall success of **SEAFOOD OUTLOOK '89** :

Mr. Gerry Churchill	Newfoundland and Labrador Institute of Fisheries and Marine Technology
Mr. Michael Handrigan	Fishing Industry Advisory Board
Mr. David Lewis	Fisheries Association of Newfoundland and Labrador
Ms. Anne Mills	Seafood Management Education Association
Ms. Doreen Taylor	Seafood Exporters Corporation
Ms. Patricia Williams	Department of Fisheries
U.S. Trade Development Bureau	EAITC
International Trade Centres & Regional Offices	EAITC
Export and Investment Programs Division	EAITC
Newfoundland Dept. of Fisheries	

And all the individuals from both the private and public sectors who presented papers and/or participated in panel discussions.

Thank You

**AN OVERVIEW OF
NEWFOUNDLAND
SEAFOOD EXPORTS**

**Presented by:
Mary Lou Peters
Chairman
Fishing Industry
Advisory Board**

NOV 17 1988

- 2 -

I am sure that many of you attending this conference are quite familiar with the seafood products exported from Newfoundland and Labrador. Therefore, I shall not be too long or go into too much detail at this time. It will be an overview that I give - an overview intended to set the scene from which I'm sure the guest speakers will be able to move on and give direction and advice for the future.

For all of us here from this province, as well as for our guests, perhaps it is a worthwhile exercise to remind ourselves of:

- (a) just what our export volumes are
- (b) which exports bring the most in value
and
- (c) what countries absorb the most of our exports.

To aid in doing this, I shall be using some graphs which have been prepared for me by Sonja Lane, the Statistician with our Board. Sonja will also be assisting me by using the overhead projector for this presentation.

We had intended to use figures from three years of exports for comparison; hence, we had started with 1986. However, with data for 1988 not complete enough, we will be dealing with just two years for now - 1986 and 1987. Figures, of course, are approximate. When dealing with volumes, the figures, for the sake of consistency, are in pounds throughout; and values are shown in Canadian dollars.

First of all, it is important to put our seafood exports into perspective. What percentage of the total value of all exports of Newfoundland and Labrador do they represent? (see Fig. 1). In 1986, for example, seafood exports represented 35% of the value of total exports, right behind iron ore which was 37% (the third highest in value was newsprint with 19% - well below that of the top two. In 1987, iron ore, seafood products and newsprint again contributed to the highest value of exports. Also in 1987 seafood exports and iron ore were close for first place in value. As can be seen, saying that "much of our strength comes from the sea" is not just a sentimental statement, it is an economic fact!

In export quantities of all species, (see Fig. 2), we are talking around 300 million pounds in 1986; about 350 million pounds in 1987. The value was higher in 1987 (see Fig. 3), although the pounds were less, no doubt a reflection of high cod and lumproe prices that year.

If we take a look at the total value of exports and then break them down by the major countries receiving them, (see Fig. 4), we see the U.S. overwhelmingly standing out, of course, (about \$425 million in '86, and close to \$500 million - nearly half a billion in 1987).

Since we have Western Europe grouped together, let's separate our major buying countries there (see Fig. 4a), we see Western Europe as a whole, absorbing 11% of our export value - that's 2.7% Portugal; 2.3% the U.K.; 0.6% France; 0.6% Germany; 2.3% Denmark and 1.2% Sweden.

For the purpose of simplification, the main exports will be broken down into four groupings - groundfish, pelagics, shellfish

and the always present "other"

By quantities, (see Fig. 5), we have between 240 - 250 million pounds of groundfish in 1986 and in 1987, pelagics - close to 85 million pounds in '86, down to 60 million in '87 and shellfish and "other" remaining fairly constant.

On the value, (see Fig. 6), note the change in dollars for groundfish in 1987 (the influence of the high price for cod fillets and blocks in the U.S.). In contrast - with pelagics we see the lower volume and value of female capelin reflected in the 1987 figures, in part because of a larger production from our friendly competitor, Iceland.

But back to looking at volumes and values. Overall, it is abundantly evident that groundfish, with cod the traditional species dominating the group, still plays such an extremely prominent and important role! Could we say cod is still King!

In the breakdown of various groundfish species by quantity (see Fig. 7) and value, (see Fig. 8), we see approximately 195 million pounds of cod being exported in 1986 in comparison with approximately 30 million pounds of the next closest - flats (here in this figure flats include flounder, turbot, sole, etc). As expected, values show an appreciable difference between cod (over \$300 million versus \$75 million for the next closest species).

For the most part, our groundfish products are exported frozen in either fillets or blocks. With a more sophisticated and realistic approach to marketing and close attention to quality, producers are now better able to make more conscious decisions as to the product mix they wish to pack. Over the last few years the percentage of blocks versus fillets would be dictated for the most part more by markets than it

had been in earlier years.

By far, the most of our groundfish goes into the U.S., (see Fig. 9); our export value of groundfish into the U.S. was over \$350 million in '86 and over \$450 million in '87. Western Europe (with skin-on, pin-bone-in fillets to the U.K. in there) contributed approximately \$30 million in '86 and close to \$40 million in '87.

If we look at the breakdown for pelagics -- capelin, in quantity, (see Fig. 10), far outweighs any of the others - in '86 over 65 million pounds versus 17 million pounds for herring.

The value (see Fig. 11) of capelin in '86 shows over \$57 million versus something just over \$7 million for herring and not quite a \$million for mackerel. The year 1987 also shows, through capelin, just how vulnerable we can be to outside forces in the same marketplace with us.

By country, the value (see Fig. 12), of pelagic exports to Japan stands out at the top, mainly, because of our export of female capelin with roe. While small amounts of capelin go elsewhere, and interest in market development is ongoing, Japan remains the single most important market for capelin; but even that market is limited. It is interesting to note that in order to be responsible in the marketplace, we have adopted a market TAC as opposed to a biological TAC. While the system is still being refined from time to time, the principle of managing the capelin resource in this manner has the ongoing support of all sectors of the industry.

Still looking at Japan, (see Fig. 13), while it is the value of capelin that stands out, we must remember that although making up a lesser degree of the value, Japan in 1987 accounted for 49% of our mackerel

exports value and 28% of our herring exports value.

As for the U.S., in contrast to groundfish, exports of pelagics to the U.S. is low, the value hovering around the \$8 million range.

Our export value to the U.S.S.R. may not show up as overly significant on a graph (see Fig. 12) but in terms of fishing jobs and an outlet for our herring (salted round) and mackerel (frozen round), it is of considerable consequence at this time.

Under the category which we have simply labelled shellfish, crab was the largest contributor in volume (see Fig. 14) and value (see Fig. 15) in 1986, (4.5 million pounds exported - the export value amounting to approximately \$27 million). Note the rise in both volume and value of shrimp in 1986, however.

I have to make special reference to the figures for lobster, (see Fig. 14). We cannot show them any higher on this graph as the numbers are officially the numbers exported on paper. In essence, the majority of our lobsters (probably over 80%) are exported to the U.S.; however, they are not exported directly out of the province but via other Atlantic provinces. This would be in a live form. Significantly smaller amounts would be shipped live and frozen in shell to Europe and an even smaller amount beginning to be tried for Japan.

Again, re shellfish, in exports by receiving country, (see Fig. 16), we note the influence on our export value from the U.S. figure in 1986. (Crab, mostly in the meat pack, would be an important factor in the U.S.). Nonetheless, we also note the Western European and Japanese rise in 1987 of all our shellfish exports.

I should draw attention to the fact that in the groundfish exports, saltcod has already been included with groundfish earlier in this paper; and if separated, salt cod might appear to be a relatively small share of the total, even of just the total cod processed. However, it is a very essential aspect of our province's way of life.

Uncertainties in many of the traditionally active saltcod markets have caused "some" restructuring of the salt cod trade during the recent past. In 1986 and 1987, the export markets looked like this (see Fig. 17); heavy salted dried 19 million pounds in '86, 11 million pounds in '87 with more emphasis having been placed on saltbulk in '87.

In 1987, as a matter of interest, (see Fig. 18), for heavy salted dried, Porto Rico and Portugal accounted for approximately 30%, and 28% respectively of the export quantity. For saltbulk, Portugal accounted for approximately 80% of the exports; for light salted dried category, Porto Rico accounted for slightly over 90% of the exports.

Hidden in some "other" category is lumproe. In contrast to the long history of saltcod, the production and export of lumproe is relatively new. Because its growth has been so spectacular in a few short years, lumproe deserves to be mentioned separately. In absence of export figures, I shall comment on the production of lumproe pickled in barrels, practically all of which would have been exported to Europe (mainly Germany). From around 8,000 barrels of production in 1985, production grew to over triple that in 1987.

IN price as well as volume, lumproe has come to be very valuable exports to a small sector of the industry. Through the 1987

oversupply and high prices, the market weakened considerably and the production was forced to drop back in 1988.

Not to be found on an export list in recent years is squid (illex). Yet it too deserves to be mentioned as an export because of the important contribution it made in the mid to late '70's - in a dried form mostly for Hong Kong and in frozen whole or tube form for Japan. A little over ten years ago - in 1978 for example - the export value of frozen squid to Japan was \$20 and a half million. The cyclical nature of squid has forced us out of the marketplace for most of the '80's, but we put you on notice that we are waiting to enter again on the return of that species.

Any fishing industry can be subject to unpredictability at times. However, because almost all of our seafood products are exported, Newfoundland is subject, as well, to the "ups and downs" of other countries' fisheries resources and the impact of those in the international marketplace. Added to that are the impacts of varying exchange rates and monetary problems of some importing countries.

When the North Sea was closed because of depletion of herring, Newfoundland herring exports were extremely high going to Western Europe. With the recovery of the North Sea, our herring exports to Europe have suffered drastically.

When the American dollar was very attractive to the Danes, Newfoundland blocks found greater competition in the U.S. market and when Nigeria had problems, our fledging stock fish industry collapsed.

Being so dependent on exports, it has been said: for seafood exports as well as other Newfoundland exports "The ties between the economy of Newfoundland and Labrador through our exports have caused the economic performance of the province to RISE and FALL in unison with that of foreign economies". *

In the overview I have given, I have focused on the seafood exports and countries that over the last couple of years have had a major influence on our economy. This is not to say that many smaller shipments of lesser value to a variety of other countries have not taken place. They have, and are significant in the balance of things -- products going to Australia, the Philipines, Israel, etc., etc. We also recognize the need for unutilized and underutilized species to be developed as well as a need to develop further some of our more traditional species and we are doing some planning for that. BUT TO RECAP, please look at this map of the world (see Fig. 19) which indicates the thrust of our major exports currently.

Note the percentage of our total seafood exports value going to the areas marked by the individual flags - 81% to the U.S., 11% to Western Europe, 4% to Japan and 1% to the U.S.S.R. (Perhaps we could put Western Europe superimposed on this world map at the same time to see its breakdown of the 11%.)

* A REVIEW OF THE NEWFOUNDLAND AND LABRADOR ECONOMY IN 1987 AND PROSPECTS FOR 1988 - Executive Council, Government of Newfoundland and Labrador.

We look forward to:

(a) being able to put larger percentages by
the flags already drawn on the map

and

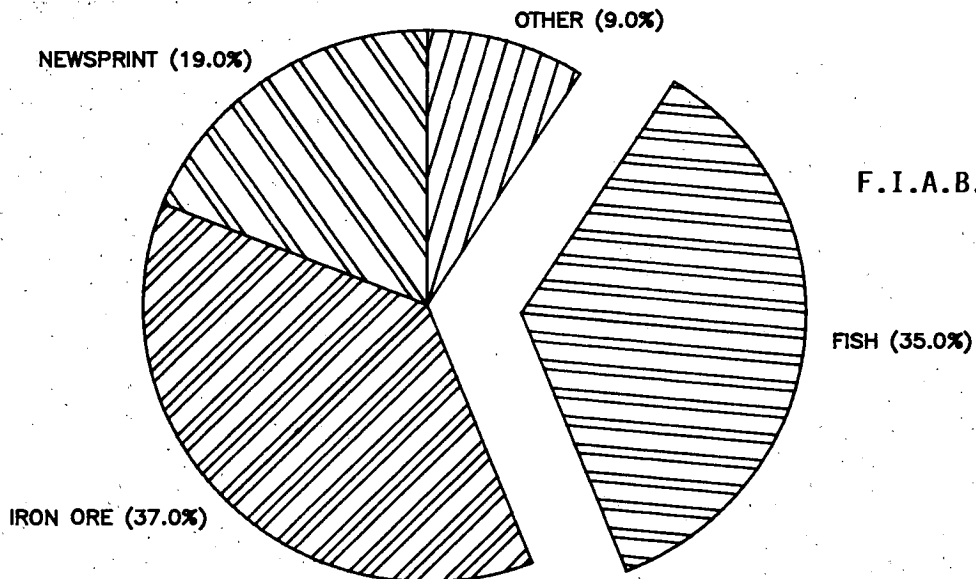
(b) being able to add many more flags.

I, as the rest of us here involved in one way or another
in the fishing industry in Newfoundland now eagerly await the discussion
of our guests and their input in helping us achieve these goals.

THANK YOU.

TOTAL NFLD. EXPORTS 1986

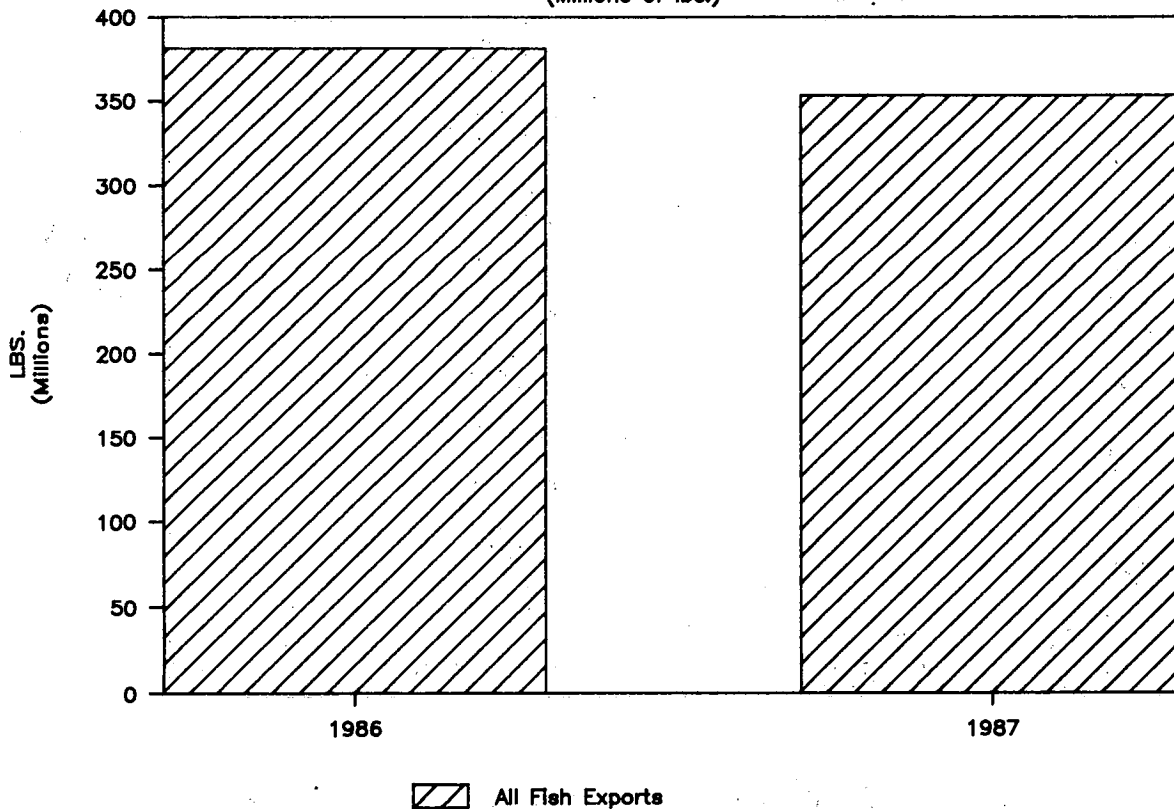
Value



F.I.A.B. - Fig. 1

NFLD. FISHERY EXPORTS

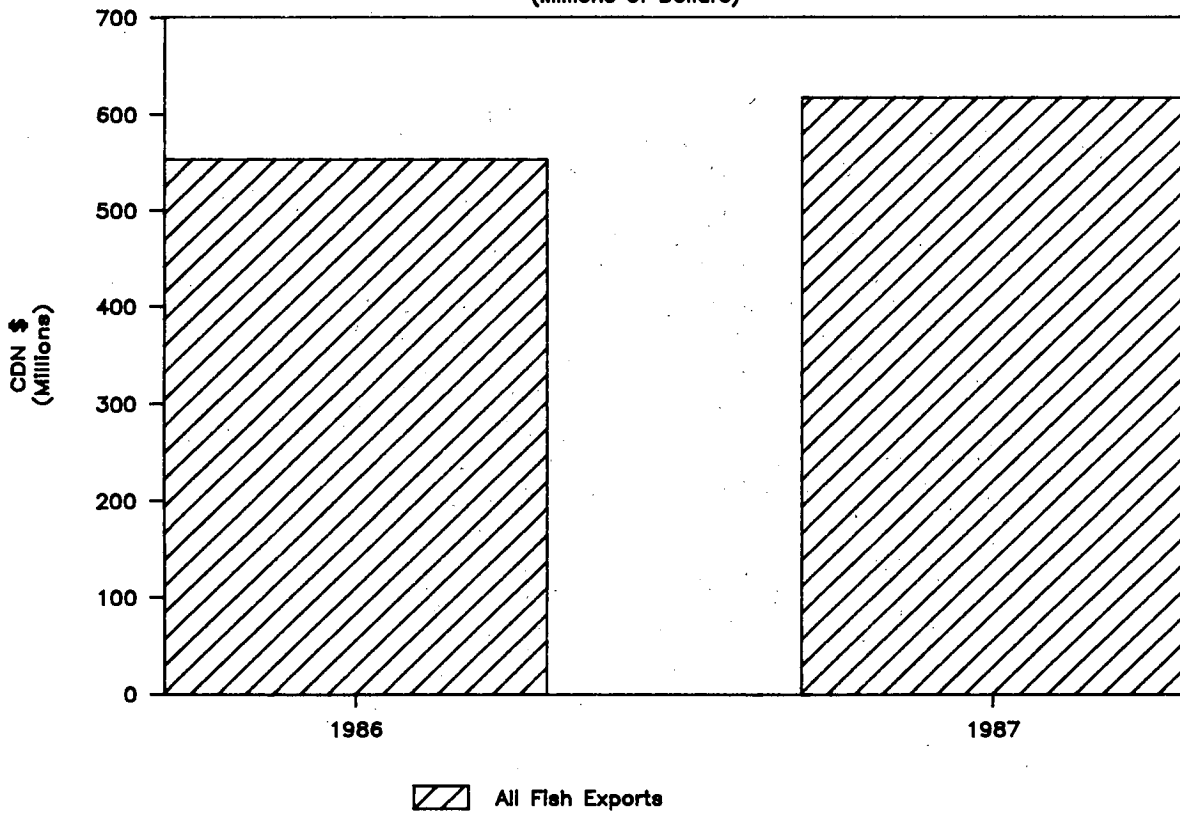
(Millions of lbs.)



F.I.A.B. - Fig. 2

NFLD. FISHERY EXPORTS

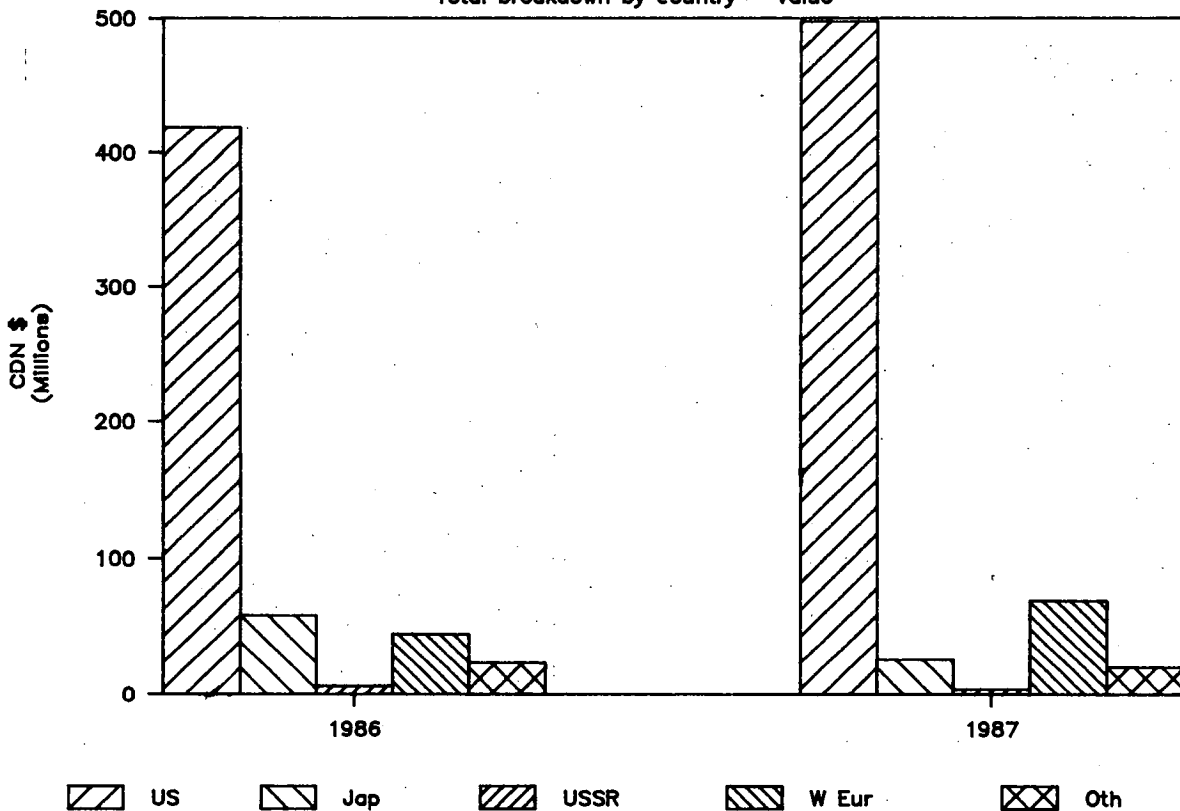
(Millions of Dollars)



F.I.A.B. -
Fig. 3

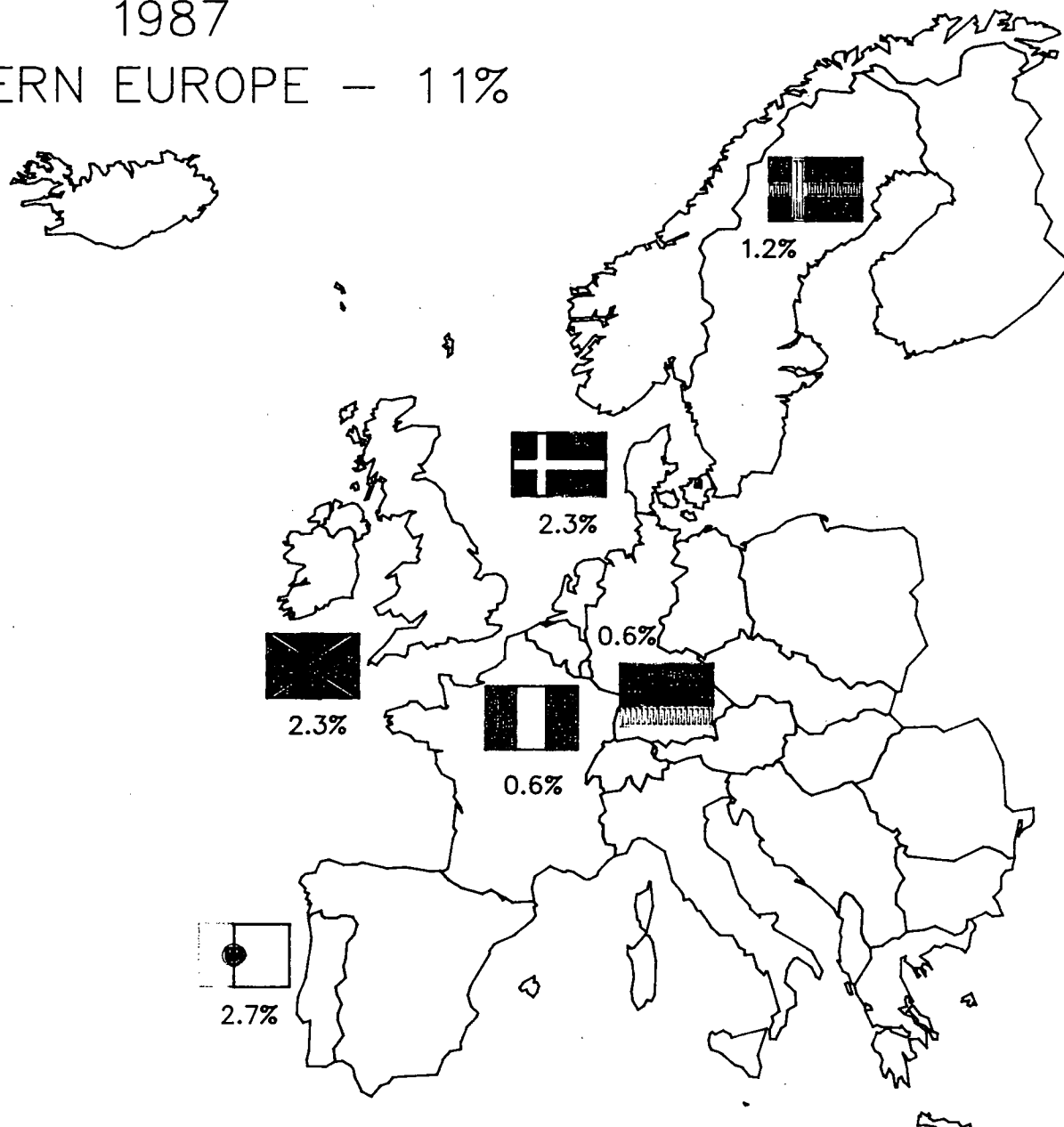
NFLD. FISHERY EXPORTS

Total breakdown by country - Value



F.I.A.B. -
Fig. 4

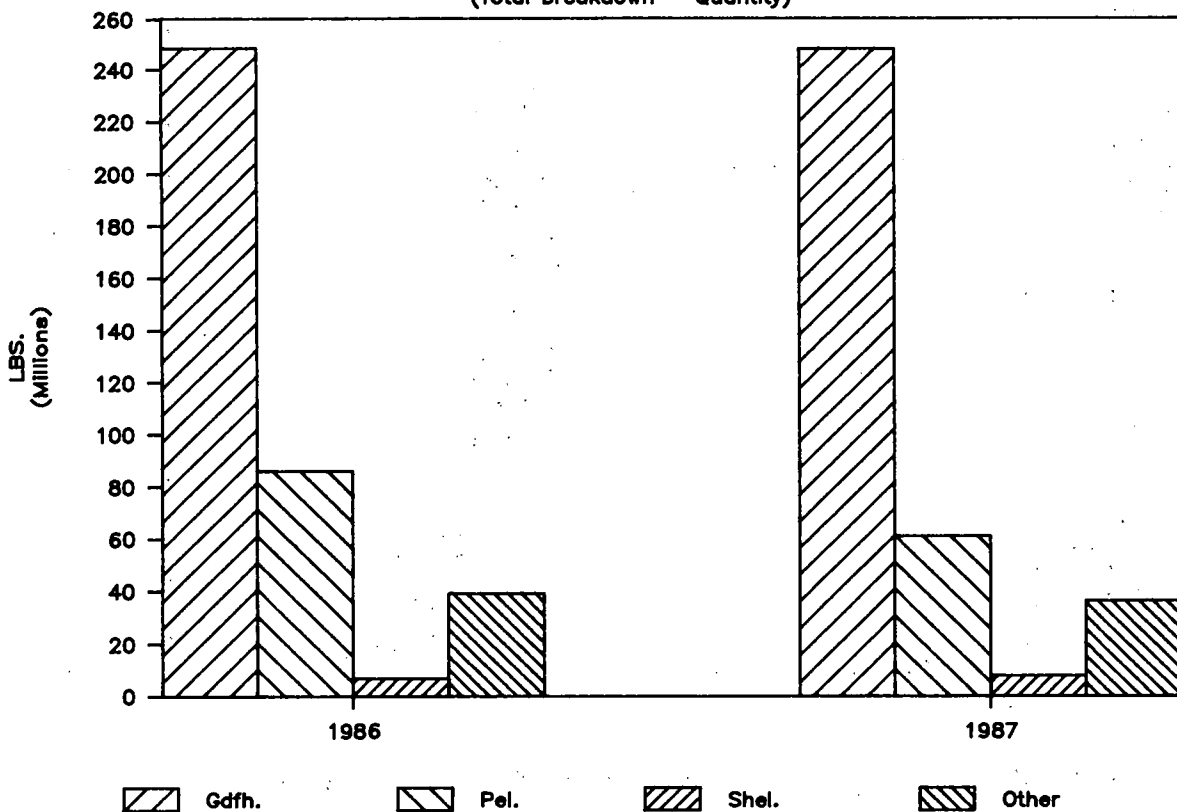
1987
WESTERN EUROPE — 11%



F.I.A.B.
Fig.4a

NFLD. FISHERY EXPORTS

(Total breakdown - Quantity)



F.I.A.B. -
Fig. 5

NFLD. FISHERY EXPORTS

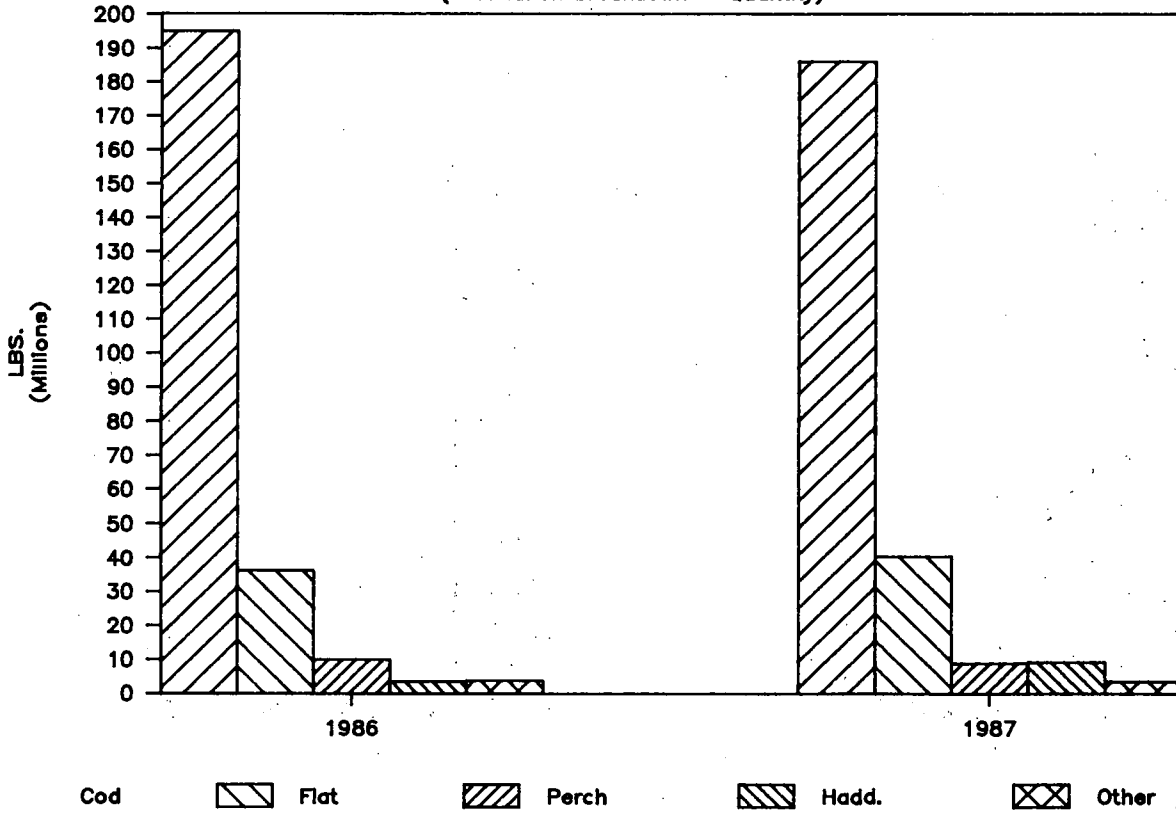
(Total breakdown - Value)



F.I.A.B. -
Fig. 6

NFLD. FISHERY EXPORTS

(Groundfish breakdown - Quantity)

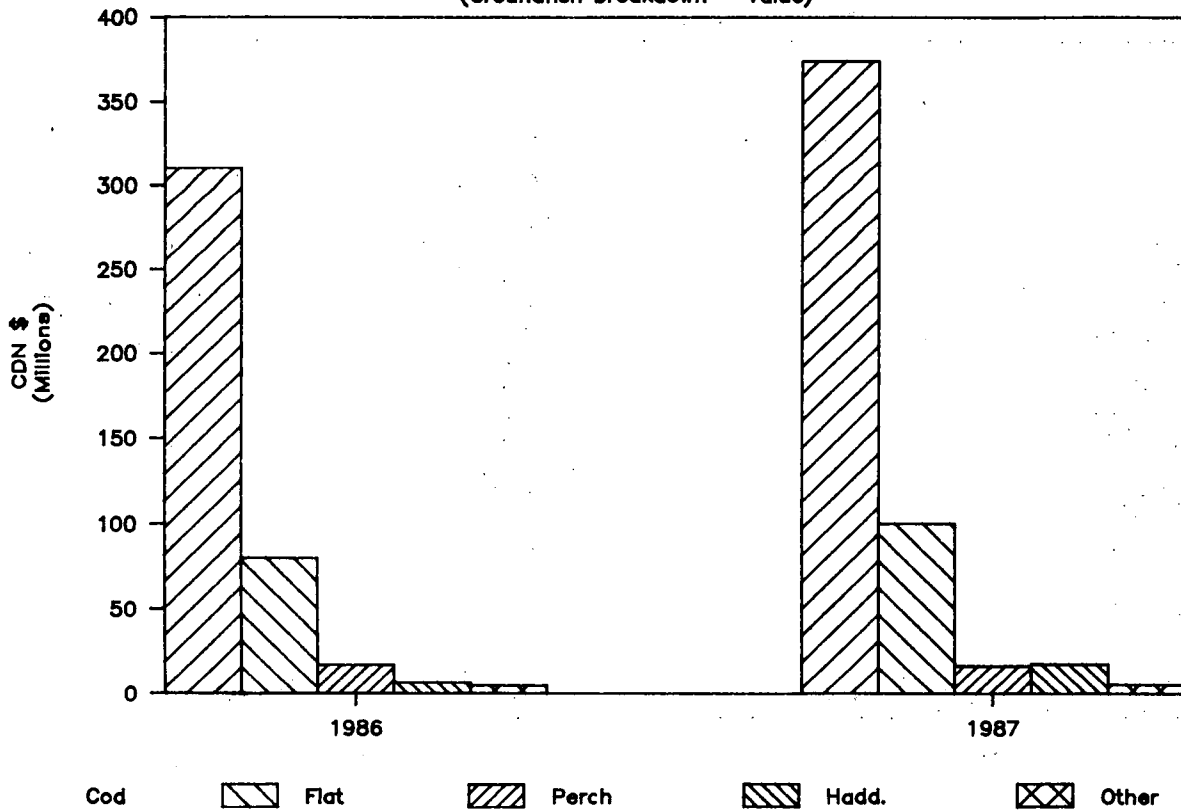


F.I.A.B. -

Fig. 7

NFLD. FISHERY EXPORTS

(Groundfish breakdown - Value)



F.I.A.B. -

Fig. 8

NFLD. FISHERY EXPORTS

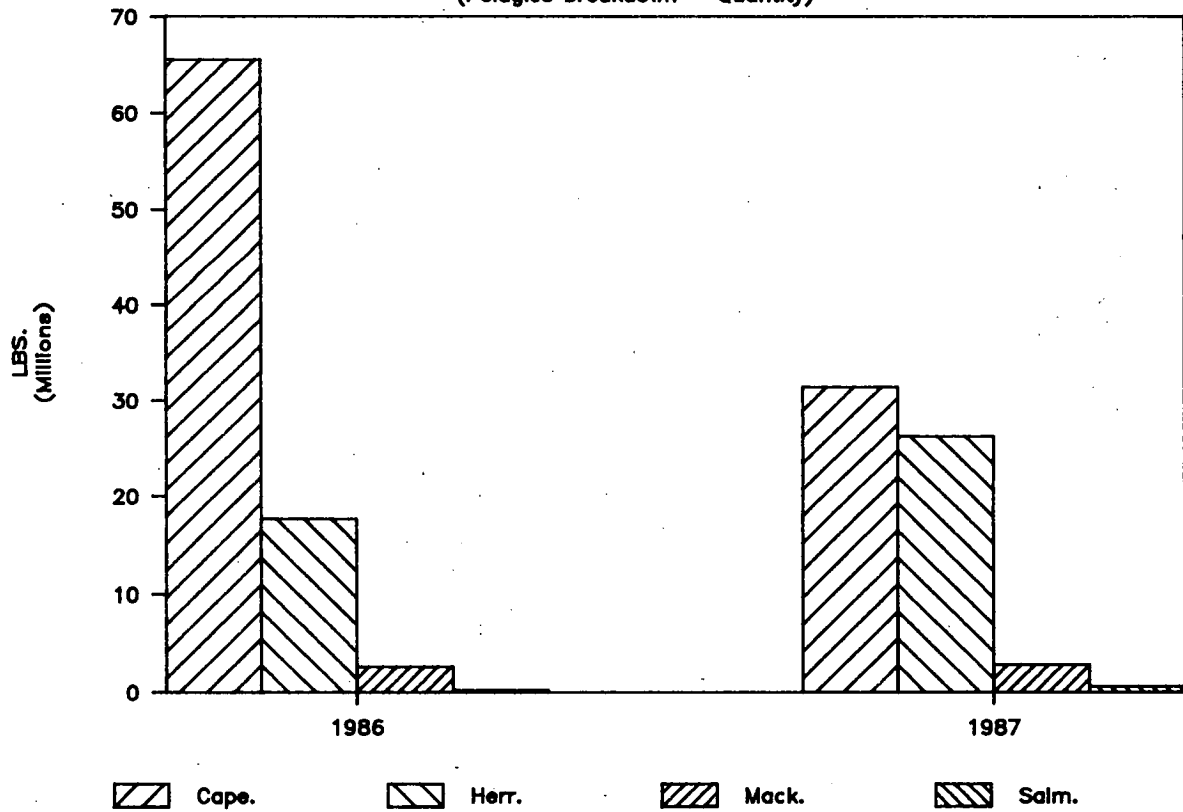
Groundfish breakdown by country - Value



F.I.A.B. -
Fig. 9

NFLD. FISHERY EXPORTS

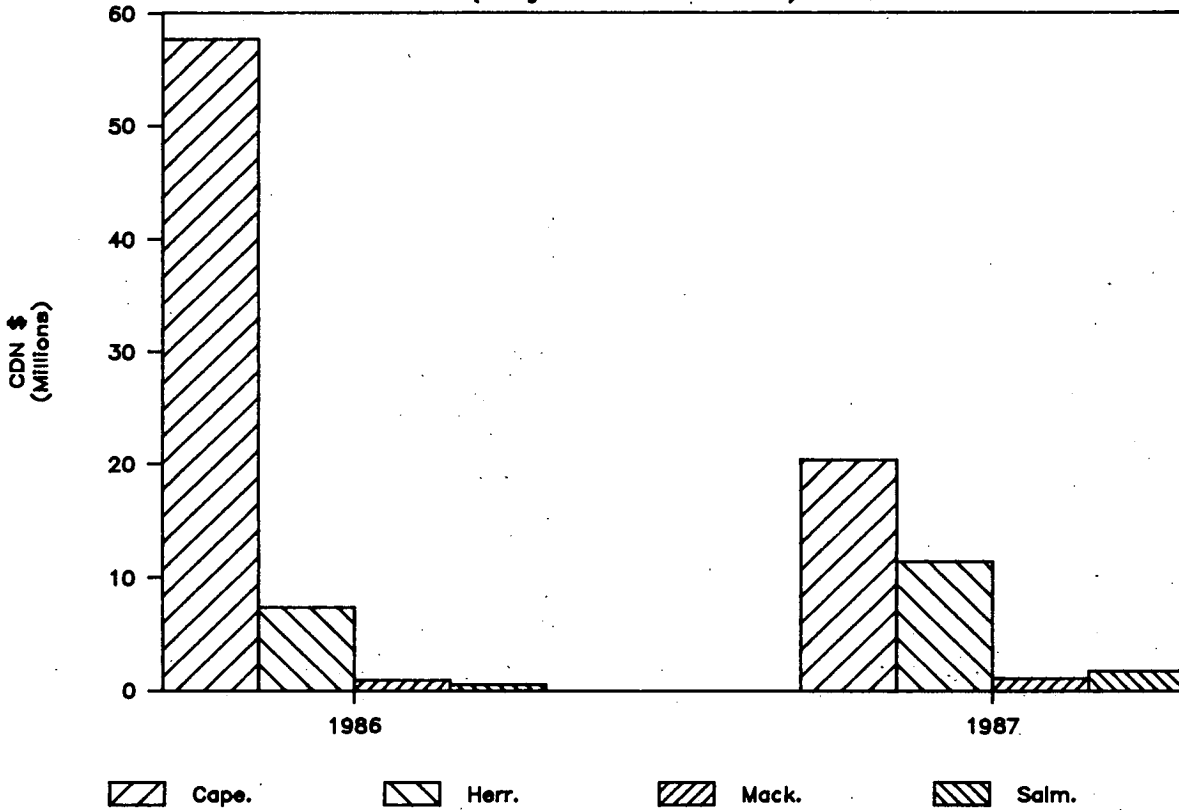
(Pelagics breakdown - Quantity)



F.I.A.B. -
Fig. 10

NFLD. FISHERY EXPORTS

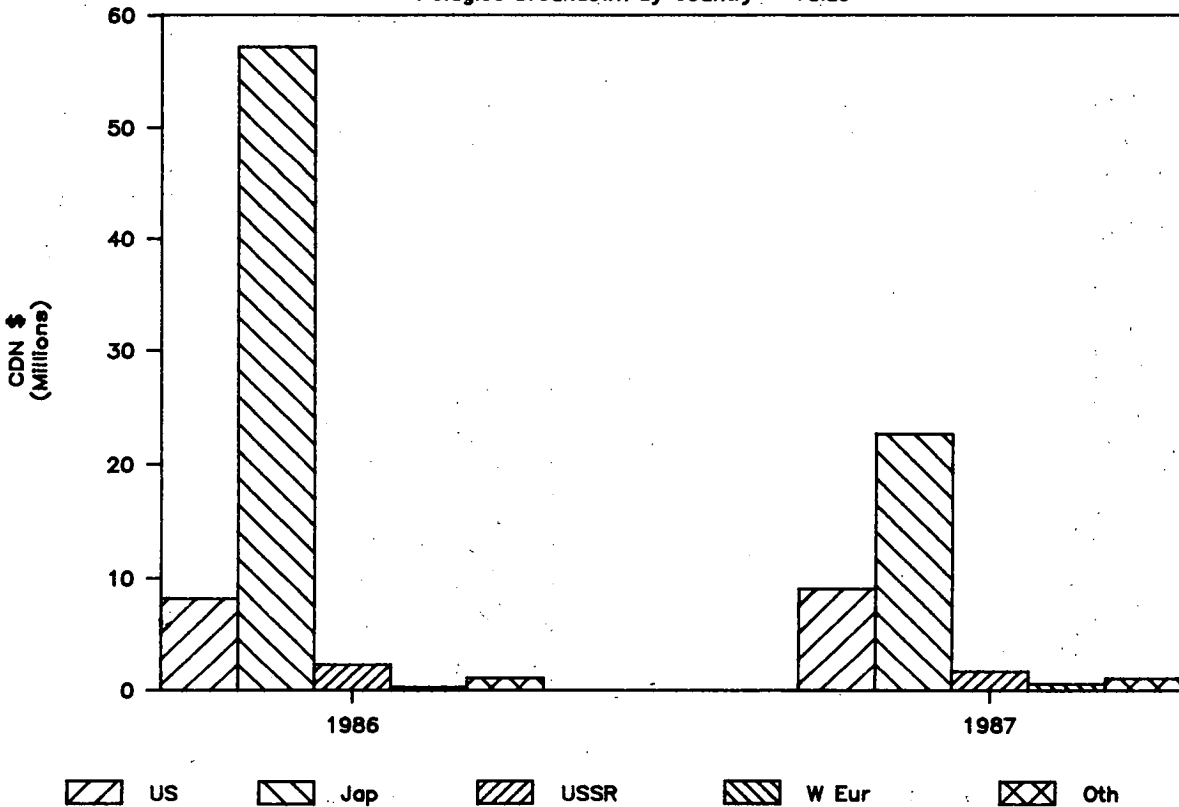
(Pelagics breakdown - Value)



F.I.A.B. -
Fig. 11

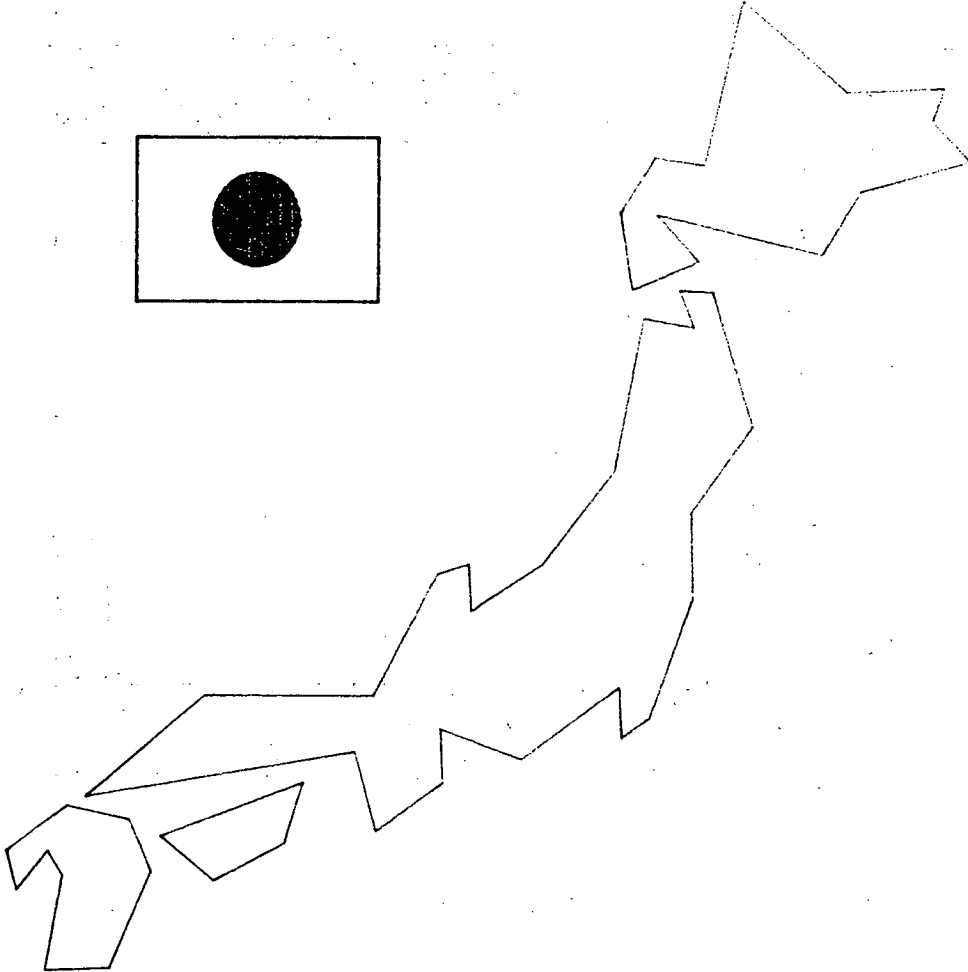
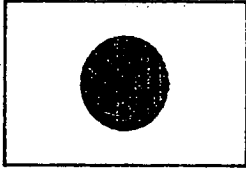
NFLD. FISHERY EXPORTS

(Pelagics breakdown by country - Value)



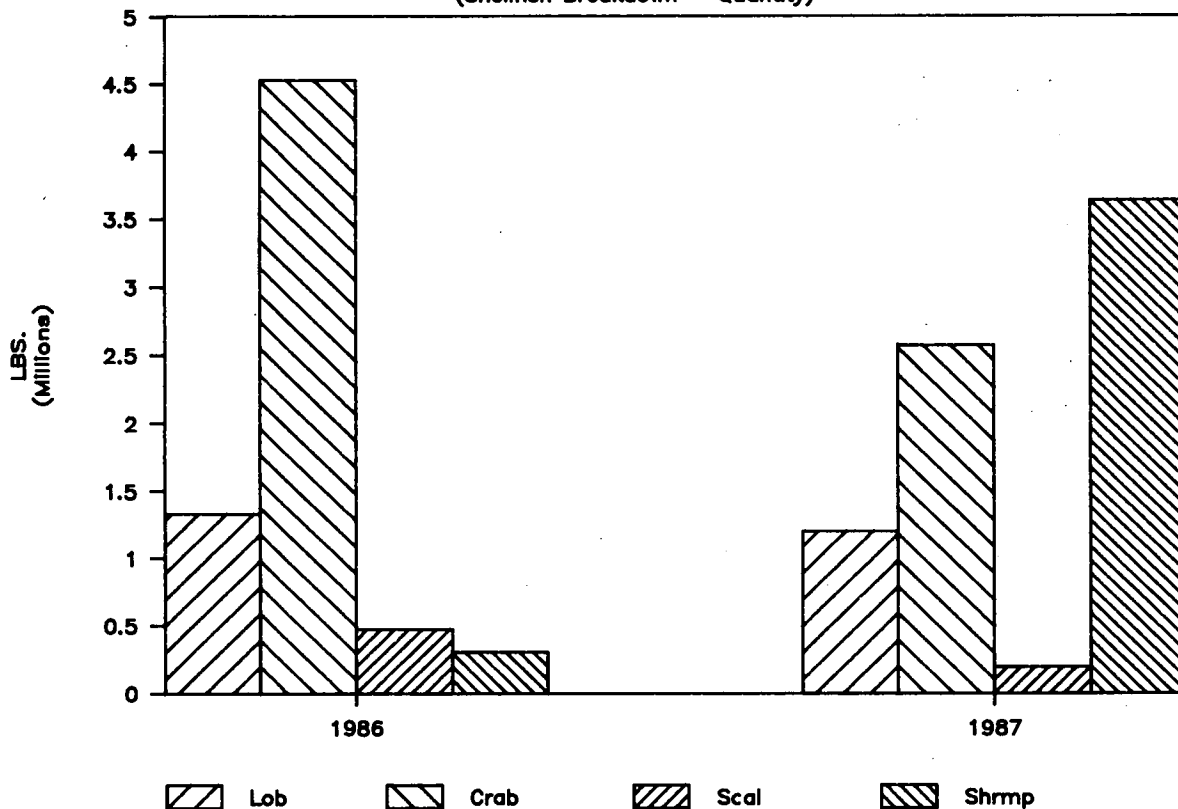
F.I.A.B. -
Fig. 12

1987 JAPAN IMPORTS NFLD. CAPELIN - 92%
MACKEREL - 49%
HERRING - 28%
CRAB - 6%



NFLD. FISHERY EXPORTS

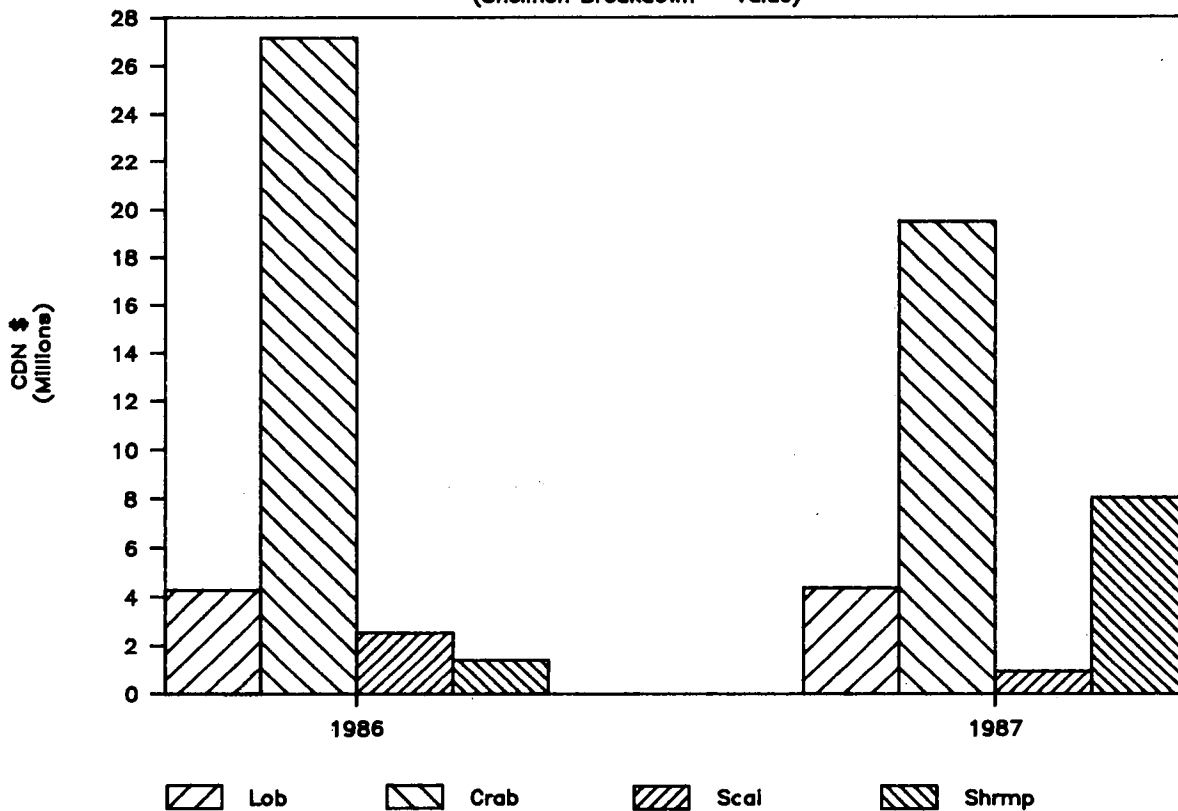
(Shellfish Breakdown - Quantity)



F.I.A.B. -
Fig. 14

NFLD. FISHERY EXPORTS

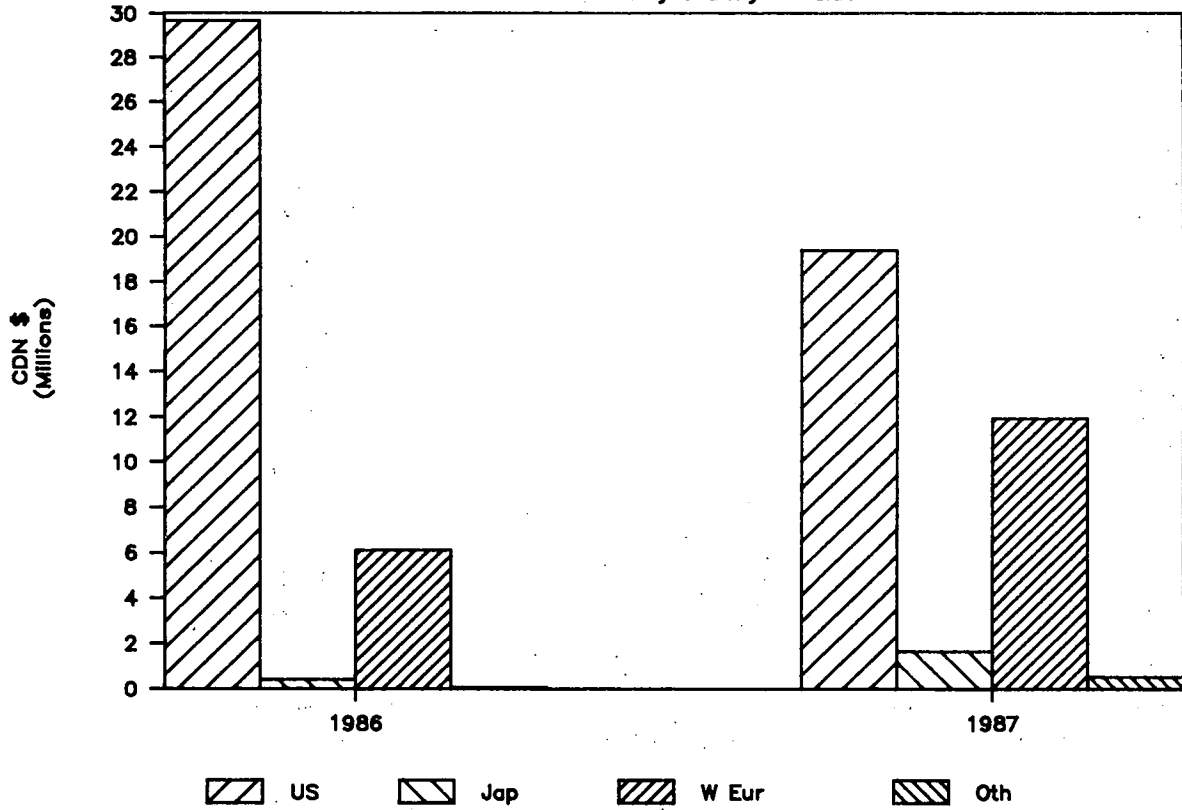
(Shellfish Breakdown - Value)



F.I.A.B. -
Fig. 15

NFLD. FISHERY EXPORTS

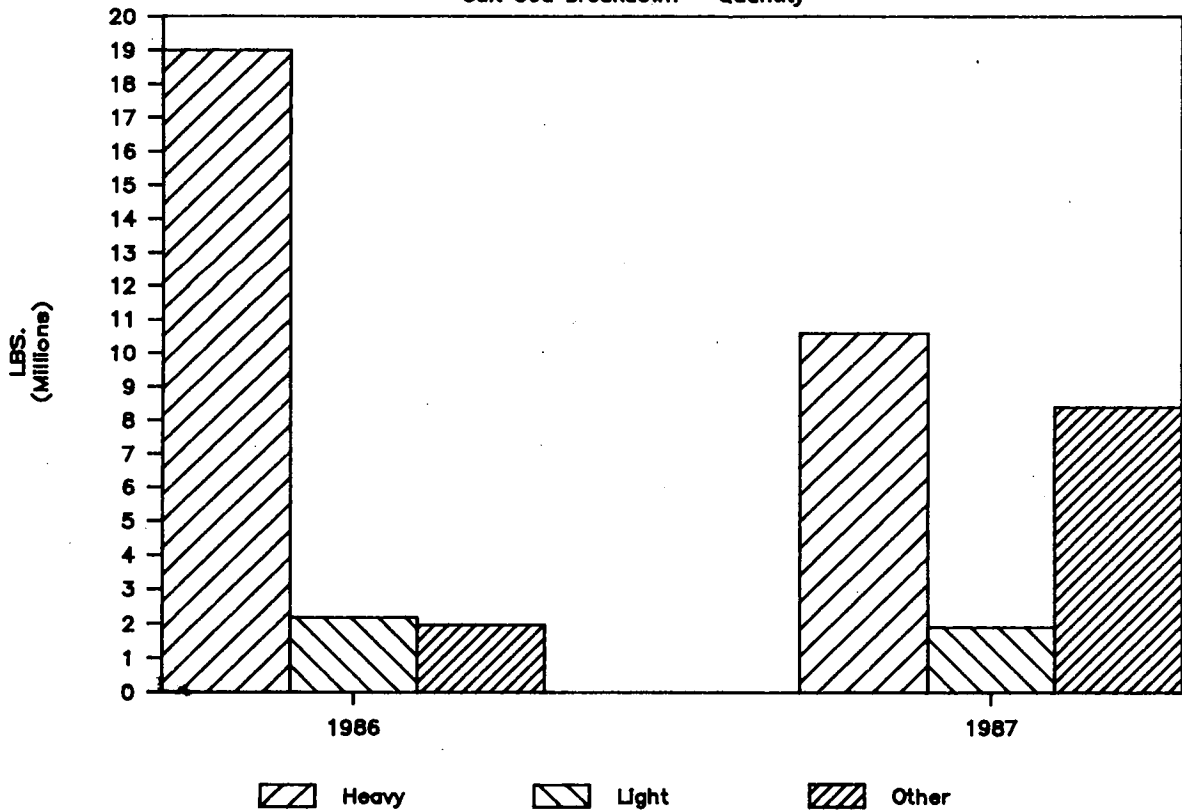
Shellfish breakdown by country - Value



F.I.A.B. -
Fig. 16

NFLD. FISHERY EXPORTS

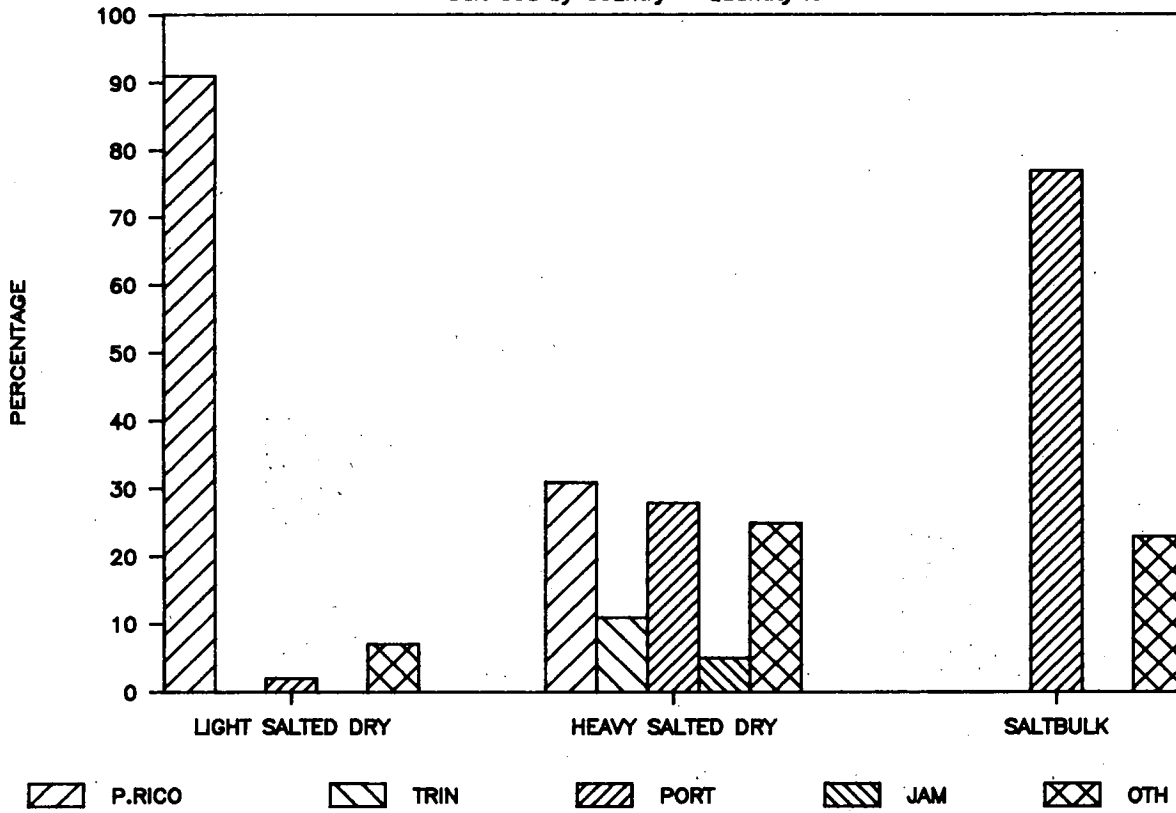
Salt Cod breakdown - Quantity



F.I.A.B. -
Fig. 17

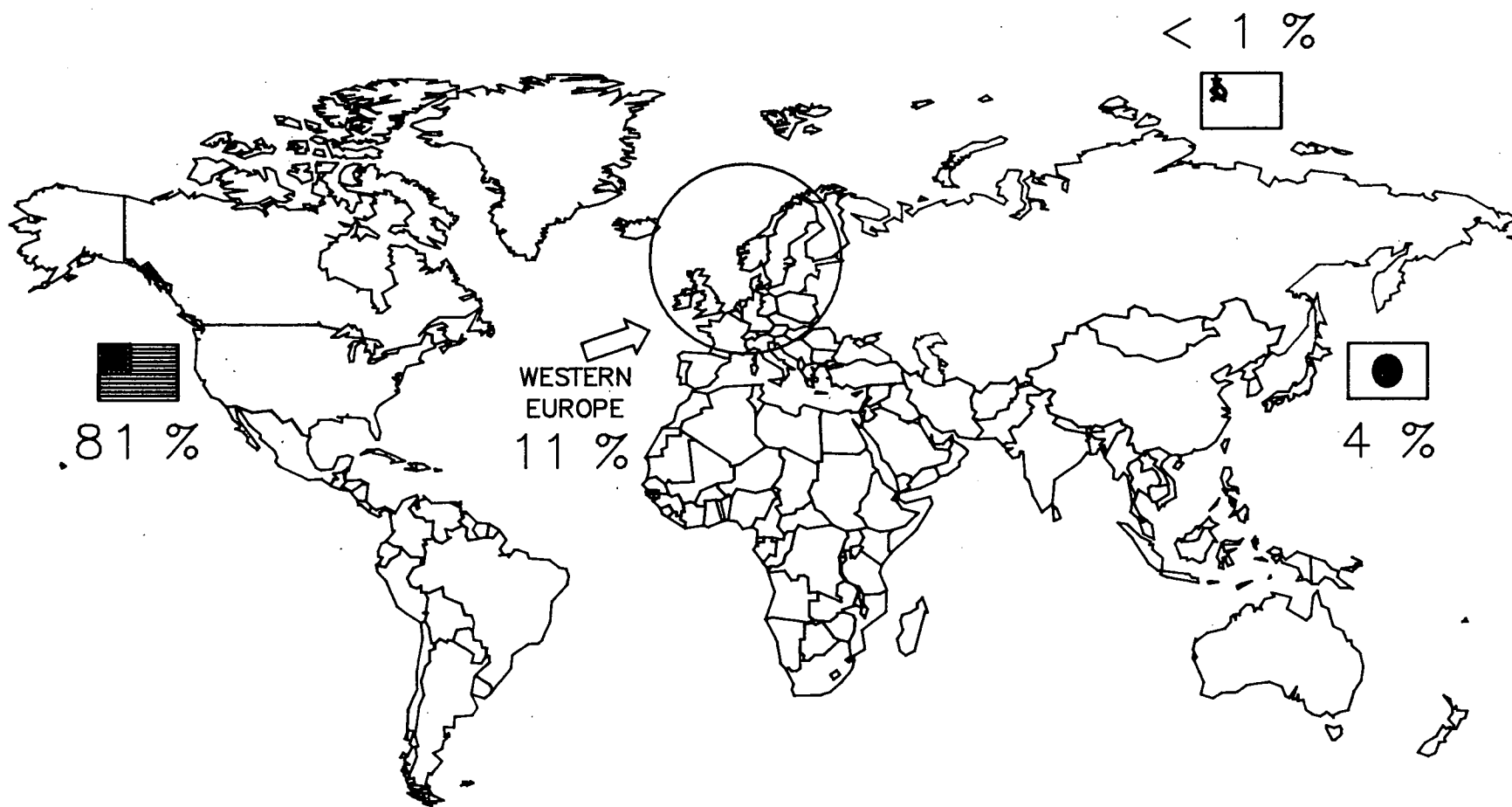
NFLD. FISHERY EXPORTS - 1987

Salt Cod by Country - Quantity %

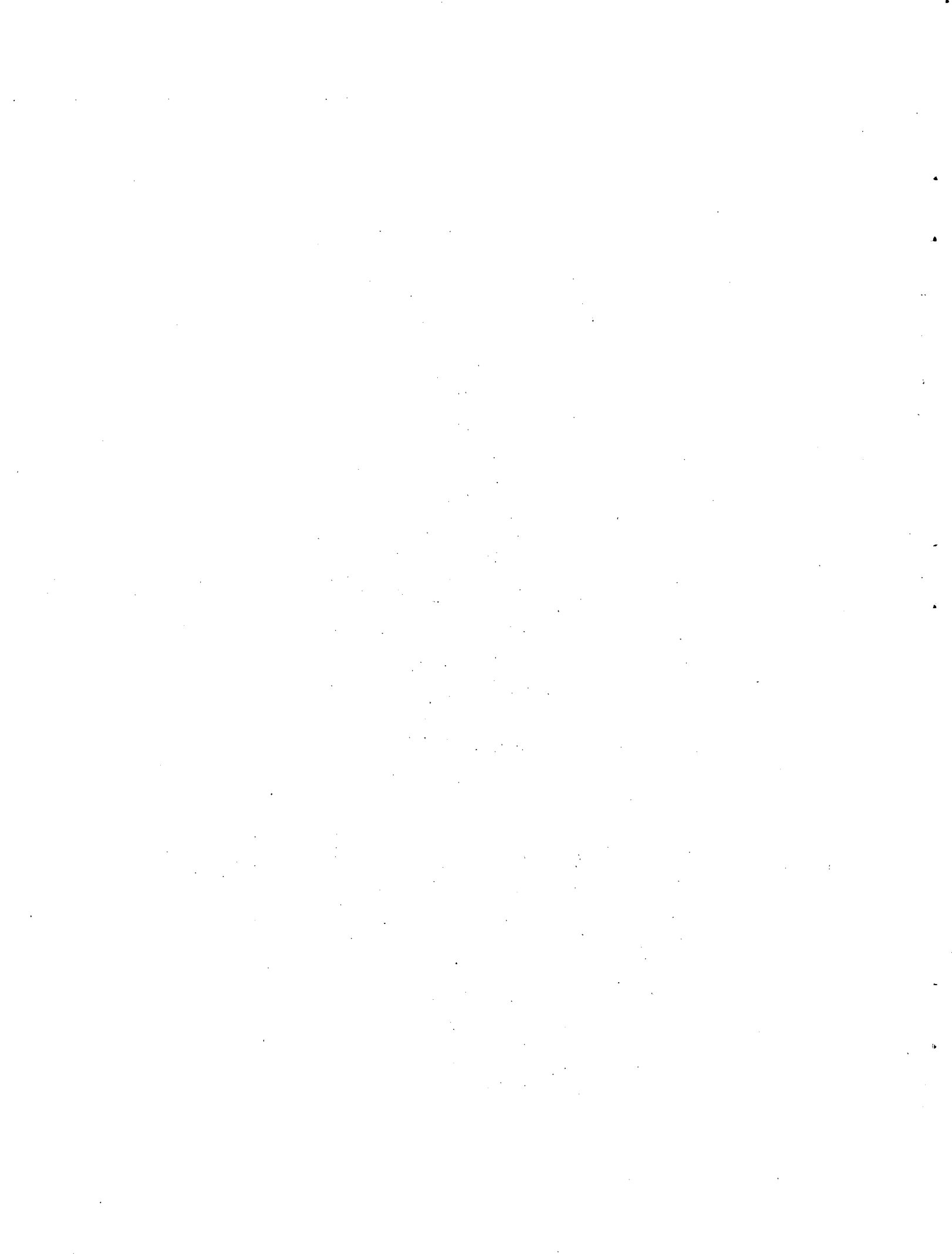


F.I.A.B. -
Fig. 18

1987 NFLD. FISHERY EXPORTS - % VALUE



F.I.A.B.
Fig. 19



SEAFOOD OUTLOOK '89 CONFERENCE

ST. JOHN'S, NEWFOUNDLAND

APRIL 13 - 14, 1989

Panel Discussion: Opening Remarks

on

MARKET OUTLOOK IN THE USA

BY

Nilo Cachero

Consul & Trade Commissioner
Canadian Consulate General
Boston, Massachusetts

Thank you

I am here to talk about the market outlook for seafood in the United States for the rest of 1989 and, perhaps, also the years ahead.

Let me, first of all, summarize the key points that I shall be making in the next fifteen minutes or so.

- Key point number one is that overall DEMAND for seafood in the USA is generally weak. This was evident in 1988 and so far this year. I don't see much change at least in the short-run.
- Point number two is that SUPPLIES will be down in 1989 for a few North Atlantic species or products for which noticeable price increases may be expected.
- Point number three is that the US Dollar may generally be assumed to stay relatively WEAK throughout 1989 relative to major currencies of Europe and of the yen. This could help push prices up to a degree.
- My fourth point is that although there is going to be a tendency for wholesale prices to generally go up due to TIGHT SUPPLIES and a weak AMERICAN DOLLAR, PRICES

INCREASES have been, and will continue to be, limited due to a slow market.

My prepared comments today will consist of market analysis and a few projections for the rest of 1989. Then, I shall talk about prices by major species. I shall talk about problem areas as well as opportunities, of course.

I shall also touch a bit on some implications of our Free Trade Agreement with the United States, now that it is finally in place. However, I don't intend to duplicate what has already been said about the agreement earlier during this conference.

But, first, let us look at the big picture. Let us look at the business environment or the general trends in the market. To understand 1989 we should look back to last year. It was a year when our seafood business was, generally, a disappointment, at least in the United States. You all know it was a disappointing year because your prices were down. And prices were down because supplies were in excess -- not because production was up but rather because overall demand started to slow down. The per-capita consumption of seafood in the USA in 1988 has not as yet been finalized, but my feeling is that it might have been lower than the 1987 level of 15.4 pounds. Such a decline would have been the first one since 1982.

In contrast, we are told that poultry consumption in the United States shot up to a record 77.7 pounds per capita in

1988. That not only was it a record annual growth for poultry but the category also surpassed beef as number one source of protein. Pork may have also been up slightly but beef was down.

Poultry has gained market share with low prices, along with product development and promotion. For example, turkey prices in November/December period dropped by more than 17 percent on an annual basis.

The weakening demand for seafood cuts across various sectors of the market. Some foodservice sectors may have been holding up, but not others. One large seafood restaurant chain, for example, has reportedly shifted to mixed dishes consisting of fish and chicken portions instead of just seafood in order to offer better prices to consumers. This was done to counter sliding demand for otherwise costly all-seafood dishes.

Problems are felt in the retail sector as well, both for fresh and frozen seafood. One report indicated that sales of frozen retail seafood may have dropped by as much as five percent in poundage in 1988, while average price was up by about six percent. The drop in poundage could have been the worst in years.

Meanwhile fresh seafood retailers are not as "upbeat" about their business as in the past. Their prices have been reduced on the average but volume has not been picking significantly enough. In the Boston area, for example, good fresh cod fillets, which sold without difficulty for U\$5.99 or more per pound in 1987, now tend to remain on display for longer

periods. I have been regularly seeing good fresh scrod fillets recently for US\$ 2.99 a pound at retail.

But of particular concern to us is the indication that consumption of Atlantic groundfish products, of which we are major suppliers, has dropped considerably. Usage of blocks, half of which are produced from cod, may have dropped as much as ten percent.

THE BIG QUESTION WE ASK IS: WHAT ARE THE UNDERLYING FACTORS BEHIND THE SLOWDOWN IN SEAFOOD DEMAND ? And since it started in 1988 the question is particularly puzzling as there was no economic depression to blame then. On the contrary, economic growth was much higher than predicted. Consumers were buying more things in 1988 than in 1987 -- expensive or non-expensive things, including cars and houses. Unemployment was down -- a record low, as it turned out, by the year-end.

I am suggesting that the "bottom-line" reasons for weakening demand for seafood in the USA are as follows:

First, there has been, and still is, general resistance to HIGH PRICES.

Secondly, we could blame the recent wave of negative publicity due to media coverage about toxins, contaminants, or water pollution issues.

Thirdly, we could say that seafood did not get promoted

in any significant way. Seafood is way behind poultry, pork and beef in this respect.

Of these three factors, the problem of high prices appears to be, BY FAR, THE MOST IMPORTANT in the consumer's mind. One survey reportedly showed that at least SIXTY PERCENT of consumers think so.

Resistance to high prices does not apply only to the consumer. It is a problem at the trade level as well. For example, fresh seafood retailers seem to be learning more and more about shrinkage and how it can reduce their mark-up by 10 percent or more. These retailers use the 25 to 40 percent markup for fresh seafood as they do for fresh meat like beef. But meat doesn't shrink as much as seafood. And the longer the seafood product is on display the worse is the shrinkage.

On the other hand, frozen food retailers complain of slow movement of seafood products compared to other items. The opportunity cost of shelf space is high in the very competitive frozen food market, one that they eventually pass along to the seafood processors. Nowadays, just to get a listing with a retail chain is formidably costly. This is one major reason why converters tend to resist high prices for blocks.

So, on the demand side, things don't look too good. And for the rest of 1989, the overall economic environment in the United States is not going to be helpful. Recession is not

expected, but neither is a buoyant economy. Interest rates will be high.

But so much for all the bad news. Now, let's talk about the good news.

Having said all of the above about weak demand and price resistance and, in fact, despite of them, I am still of the opinion that for our important species or products, prices will generally be up this year compared to last year. This is mainly because noticeable SHORTAGES are expected in many cases.

But it is also because the US dollar will likely remain steadily weak throughout this year against such major currencies as the yen, the German mark and the British pound. Last year, the short-term strength of the dollar was, indeed, a big influence in pulling prices down during the second and third quarters. The national elections may have had a lot to do with it. This year, some stability may be expected.

As we all know, the impact of the dollar value is very important to some products. One such product is COD BLOCK.

My theory is simple. When cod block prices collapsed in 1984, the strong value of the dollar vis-a-vis the British pound and the German mark was as much a factor as excess supply. In late 1987 and early 1988, the weakness of the dollar had a lot to do with the price going up to US\$ 2.00 a pound. This, perhaps, contributed some 30 to 50 cents to the price.

But the ultimate reason for strong cod block prices in 1989 is the projected drop in world cod landings. The combined landings in Canada, Iceland, Norway and Denmark could fall to about 1,050,000 tonnes this year as compared to about 1,250,000 tonnes last year. If the drop were to proportionately affect all forms -- including, salt cod and fillets -- it could translate into a reduction of 20 million pounds of cod blocks exports to the United States. That's a decline of 11 percent.

On the other hand, we have to consider the possible expansion of the production of Alaska pollock blocks which always threaten to replace cod blocks in a shrinking marketplace.

For cod blocks, I project a range of U\$1.50 to U\$1.70 a pound throughout the rest of this year.

Let me move on to frozen cod fillets.

I figure that the range of U\$1.60 to U\$2.30 per pound, depending on sizes and packs, that the "Boston Blue Sheets" now report will probably prevail most of the year. I could see only a slight improvement for this category because I feel that this is where the Alaska frozen-at-sea fillets will affect us most. I am particularly concerned with the fillet packs at the lower end of the spectrum, namely, the ones that would selling for U\$ 1.80 or less.

Speaking of Alaska, we should be aware that US catch of Pacific cod and pollock off Alaska will continue to expand from

some 330,000 metric tonnes in 1987 and 690,000 tonnes in 1988 to as much as 1,150,000 tonnes in 1989. It is estimated that the number of American catching and processing vessels off Alaska -- some of which are factory freezer trawlers -- will increase from 36 in 1987 and 60 in 1988 to about 95 by the end of this year. Sure, they produce other products like surimi and H&G, but fillets account for a fair portion of total production. It is estimated that last year, up to 130 million pounds of fillets and fillet-blocks could have been produced. Potentially, this could double this year and the US home market is naturally the key target.

Let us now consider redfish. Here again, wholesale prices could otherwise improve because redfish landings are expected to drop in Iceland and in New England. But our own level of production will likely be up significantly, thus keeping prices stable.

As for flounders and sole, in general, supplies will be considerably limited in 1989. That goes for all such species caught throughout the Atlantic -- on the European side, the American side and in our own Maritimes. This category will have the strongest cases for price increases in 1989. I would be inclined include our own turbot under this strong category of products. In fact, depending on your marketing technique, 1989 could be a very good year for turbot.

The only thing to watch about the flounder and sole market is, once again, the expanding production of flatfish off Alaska and the US Pacific Coast. An increase of as much as 30 million pounds this year is not altogether inconceivable.

While still talking about frozen groundfish, I might add in passing that other species like haddock, Atlantic pollock and hake will also be short even for our own use here in Canada. For these species, however, prices may simply stabilize as they already have been at high enough levels.

Fresh groundfish fillets still make for an interesting segment of US seafood market. The prices are not too high at the moment, but they are expected to improve later in the year. This is because the New England landings will undoubtedly continue to drop both in the short and long term. If our products are handled and marketed efficiently, there seems to be more room for good margins, relatively speaking, for us if we are to establish ourselves as alternative reliable, and might I add, direct, suppliers to this market.

While we are dealing with fresh fish, you all might recall that there was some danger in the past for the New England to restrict imports of "small" groundfish fillets from Canada. Well, the danger is not eminent for now. Maybe in the future. However, if we aim at achieving prices that approach the levels the American cutters in New England actually get, we would really be doing ourselves a big favor in more ways than one.

Because then, they would have less reason to complain and we would have a better share of the market.

The market for live lobsters is good. Already, prices are good at the moment. Supplies from both Canada and New England have been tight so far this year and will likely remain so throughout the year. This is due to more intense enforcement of the increased minimum size regulation in the US and of course also due to the impending new regulation here at home. Not to mention, of course, the expanding demand in Japan for both frozen and live lobsters.

The same is true with scallops. A new regulation is eminent in New England whereby minimum size, measured by volume, is expected to be in place in 1989. They are also talking about better enforcement, which in the short term means cutbacks.

With respect to coldwater shrimp off New England, the prospect looks good for 1989. However, total shrimp inventories are not high at the moment and it appears that US imports of all shrimp, including warm-water shrimp, of course, did slow down significantly during the later part of 1988. The market could firm up at least during this early part of the year.

I should also comment on the market situation for farmed salmon which has a reverse supply problem. In other words, as a so-called "specialty species" it is expanding too fast, probably in the 150 to 140,000 tonne range in 1989 as

compared to only about 70,000 tonnes in 1986. Already in 1988, particularly during the later part, prices showed a lot weakness in the US market which imported only about 17,000 tonnes in that period. The same pattern is likely to develop in 1989.

The subject of our Free Trade Agreement with the United States is something I want to comment on briefly. It is now in effect and there is no doubt it presents opportunities. But like many things, opportunities don't just happen. They have to be developed. I think that for the small or medium processors, like most of you, the opportunity that the FTA brings could be along the line of specialty products that can be fully packed for consumer presentation right at the plant. And I am not just talking about imitating the so-called high value-added entrees that the large, fully integrated companies are doing. But we have to beware ! Because it is in this area that proper marketing planning and research is most critical.

From what I can see, the single most important impact of the Free Trade Agreement on the seafood business could be that there is now more openness on the part of the American buyers and various Canadian suppliers to work together in some form of joint-venture at both the production and the marketing ends of the business. This option had always been available to the large corporations in the past. The FTA improved that option, but, more importantly, it opened the option to small or medium

operators. There is an increasing amount of investments crossing the border in both directions. In many cases, a true quote market driven approach unquote is in action. In my view, this is indeed a most encouraging development.

Those are my prepared remarks and thank you all for your attention.

**OVERVIEW OF THE
FISHERIES MARKETS
IN
FRANCE & SPAIN**

**Presented by:
David Shortall
Fisheries Division
Dept. of External Affairs**

FRANCE

Introduction

- France is the second most affluent member of the EC with a highly developed AgriFood sector synonymous with luxury and gastronomy.
- France is Canada's second largest market in the EC for fish products with exports in 1988 of \$81 million Canadian companies have a long tradition of operating in France and commercial practices are well understood.
- France consumes about one million tonnes of fisheries products per annum with per capita consumption of some 12 kilograms. Per Capita consumption is second only to that of Spain in the European Community.
- Consumption is divided equally between imports and domestic production. In 1986 imports amounted to \$1.8 billion and are growing. Canada currently supplies only 4% of the import market.
- French consumers have traditionally depended upon domestic production for fresh fish and imports for frozen fish. In recent years the steadily increasing role of frozen fish has been the most significant consumption trend.
- France also maintains Europe's most advanced aquaculture sector accounting for a production of some 200,000 tonnes in 1987. This represents one-third of France's entire fish production.

Major Species

- France has traditionally been a market for higher value species. France is Canada's largest market for frozen salmon and second largest market for lobster. These two products together account for 64% of all Canadian exports.
- Other major species in order of importance include freshwater fish, frozen crab, frozen scallops, canned salmon, and cod blocks.
- The Canadian embassy also notes good prospects for the following: frozen cod fillets, salt cod, frozen shrimp and monkfish.
- Prepared seafoods - production of convenience foods including frozen prepared dishes and pre-packaged fresh and frozen fish is a growing segment. Sales of vacuum packaged products has grown from 1,000 tonnes in 1982 to 4,000 tonnes in 1987.

- France has become a leader in the food processing industry utilizing first quality new materials, the latest developments in food preparation and state of the art packaging.
- France is legendary for smoked salmon with some 8,000 tonnes consumed in 1986. It is a major French export.
- The canning industry is also well developed producing about 10,000 tonnes per year. Main products are mackerel, sardines and tuna.

Access Conditions

- France is a relatively easy market to access for fish imports. For most imports only a Certificate of Good Sanitary Conditions is required. This is issued by the department of Fisheries and Oceans.
- A Certificate of Hygiene Origin is required for live lobster, mussel, sea urchin and other shellfish eaten raw and imported for immediate consumption. Canada does not have an equivalency agreement with France. Therefore live products from Canada must be placed in French depuration stations for a given period prior to being placed on the market.
- Producers of minced fish - plants must first be approved by French authorities. DFO certifies establishments to meet French sanitary requirements. An approval number is then granted which must be affixed to all invoices and documents.
- Producers of prepared seafood dishes and cooked shrimp - prior approval is required prior to export to France. A questionnaire must be completed relative to handling and processing practices and signed by DFO. Upon approval a plant number is issued.

Commercial Practices

- Canada has been exporting fish products to France for many years and commercial practices are well understood.
- Quotations are preferred in CIF terms. Unless a history of satisfactory dealings has been built up between exporter and buyer, irrevocable letters of credit are the best commercial instruments. French firms often operate in tight cash positions and may request payment terms up to 90 days. Exporters should verify bonafides with Canadian banks most of whom have offices in France. Tariff rates should also be confirmed prior to computing prices.

- Agents - the practice in French and Europe generally is to appoint an agent or distributor to handle your products. Agents are usually paid a commission which is often paid directly by the exporter.
- Direct sales - sales to food processors and retail chains are becoming increasingly more common. Some large retail chains (Hypermarche) have formed buying groups that source product for packing under private label.

Major Product Opportunities

Live Lobster

- The market has expanded in recent years and is dominated by Canada although the US is now becoming a major competitor. Most of the business is done during the Christmas season although there is a year round market. It is best to deal with established importers who know the market and how to handle live product. Live lobsters are sold by importers/wholesalers to restaurants and fish shops. In recent years major supermarkets have imported directly (100 MT or more) for sale through a network of stores.

Frozen Lobster in Brine

- A typically Canadian product sold mainly in retail stores and freezer centres. The French prefer larger sizes (300-400 g) and there is good potential for pre cooked whole lobsters packed in cardboard boxes for restaurant use as live lobster.

Frozen Shrimp

- Canada supplies only 4% of French imports which amounted to 11,000 tonnes in 1987. Market is growing year after year.

Monkfish

- Imports from Canada have grown from nothing to 23 tonnes in 1988. This is good example of an underutilized species which has found its way into the French market. Demand is for peeled tails and fillets.

Frozen Crab

- The market is exclusively for snow crab combination pack. Strong competition is present from Asia. Asian competition has virtually eliminated Canadian canned crab from the French market.

Frozen Cod Fillets

- Supply from Canada has dropped from 1,300 tonnes in 1985 to 210 tonnes in 1988. This has been due to termination of the Canada/EC Long Term Agreement. During the same period French imports passed from 16,000 tonnes to 23,000 tonnes. Other countries with more competitive prices have increased their share.

Fresh Fish

- Airfreighted fresh fish has good potential.

Conclusion

- France is a mature market with good growth prospects for a limited range of products. Emphasis is on higher value species, high quality standards, and good supply capability at competitive prices.
- Canadian exports do benefit from favourable rates of exchange and increasing dependence by France on imports, particularly for frozen fish and shellfish.
- Canadian companies interested in France must spend the time identifying market opportunities and familiarizing themselves with French customs procedures and commercial practices.
- The best introduction to the French market is participation at trade fairs. The most important show for fish is SIAL in Paris. At the last SIAL show Canadian companies made on site sales of \$10 million. The show attracts 100,000 trade visitors.

CANADIAN EXPORTS OF FISH TO FRANCE

1986-87

	<u>1986</u>	<u>1987</u>
	(\$,000)	
Salmon, frozen whole	\$32,756	\$40,990
Salmon, canned	3,612	3,121
Pike, frozen, whole	2,045	3,404
Pike, fillets, frozen	1,014	1,060
Pike Blocks, frozen	1,139	1,423
Cod fillets, frozen	739	877
Cod blocks, frozen	2,914	1,213
Cod, heavy salted	1,560	0
Cod, green wet salted	933	90
Crabs, fresh or frozen	6,511	5,121
Crabs, canned	2,161	1,054
Lobster, Live	5,599	7,015
Lobster in shell, frozen	6,380	11,923
Lobster meat	1,920	1,577
Scallops, frozen	10	2,704
Shrimp and prawns	<u>385</u>	<u>7</u>
TOTAL.....	<u>\$75,542</u>	<u>\$86,641</u>

SPAIN

Introduction

- Spain is the fastest growing economy in the European Community and represents virtually a new market for Canadian seafood.
- Spain is second only to Japan in fish consumption with per capita consumption of some 30 kilos per capita.
- Spain operates one of the world's largest fishing fleets and is the least import dependent of the EC countries.
- Nevertheless in 1987 Spain imported about \$1.5 billion out of a total seafood market of \$4 billion and imports are increasing. In 1985 imports were \$800 million.
- Canadian fish exports to Spain reached a high of \$22 million in 1980. Exports virtually ceased after 1982 when Spain imposed an "unofficial" import ban.
- The ban was lifted in 1986 and by 1988 exports had grown to \$9.7 million.

Main market characteristics

- Spain is a relatively stable and conservative market with a very high consumption of fresh fish, a wide variety of shellfish and salted cod.

Retail

- Consumers purchase products on a daily basis from some 6,000 small retail fish stores throughout the country.
- However, recent years have seen profound changes in consumption habits and Spaniards are quickly developing a taste for new products and species including more prepared and luxury seafood products. Much of this product appears in frozen form.
- In the past two years Spain has become the fastest growing market in Europe for frozen fish. This has been associated with increased female participation in the labour force and has resulted in increased market share by supermarkets.
- On a visit to the fish section of a modern spanish supermarket one might see the following, fresh whole fish, frozen fillets and pieces, a large variety of

fresh molluscs and shrimp, a variety of seafood salads, smoked salmon, fresh farmed salmon, a large section devoted to salt cod in a variety forms including consumer packs in controlled atmosphere packaging. One also notes the relatively small space devoted to both breaded and battered products and prepared dinners compared to other western European countries. The potential for these products is believed to be largely untapped.

Wholesale

- At the wholesale level distribution is controlled by two main markets - Madrid and Barcelona. Smaller markets are also found in the major fishing ports. Mercamadrid, the largest market is second only to Tokyo in size handling 150,000 tonnes of fish products each year. 150 wholesalers operate at the market selling directly to hotels, restaurants, retail fish shops and other smaller wholesalers in the market. Mercamadrid attracts 10,000 buyers each day.

Trade Practices

- Spain currently imposes quotas and relatively restrictive tariffs on certain fish species. However, these should be modified or eliminated by 1992 to comply with the EC import regime. A list of selected species under quota is attached.
- For imports under quota a Fish Products Import Certificate is required. This requires the importer to post a bond equivalent to 5% of the value of the import shipment. The bond is valid for 90 days and is forfeited if the prospective import is not carried out. Certificates are usually granted only to reputable importers.
- Spain also imposes minimum size regulations with respect to live molluscs and also requires a deputation certificate. At the present time Canadian molluscs must enter deputation stations in Spain prior to sale.

Products of Interest from Canada

- Our embassy in Madrid identifies the following products as having potential in Spain - wet salted cod, frozen flounder, fresh and frozen round cod and fillets, live clams, live lobster, live gooseneck

barnacles, frozen salmon, frozen fish blocks, frozen illex squid, frozen monkfish tails, canned salmon, frozen shrimp.

- Opportunities also exist for baby eels, cod roes, fresh farmed salmon and frozen hake.

Wet Salted Cod (Bacalao Verde)

Wet salted cod is Canada's largest export to Spain amounting to \$3.8 million in 1987. Canadian Salt cod is also believed to enter Spain through third countries, notably Portugal and France. Spain imports some \$75 million of salt cod annually. There is little demand for dried salted cod. The 1989 import quota is 17,500 tonnes. Major suppliers are Iceland, Faroe Islands, Norway and Canada. Icelandic cod fetches a premium price. The market for salt cod is very competitive and Canadian salt cod tends to be purchased on a price basis. Buyers prefer hard split product over machine split.

Frozen Cod

Spain has a large processing sector which utilizes considerable quantities of headless and gutted cod for further processing. Spanish preference is for larger sizes, one kilogram and up, with smaller sizes re-exported to Portugal. There is no quota but duty is 4.5%.

There is also good demand for frozen butterfly cod (split fish with centre bone removed) which is used to prepare rectangular shaped portions for retail packs.

Frozen Hake

The most important groundfish species consumed in Spain. Spanish landings of hake amounted to 71,000 tonnes (fresh) and 78,000 tonnes (frozen). In addition imports accounted for 86,000 tonnes mainly from EEC, Chile, and Argentina.

True hake (*M. Merluccius*) is the dominant species and fetches prices as high as \$40 per kilo wholesale in the winter. True hake is supplemented by Chilean hake (*M. australis*) and South African hake (*M. capensis*). Preference is for larger sizes (3,4,5 kg). In 1989 the import quota is set at 39,000 tonnes for frozen hake.

Manilla Clams

Spain has become Canada's most important market in Europe for live little neck clams. Spaniards consume huge quantities of bivalves of all types. Clams require depuration in Spain in order to fulfill Spanish health requirements.

Gooseneck Barnacles

Spain is the world's most important market for barnacles and Canadian barnacles from British Columbia are regarded as the best quality available. Demand is estimated at 40,000 kg per month. Barnacles are found at all levels of consumption from the most expensive restaurants to working class bars.

Flounder

Spanish preference is for H and G flounder in the smaller size or "pan ready" format. Duty is 5.7%.

Lobster

Live lobster offers good potential. While growth is limited by the availability of tanks, lobster is a familiar product in Spain. Preference is for European lobster although Canadian lobster which was introduced only in 1987 has been well received.

Monkfish tails

This is one of the most popular species in Spain with demand said to be virtually limitless. Spain currently imports this product from the United States where it is caught as a by-catch of scallops.

Salmon

Spain has potential to become a major market due to the import of farmed salmon from Norway. Canadian canned and frozen salmon appeared in the market for the first time in 1987. Sales of Norwegian salmon to Spain have been doubling every two years.

Cod Roes

Only frozen roes are imported and these are subject to 12% duty. Denmark is the principle supplier followed by Norway.

CONCLUSION

- Spain offers good potential for Canadian fish exporters. It is perhaps the last underdeveloped fisheries market in the western world. Spain is undergoing rapid economic change with increased affluence and increasing dependence on imports.
- Changing consumption habits have created opportunities for a wide range of products. Frozen fish is becoming more important. Companies should visit to explore the opportunities for themselves.
- A serious obstacle is the lack of Canadian knowledge of local needs and tastes and the remarkable segmentation and sophistication of the Spanish market.
- Canadian companies also need to study and copy the techniques of successful exporters in Iceland, Norway, France and elsewhere.
- Companies are also encouraged to participate at major food shows such as Alimentaria which is held annually in Barcelona. The last show attracted 4,500 exhibitors and 500,000 visitors. Support is available under PEMD to visit this show.

CANADIAN EXPORTS OF FISH TO SPAIN

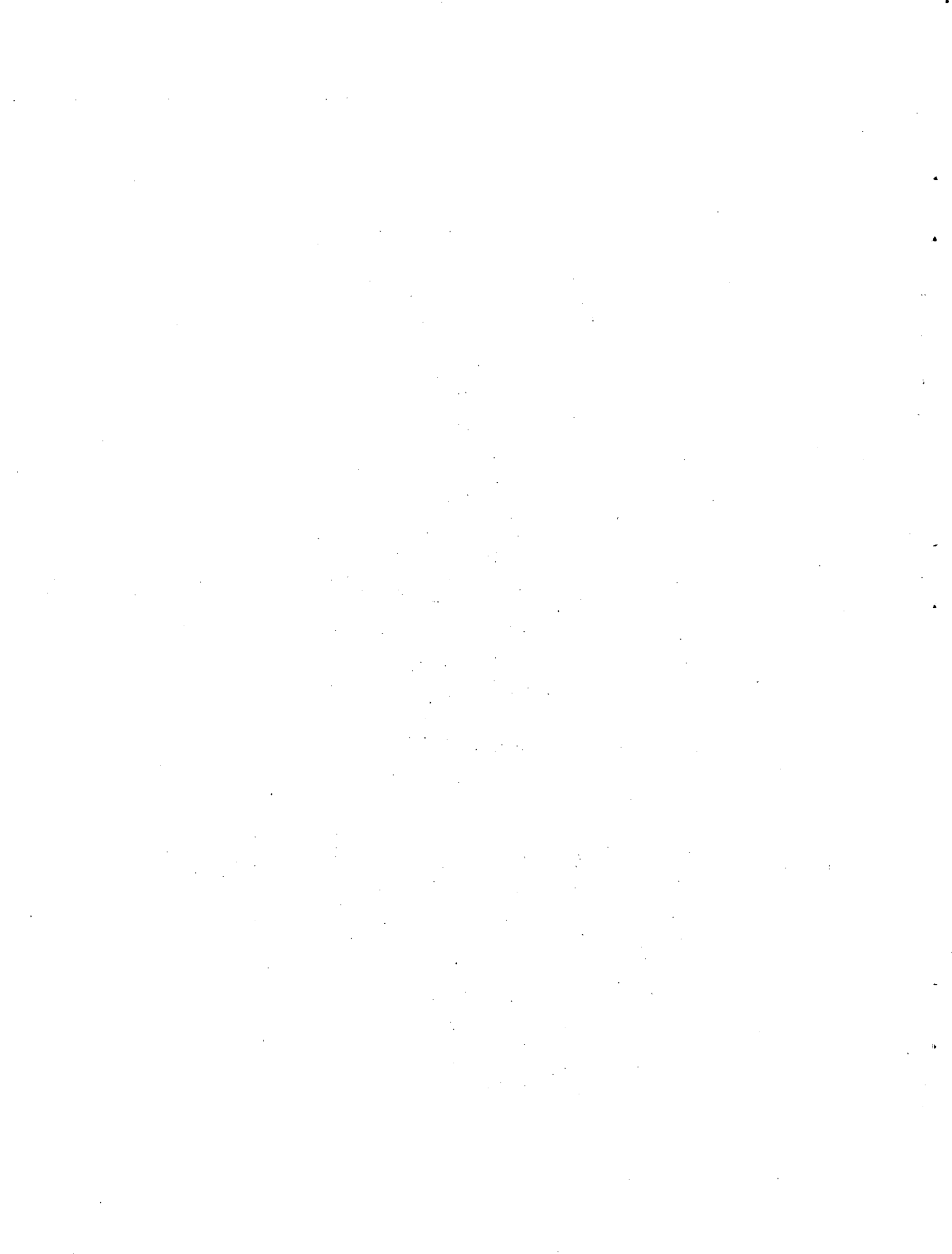
1987

	<u>Quantity</u> (tonne)	<u>Value</u> (\$,000.)
Salmon, canned	35	140
Lobster, live	8	110
Smelt, dressed	19	44
Salmon, frozen	61	263
Seafish, frozen, whole NES	279	111
Cod, wet salted	793	3,810
Cod, heavy salted	62	303
Clams, fresh or frozen	15	125
Mosses, sea grasses, plants	193	164
Shellfish, fresh or frozen, NES	27	465
TOTAL	1,615	\$6,162

SPANISH IMPORT TARIFFS AND IMPORT QUOTAS

<u>PRODUCT</u>	<u>FROM EEC</u>	<u>FROM THIRD COUNTRIES</u> <u>(INCL CANADA)</u>
	PCT	PCT
Live Lobster	4.5	8.0
Frozen Lobster	4.5	8.0
Live Clams	4.5	8.0
Fresh Salmon	0	0.8
Frozen Salmon	8.2	9.0
Smoked Salmon	6.9	13.0
Canned Salmon	10.3	15.8
Dried Salted Cod	4.2	10.6
Wet Salted Cod	4.2	10.6

<u>PRODUCT</u>	<u>TOTAL QUOTA</u>	<u>AMTS. MADE AVAILABLE</u> <u>PER QUARTER</u>
Fresh Cod	5,500	2,310 1,540 770 880
Fresh Cod Fillets	2,200	550(X 4)
Wet Salted Cod	15,000	6,750 2,230 2,230 3,790 200 620 740 440
Frozen Hake	22,750	5,687(X2) 5,688(X 2)
Frozen Hake Fillets (Incl. Blocks)	8,000	2,000(X 4)
Fresh and Frozen		
Blue Whiting	1,000	247(X2) 253(X 2)
Live Clams	15,000	1,990 3,985 1,990 7,035



EXPORT OPPORTUNITIES

J A P A N

FISHERIES AND FISH PRODUCTS

Ezio DiEmanuele
Japan Trade Development Division
Department of External Affairs
Tel (613) 995-8606
Fax (613) 996-4309

I N T R O D U C T I O N

- JAPAN IS THE WORLD'S LARGEST IMPORT MARKET FOR FISHERY PRODUCTS WITH AN ANNUAL PER CAPITA CONSUMPTION OF ABOUT 70 KILOGRAMS.
- CONSUMPTION OF FISH REMAINS STRONG AS PER CAPITA INCOME INCREASES WITH NO DRAMATIC SHIFT TO MEAT, ONLY AN INCREASING DEMAND FOR HIGHER GRADE FISH SPECIES.
- DOMESTIC PRODUCTION OF FISHERIES PRODUCTS HAS BEEN GRADUALLY DECLINING DURING THE PAST DECADE IN LARGE PART DUE TO THE REDUCED FISHERY ALLOCATIONS GIVEN TO JAPAN BY OTHER COUNTRIES SINCE THE IMPLEMENTATION OF THE 200 MILE LIMIT.
- IMPORTS, ON THE OTHER HAND, ARE INCREASING VERY RAPIDLY AND IN 1988 REACHED 2.4 MILLION MT VALUED AT ABOUT CDN\$ 14 BILLION AND ACCOUNTED FOR APPROXIMATELY 29 PERCENT OF TOTAL FISH CONSUMPTION. THIS IS REPRESENTATIVE OF AN INCREASE OF APPROXIMATELY 24 PERCENT OVER 1987 FIGURES. IMPORTS BY AIR FREIGHT WERE ESTIMATED AT 140,000 MT VALUED AT \$1.7 BILLION IN 1988 WHICH INDICATES THE PRICE THE JAPANESE ARE PREPARED TO PAY FOR QUALITY AND FRESHNESS.
- JAPAN IS THE SECOND MOST IMPORTANT MARKET FOR CANADIAN FISH PRODUCTS FOLLOWING THE USA.
- THE STRENGTHENED YEN AND THE REDUCTION OF TRADE BARRIERS IN THE JAPANESE FISHERIES SECTOR ARE CREATING NUMEROUS OPPORTUNITIES FOR CANADIAN COMPANIES.

- JUST THINK, OUR FISHERY PRODUCT EXPORTS TO THIS MARKET HAVE RISEN FROM A MERE \$39.2 MILLION IN 1975 TO A WHOPPING \$718 MILLION IN 1988.

ECONOMIC VALUE

- THE IMPORTANT QUESTION BECOMES: WHAT DOES THIS ALL MEAN FOR THE NEWFOUNDLAND ECONOMY?
- FIRST OFF, FROZEN CAPELIN EXPORTS TO JAPAN, THE MAJORITY OF WHICH ARE SOURCED FROM NEWFOUNDLAND, TOTALLED 39,922.8 MT VALUED AT \$91.5 MILLION IN 1988.
- ROCKFISH EXPORTS TO THIS MARKET, AGAIN MOST OF WHICH ORIGINATES IN THIS PROVINCE, TOTALLED 3,018.4 MT AT A VALUE OF \$8.5 MILLION IN 1988.
- THESE TWO SPECIES ALONE, REPRESENTED \$100 MILLION OF FISH PRODUCT EXPORTS TO JAPAN IN 1988.
- CRAB EXPORTS HAVE ALSO RISEN SIGNIFICANTLY FROM \$54 MILLION IN 1987 TO ABOUT \$81 MILLION IN 1988. A LARGE PART OF THIS TRADE COMES FROM NEWFOUNDLAND.

NEW OPPORTUNITIES

ATLANTIC HERRING, COD AND MACKEREL

- IMPROVED ACCESS FOR ATLANTIC HERRING; COD AND MACKEREL WILL RESULT IN INCREASED EXPORT OPPORTUNITIES TO THIS MARKET AS JAPAN'S FISH IMPORT REGIME GRADUALLY BECOMES LIBERALIZED.

SEA URCHIN

- CANADIAN SEA URCHIN EXPORTS TO JAPAN IN 1988 TOTALLED 405.7 MT AT A VALUE OF ABOUT \$12 MILLION.
- IMPORTS OF SEA URCHIN HAVE BEEN STEADILY INCREASING. THIS SPECIES HAS BEEN TRADITIONALLY SERVED IN JAPAN ONLY IN SEASON (DURING THE SUMMER MONTHS) BUT IMPORTS HAVE OPENED UP THE MARKET ON A YEAR-ROUND BASIS.
- CANADIAN SEA URCHIN FROM THE ATLANTIC HAS BEGUN TO ENTER THE JAPANESE MARKET. IMPORTERS ARE HANDLING THE PRODUCT BOTH IN THE SHELL AND IN ALREADY-PROCESSED FORM.
- PRICES VARY ACCORDING TO QUALITY, HOWEVER THERE SEEMS TO BE INCREASING DEMAND AT ALL LEVELS.

FROZEN HERRING ROE - SALTED HERRING ROE

- CANADIAN FROZEN HERRING ROE EXPORTS TO JAPAN TOTALLED 8,299.0 MT AT A VALUE OF \$73.2 MILLION IN 1988. ALTHOUGH OUR EXPORTS IN THIS AREA CONTINUE TO RISE, CANADIAN FROZEN ROE EXPORTERS WILL BE FACING INCREASING COMPETITION FROM OTHER SUPPLY SOURCES IN THE FUTURE. IRELAND, IN PARTICULAR, HAS SHOWN A LARGE INCREASE IN ITS TRADE WITH JAPAN AND THE TRADE NOW CONSIDERS IRELAND TO BE THE HIGHEST QUALITY FROZEN HERRING ROE PRODUCER. THE NETHERLANDS, WEST GERMANY AND THE U.K. ARE ENTERING THE MARKET AS WELL.

- SALTED HERRING ROE ALSO OFFERS GOOD OPPORTUNITY FOR CANADIAN EXPORTERS. IN 1988, THESE EXPORTS WERE 4,940.9 MT, AT A VALUE OF \$161.2 MILLION. SALTED HERRING ROE IS OUR BIGGEST FISH EXPORT ITEM TO THE MARKET.
- THE MARKET CONTINUES TO BE CONCENTRATED IN THE YEAR END GIFT MARKET AND WITH A SMALL PERCENTAGE OF CONSUMERS IN SUSHI RESTAURANTS. GIFT MARKET CONSUMPTION IS EXPECTED BY SOME IN THE TRADE TO REMAIN STABLE OVER THE LONG-TERM DUE TO THE CHANGING DEMOGRAPHIC STRUCTURE OF JAPAN.

CRAB

- IN 1988, FROZEN CRAB EXPORTS WERE 7,455.2 MT AT A VALUE OF ABOUT \$81 MILLION.
- DEMAND FOR CRAB CONTINUES TO EXPAND ESPECIALLY DURING THE GIFT SEASON AND INDUSTRY SOURCES ARE OPTIMISTIC AS TO FUTURE POTENTIAL. FURTHER MARKET GROWTH IS ANTICIPATED IF PRICE AND SUPPLY CONDITIONS REMAIN STABLE.

VALUE-ADDED PRODUCTS

- VALUE-ADDED PRODUCTS FROM CANADA SUCH AS PATES, SMOKED SALMON, AND FARMED PRODUCTS HAVE BECOME POPULAR SALES ITEMS IN THE JAPANESE MARKET.

- THESE PRODUCTS ARE VERY POPULAR AS GIFT ITEMS IN JAPAN.

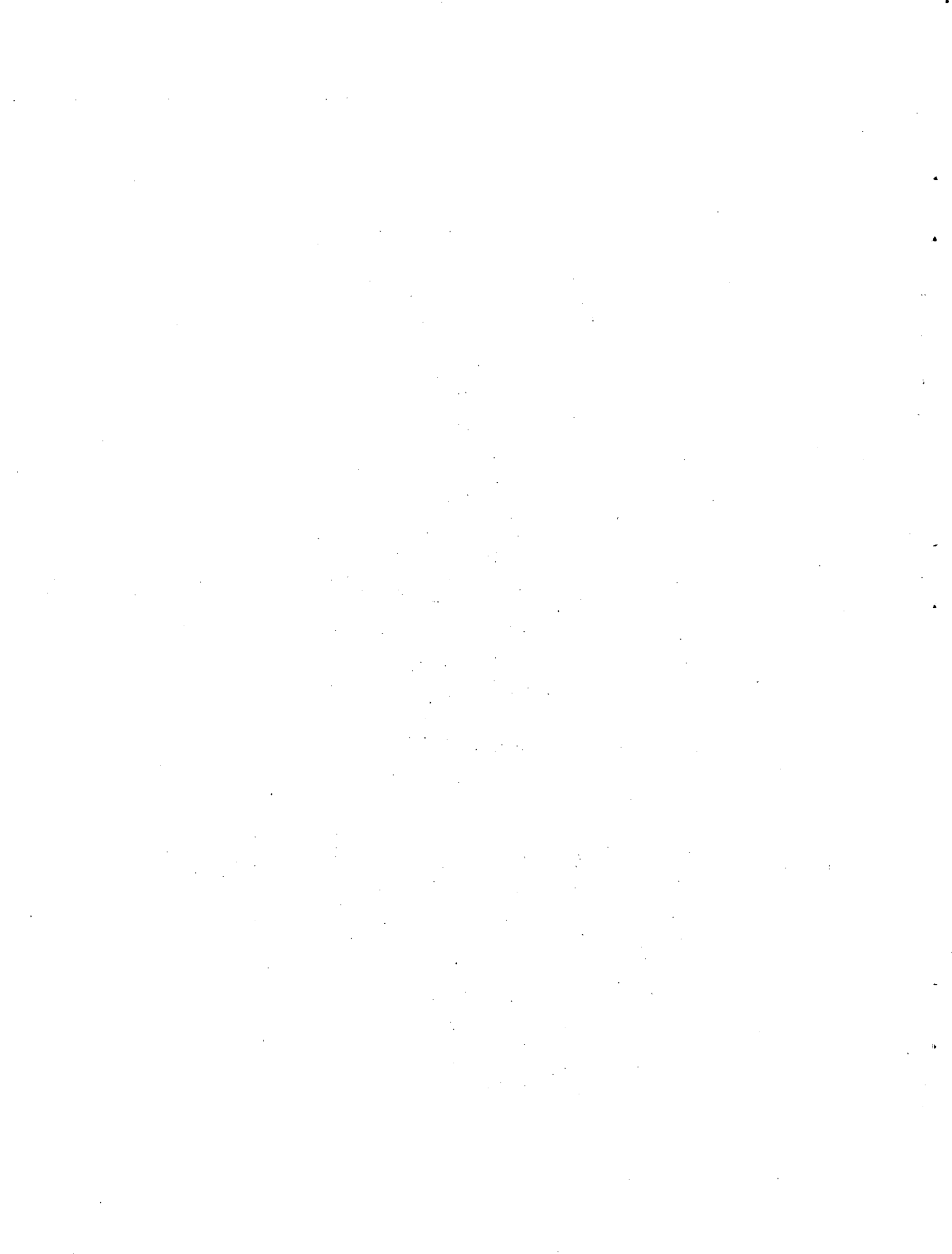
SERVICES PROVIDED TO THE EXPORTER BY EXTERNAL AFFAIRS

- THE JAPAN TRADE DEVELOPMENT DIVISION IN COOPERATION WITH THE CANADIAN EMBASSY IN TOKYO, THE CONSULATE GENERAL IN OSAKA, THE FISHERIES AND FISH PRODUCTS DIVISION OF EXTERNAL AFFAIRS, AND THE DEPARTMENT OF FISHERIES AND OCEANS OFFER THE FOLLOWING SERVICES TO THE EXPORTER:
 - 1) PROMOTE CANADIAN SEAFOOD UNDER THE CANADA FOOD FAIR PROGRAM IN JAPAN. (AN AVERAGE OF 60 PER YEAR IN SELECT JAPANESE SUPERMARKET AND DEPARTMENT STORE CHAINS).
 - 2) PROVIDE IMPROVED MARKET INTELLIGENCE TO THE CANADIAN INDUSTRY.
 - 3) SEEK BETTER ACCESS FOR IMPORT QUOTA ITEMS.
 - 4) UTILIZE THE CANADIAN EMBASSY'S FISH ENQUIRY SERVICE.
 - 5) CONDUCT SOLO FOOD AND FISH SHOWS AS WELL AS PARTICIPATE IN LARGER FOOD AND FISH EXHIBITIONS (I.E. FOODEX).
 - 6) CONDUCT OR FUND MISSIONS, STUDIES/SURVEYS (I.E. ATLANTIC HERRING ROE MISSION TO JAPAN, CAPELIN STUDY). UNDER THE DIVISION'S "NEW EXPORT OPPORTUNITIES" PROGRAM, WE HAVE FUNDED THE ATLANTIC HERRING ROE STUDY IN ADDITION TO A FORTHCOMING SURVEY ON THE GIFT PACK MARKET.

CONCLUSION

- THE OPPORTUNITIES FOR EXPANDING CANADIAN FISH EXPORTS TO JAPAN HAVE NEVER BEEN BETTER.
- NEWFOUNDLAND HAS BEEN VERY SUCCESSFUL IN EXPORTING A NUMBER OF FISH SPECIES TO JAPAN AND I CONGRATULATE THE INDUSTRY FOR ITS NUMEROUS SUCCESSES.
- AS I HAVE MENTIONED DURING THE COURSE OF MY REMARKS, NEW OPPORTUNITIES IN A NEW MARKET ENVIRONMENT IN JAPAN CONTINUE TO EXIST FOR NEWFOUNDLAND.
- THE CHALLENGE TO CAPITALIZE ON THESE OPPORTUNITIES IS BEFORE YOU.
- I WISH YOU GOOD FORTUNE IN THE PURSUIT OF YOUR EXPORT GOALS.

THANK-YOU



WHAT THE COMPETITION IS DOING

N O R W A Y

**Presented by:
Mel MacDonald
Trade Commissioner**

WHAT THE COMPETITION IS DOING:

NORWAY

UNDER 2 PER CENT OF THE NORWEGIAN POPULATION ARE DIRECTLY INVOLVED IN FISHING. BETWEEN 25,000 AND 30,000 PEOPLE HAVE FISHING AS THEIR SOLE OR MAIN OCCUPATION. AT LEAST AS MANY ARE ENGAGED IN FISH PROCESSING AND EXPORT ACTIVITIES. IN ADDITION, A GREAT NUMBER OF PEOPLE ARE OCCUPIED IN SUBSIDIARY TRADES, SUCH AS THE FISHING GEAR INDUSTRY, PUBLIC SERVICES, OR OTHER INDUSTRIES PROVIDING SERVICES AND EQUIPMENT FOR THE FISHING INDUSTRY. WHEREAS THE FISHING INDUSTRY IN NORWAY CONTRIBUTES LESS THAN 1 PER CENT TO GNP, THE EXISTENCE OF THIS INDUSTRY REMAINS ESSENTIAL FOR MANY COASTAL AREAS, ESPECIALLY FOR NORTHERN NORWAY. EXPORTS OF FISH AND FISH PRODUCTS CONTRIBUTE SIGNIFICANTLY TO NORWAY'S EXPORT EARNINGS AND IN 1988 WERE RESPONSIBLE FOR 11 PER CENT OF TOTAL EXPORTS (NOT INCLUDING EXPORTS OF OIL, GAS, OIL PLATFORMS AND SHIPS). NEARLY 95 PER CENT OF FISH AND FISH PRODUCTS ARE EXPORTED, AND IN 1988 TOTAL EXPORT VALUE EXCEEDED CAD 1.8 BILLION.

THE PRIMARY SPECIES CAUGHT BY NORWEGIAN FISHERMEN ARE COD, HERRING, MACKEREL, SAITHE AND BLUE WHITING. OTHER IMPORTANT SPECIES ARE HADDOCK, TUSK, LING, HALIBUT, REDFISH, PRAWNS, SANDEEL AND NORWAY POUT. A TOTAL BAN IS STILL IN FORCE ON THE CAPELIN FISHERIES IN THE BARENTS SEA, SINCE THE COLLAPSE OF THE CAPELIN STOCK A FEW YEARS AGO.

THE GROWTH IN THE NORTHERN FISH STOCKS HAS BEEN SLOWER THAN ANTICIPATED BY SCIENTISTS ONLY A COUPLE OF YEARS AGO.

BESIDES CAPELIN, THE NORTHERN COD STOCK IS ALSO SHOWING SIGNS OF STRESS, POSSIBLY RESULTING FROM A SHORTAGE OF FOOD AFTER THE CAPELIN STOCK DECLINED.

THE BARENTS SEA COD STOCK DECLINED FROM 1.5 MILL. TONS IN 1986 TO 900.000 TONS IN 1988.

THE BARENTS SEA HAS BEEN THE MOST IMPORTANT HUNTING GROUND FOR THE NORWEGIAN DEEP SEA TRAWLER FLEET. THE MOST PROFITABLE SECTION OF THE FLEET HAS BEEN THE LARGE FREEZER TRAWLERS WITH INTEGRATED ON-BOARD PRODUCTION.

THE IN-SHORE COD FISHERIES IN THE NORTH HAVE FAILED SEVERAL YEARS IN SUCCESSION AND THE IN-SHORE FISHERMEN BLAME PARTLY THE FREEZER TRAWLERS (NORWEGIAN AND FOREIGN) AND PARTLY THE INCREASING NUMBER OF SEAL THAT INVADE THE NORTHERN COASTLINE EVERY YEAR. INDEED, THERE IS A GROWING FEELING THAT THE RECORD INVASION OF SEAL OVER THE PAST TWO OR THREE YEARS MAY POSE A THREAT TO THE ECONOMY OF NORTHERN NORWAY, WHICH IS HIGHLY DEPENDENT ON THE FISHERIES, AND LAST YEAR SAW A HIGH NUMBER OF BANKRUPTCIES IN THE INDUSTRY. HOWEVER, IN DECEMBER LAST YEAR (1988) AND AGAIN THIS SPRING, THERE HAVE BEEN REPORTS OF GOOD CATCHES OF COD IN THE BARENTS SEA FOR BOTH THE IN-SHORE AND THE OFF-SHORE FLEET. TRAWLER SKIPPERS HAVE REPORTED OF LARGE, FAT COD, WHICH IS CONTRARY TO FINDINGS BY RESEARCH VESSELS EARLIER LAST YEAR. THE COD IS EATING LOTS OF CAPELIN AND HAS A VERY FAT LIVER, ACCORDING TO FISHERMEN.

TOTAL NORWEGIAN CATCH OF FISH IN 1988 WAS 1.7 MILL. METRIC TONS, A DECLINE OF 15 PER CENT FROM 1987. LANDED VALUE FELL BY 20 PER CENT IN 1988, FROM CAD 1 BILL. IN 1987. OF THIS, COD AMOUNTED TO 253.000 TONS IN 1988, DOWN 15 PER CENT FROM 1987. LANDED VALUE WAS CAD 290 MILL. DOWN 28 PER CENT FROM 1987. LANDED QUANTITY OF HERRING WAS 334.000 TONS IN 1988, NO CHANGE FROM 1987; MACKEREL 1988: 159.000 TONS, UP SLIGHTLY FROM 156.000 TONS IN 1987.

NORWAY HAS A SMALL QUOTA OF CAPELIN IN THE ICELANDIC ZONE:

THE 1988 CATCH AMOUNTED TO 74.000 TONS, DOWN FROM 142.600

TONS IN 1987. NORWEGIAN CATCH FIGURES FOR JANUARY- FEBRUARY

THIS YEAR IN THE ICELANDIC ZONE WERE 55.000 TONS, OF WHICH

THERE WAS NO ROE-BEARING CAPELIN, SO THIS ALL WENT FOR FISH

MEAL.

LAST WEEK (APRIL 5/89), NORWAY, ICELAND AND GREENLAND SIGNED

AN AGREEMENT ON THE MANAGEMENT OF THE CAPELIN STOCK AT JAN

MAYEN. THE AGREEMENT WILL COME INTO FORCE ON JULY 1, 1989

AND WILL BE IN FORCE FOR 3 YEARS, INITIALLY. THIS MEANS THAT

THIS YEAR'S SUMMER FISHERY FOR CAPELIN WILL BE REGULATED BY

THE AGREEMENT. ACCORDING TO THIS, THE THREE COUNTRIES WILL

NEGOTIATE A TOTAL ALLOWABLE CATCH AT JAN MAYEN PRIOR TO EVERY

SEASON. ICELAND'S SHARE WILL BE 78 PER CENT, AND NORWAY'S

AND GREENLAND'S 11 PER CENT EACH.

THE CAPELIN BIO-MASS IN THE BARENTS SEA HAS SHOWED SIGNS OF RECOVERY SINCE ITS RECORD LOW IN 1987 AND IS NOW ESTIMATED AT 430.000 TONS. HOWEVER, THE SPAWNING STOCK IS STILL FAR SMALLER THAN IT SHOULD BE, AND THE BAN ON CAPELIN FISHERIES IN THE BARENTS SEA HAS BEEN CONTINUED IN 1989.

THE DECLINE IN THE COD BIO-MASS IN THE BARENTS SEA HAS NECESSITATED SOME DRASTIC ACTION IN THE FORM OF QUOTA CUTS: THE 1988 TAC (TOTAL ALLOWABLE CATCH) OF COD WAS ORIGINALLY 590.000 TONS. AFTER AN ICES (INTERNATIONAL COMMITTEE FOR EXPLORATION OF THE SEA) MEETING LAST SUMMER AND A SUBSEQUENT MEETING BETWEEN NORWEGIAN AND SOVIET FISHERIES MINISTERS, THIS WAS CUT BY 22 PER CENT TO 451.000 TONS. OF THIS, NORWAY'S QUOTA WAS PUT AT 250.000 TONS. AT THE MEETING OF THE SOVIET/NORWEGIAN FISHERIES COMMISSION IN DECEMBER LAST YEAR THE NORWEGIAN COD QUOTA FOR 1989 WAS DRAMATICALLY CUT TO 178.000 TONS. HADDOCK WAS ALSO CUT, TO 35.000 TONS.

ANOTHER FACTOR WHICH AFFECTED THE INDUSTRY LAST YEAR WAS THE HEAVY DROP IN PRICES IN THE WORLD MARKET. IN THE TRADITIONAL FISHING INDUSTRY, I.E. FISH FARMING NOT INCLUDED, 90 PER CENT OF PRODUCTION IS EXPORTED.

SO, DESPITE THE QUOTA CUTS, THERE WERE REPORTS OF OVERSTOCKED COLDSTORES WITH COD LAST YEAR. IT APPEARS THAT THE HIGH COST STRUCTURE OF THE NORWEGIAN FISHING INDUSTRY HAD TAKEN PRICES BEYOND WHAT THE MARKET IS PREPARED TO PAY.

IN NORWAY'S MOST IMPORTANT MARKETS, THE U.K., THE E.C. AND U.S.A., PRICES DROPPED UP TO 50 PER CENT IN SOME INSTANCES. FRIONOR, NORWAY'S LARGEST FISHERIES CONGLOMERATE, REPORTED LOSSES OF CAD 20 MILL. ON THEIR EXPORT TO U.S.A. LAST YEAR. ANOTHER LARGE GROUP, NESTLE FINDUS, HAD THEIR EXPORTED VALUE CUT BY CAD 10 MILL. (15 PER CENT) FROM THE YEAR BEFORE. IN 1988, TOTAL LOSSES IN THE INDUSTRY AMOUNTED TO CAD 100 MILL.

THE NORWEGIAN FISHING INDUSTRY'S ASSOCIATION ACCOUNTED FOR 600 MEMBER COMPANIES IN 1988. IN THE NORTHERN COUNTY OF FINNMARK, 60 OUT OF 90 MEMBER COMPANIES WERE IN TROUBLE. THE ASSOCIATION BELIEVES THAT THE NUMBER OF COMPANIES WILL BE REDUCED BY 50 PER CENT OVER THE NEXT 8 TO 10 YEARS, WHICH WILL BE NECESSARY TO IMPROVE EFFICIENCY IN THE INDUSTRY.

ONE IS ALSO STRONGLY AWARE OF THE INCREASING SUPPLY OF ALASKAN POLLOCK IN THE U.S. MARKET. ALTHOUGH MUCH OF THE CATCH OF ALASKAN POLLOCK IS PROCESSED INTO SURIMI, A GROWING NUMBER OF LARGE NEW U.S. FREEZER TRAWLERS ARE CONCENTRATING ON PRODUCTION OF FROZEN FILLET BLOCKS FROM POLLOCK.

COMPETITION FROM CHEAP POLLOCK IS ALREADY BECOMING A FACTOR IN NORWAY'S TRADITIONAL COD MARKETS. IT IS FEARED THAT SOME OF THIS PRODUCTION WILL SPILL OVER INTO THE EUROPEAN MARKETS AND COMPETE DIRECTLY WITH NORWEGIAN EXPORTS OF COD IN THE U.K., WHICH IS THE MOST IMPORTANT MARKET FOR NORWEGIAN

FROZEN-AT-SEA COD FILLETS. IRONICALLY, NORWEGIAN INTERESTS ARE BEHIND MANY OF THESE NEW U.S. FREEZER TRAWLERS.

NORWEGIAN INDUSTRY IS ACUTELY AWARE THAT ALASKAN POLLOCK MUST BE TAKEN INTO CONSIDERATION IN FUTURE ASSESSMENTS OF FROZEN WHITE FISH SUPPLIES IN THE WORLD MARKET.

THE STATISTICS INDICATE A VERY HIGH PROPORTION OF UNPROCESSED PRODUCTS IN NORWEGIAN FISH EXPORTS. EXPORTED VALUE OF FRESH AND ROUND-FROZEN FISH AND SHELLFISH IN 1988 WAS CAD 960 MILL. UP 28 PER CENT FROM 1987. EXPORTED QUANTITY IN 1988 WAS 252.000 TONS, UP 26 PER CENT FROM THE PREVIOUS YEAR. IN THIS SECTOR, EXPORTED VALUE IS, IN FACT, 40 PER CENT OF TOTAL FISH EXPORTS.

COMPARE THIS WITH A PROCESSED PRODUCT, E.G. FROZEN FILLETS, WHERE 1988 TOTAL EXPORTED VALUE DECLINED TO CAD 280 MILL., A DECREASE OF 15 PER CENT FROM 1987. COD FILLETS WERE HARDEST

HIT, WITH EXPORTED VALUE DOWN 22 PER CENT TO CAD 170 MILL. IN 1988. COD FILLETS ARE ALSO THE MOST IMPORTANT ITEM IN THIS GROUP, WITH THE U.K. TAKING APPROXIMATELY 46 PER CENT OF QUANTITY AND THE U.S. 29 PER CENT.

EXPORT OF FARMED SALMON ROSE TO A RECORD CAD 580 MILL. IN 1988, UP FROM CAD 370 MILL. (+57 PER CENT) IN THE PREVIOUS YEAR. HOWEVER, AVERAGE PRICE PER KILO FELL TO CAD 8.40 IN 1988 FROM CAD 9.15 IN 1987. AROUND 90 PER CENT OF ALL SALMON IS EXPORTED FRESH. EXPORTED QUANTITY IN 1988 WAS 69.000 TONS, UP 77 PER CENT FROM 1987. IN 1988, FRANCE WAS THE BIGGEST MARKET AT 19.000 TONS, DENMARK TAKING 14.000 TONS AND U.S.A. 10.000 TONS.

IN 1989, THE INCREASE IN EXPORTED VOLUME OF SALMON HAS CONTINUED. IN THE FIRST TWO MONTHS OF THIS YEAR, VOLUME WENT UP BY 47 PER CENT COMPARED TO THE SAME PERIOD LAST YEAR! THE BIGGEST MARKET SO FAR IN 1989 FOR FRESH SALMON, IS U.S.A.

WITH A 22 PER CENT MARKET SHARE, FRANCE COMING SECOND AT 19 PER CENT.

NORWEGIAN SALMON IS HAVING ITS BIGGEST BREAK-THROUGH IN JAPAN THIS YEAR, WITH AN INCREASE IN EXPORTED VOLUME OF 250 PER CENT IN THE FIRST TWO MONTHS. THESE DEVELOPMENTS ARE PROBABLY DUE TO INTENSIFIED MARKETING, BOTH IN JAPAN AND IN U.S.A.

IN 1989, NORWEGIAN FARMED SALMON PRODUCTION WILL INCREASE BY 50 PER CENT OVER LAST YEAR'S, DUE TO THE VERY HIGH INTRODUCTION OF SMOLTS FOR GROW-OUT IN 1987 AND 1988.

ACCORDING TO THE NORWEGIAN FISH FARMERS' SALES ORGANIZATION'S ESTIMATES, THE WORLD MARKET SHOULD BE CAPABLE OF ABSORBING 125,000 TONS OF NORWEGIAN SALMON IN 1989. THIS WOULD PUT

1989 SALES AT CAD 700-900 MILL., UP FROM LAST YEAR'S CAD 580 MILL. THE INDUSTRY CURRENTLY EMPLOYS APPROXIMATELY 10.000 PEOPLE. NORWAY'S MAIN MARKET FOR FARMED SALMON IS THE E.C., TAKING 70 PER CENT OF HER PRODUCTION. THIS IS THE SALMON INDUSTRY'S MAIN ARGUMENT FOR NORWAY TO JOIN THE E.C.

(NORWEGIANS VOTED AGAINST JOINING IN A NATIONAL REFERENDUM IN 1972).

ANOTHER SPECIES WITH INCREASING EXPORT SUCCESS TO JAPAN, IS FROZEN MACKEREL. TOTAL EXPORTED QUANTITY LAST YEAR WAS 77.000 TONS, HALF OF WHICH WENT TO JAPAN. ROUND-FROZEN EXPORT OF MACKEREL TO JAPAN HAS CONTINUED TO GO UP IN THE FIRST TWO MONTHS OF THIS YEAR, RISING BY 60 PER CENT IN QUANTITY TERMS OVER THE SAME PERIOD LAST YEAR.

EXPORTS OF PRAWNS HAVE GONE DOWN IN THE LAST FEW YEARS, FROM 22,000 TONS IN 1986 TO 17.000 TONS IN 1987 AND 16.000 TONS LAST YEAR. THIS PATTERN REFLECTS THE DECLINE IN THE BARENTS SEA PRAWN STOCK FROM 1984 TO 1987. HOWEVER, IN 1988 THE

BARENTS SEA STOCK SHOWED AN IMPROVEMENT OF 21 PER CENT FROM THE RECORD LOW OF 1987, WHICH IS THOUGHT DUE TO REDUCED FEEDING PRESSURE FROM THE DECLINING COD AND REDFISH STOCKS IN THE BARENTS SEA.

EXPORT FIGURES FOR PRAWNS FOR THE FIRST TWO MONTHS OF 1989 ARE ENCOURAGING, SHOWING A RISE OF 20 PER CENT IN QUANTITY OVER THE SAME TWO MONTHS LAST YEAR. FOR FROZEN, PEELED PRAWNS, AVERAGE PRICE IS APPROXIMATELY CAD 9.15 PER KILO.

THE NORWEGIAN HERRING INDUSTRY HAD A DIFFICULT YEAR IN 1988 AND IS IN THE MIDDLE OF A MAJOR RE-ORGANIZATION. LAST YEAR, THE GOVERNMENT PAID OUT CAD 16 MILL. IN SUBSIDIES AIMED AT THE SCRAPPING OF OLDER PURSE SEINING VESSELS.

UNPROCESSED, FRESH HERRING IS EXPORTED MAINLY TO THE E.C. AND THE EASTERN BLOCK TO SUPPLY THEIR OWN INDUSTRY WITH RAW MATERIAL. EXPORTS OF FRESH HERRING (INCLUDING FILLETS) WENT

UP SLIGHTLY IN 1988, TO 90.000 TONS. THE MAIN MARKETS FOR ROUND-FROZEN HERRING ARE JAPAN AND THE EASTERN BLOCK. ROUND-FROZEN HERRING EXPORTS DECLINED BY 25 PER CENT TO 18.000 TONS LAST YEAR.

AS THE SPAWNING STOCKS ARE STILL VERY WEAK, QUOTA REGULATIONS REMAIN STRICT, BOTH IN THE NORTH SEA; NORTH OF 62 DEGREES AS WELL AS THE ICES AREA WEST OF 4 DEGREES.

PREVIOUSLY I MENTIONED NORWEGIAN EXPORTS TO THE EUROPEAN COMMUNITY. THE E.C. IS NORWAY'S MOST IMPORTANT MARKET FOR FISH PRODUCTS, ACCOUNTING FOR 59 PER CENT OF TOTAL EXPORTED VALUE IN 1988. OF THIS, FARMED SALMON AND FROZEN FILLETS ARE TOP OF THE LIST, WITH A 27 PER CENT AND 23 PER CENT SHARE, RESPECTIVELY. U.S.A. TAKES ABOUT 15 PER CENT OF TOTAL EXPORTED VALUE FROM NORWAY.

AS I MENTIONED, A VERY HIGH PROPORTION OF NORWAY'S FISH EXPORTS ARE UNPROCESSED FISH, I.E. PRODUCTS WITH A VERY LOW DEGREE OF ADDED VALUE. THE E.C. IMPOSES HIGH TARIFF RATES ON NORWEGIAN PROCESSED FISH PRODUCTS (WITH THE EXCEPTION OF FROZEN FILLETS); E.G. FOR SMOKED SALMON THE DUTY IS 13 PER CENT, AS AGAINST 2 PER CENT FOR FRESH FISH. THIS IS CLEARLY PART OF A POLICY TO PROTECT THEIR OWN INDUSTRY. (A TABLE HAS BEEN ATTACHED SHOWING E.C. TARIFFS ON FISH PRODUCTS BY ORIGIN, - SEE TABLE 1).

IN THE TRADE AGREEMENT WITH THE E.C. FROM 1973, NORWAY WAS GRANTED CONCESSIONAL RATES ON CERTAIN PROCESSED FISH PRODUCTS, RANGING FROM 3 PER CENT ON FROZEN FILLETS, TO 12 PER CENT ON CANNED SPRATS. THIS IS OF MAJOR IMPORTANCE FOR NORWEGIAN EXPORT OF FROZEN FILLETS OF COD AND HADDOCK TO THE U.K. AND FROZEN SAITHE BLOCKS TO GERMANY.

IN AN EXCHANGE OF LETTERS IN CONNECTION WITH THE ENTRY OF

SPAIN AND PORTUGAL INTO THE E.C. IN 1986, NORWAY WAS GRANTED THE FOLLOWING CONCESSIONS:

SALTED COD, DRIED COD, KLIPPFISH AND SALTED CODFILLETS: DUTY-FREE ACCESS. FISH OIL: 8.5 PER CENT DUTY.

THIS REFLECTS THE TRADITIONAL IMPORTANCE TO NORWAY OF SPAIN AND PORTUGAL AS MARKETS FOR THOSE PRODUCTS.

WITHIN E.F.T.A., THE EUROPEAN FREE TRADE ORGANIZATION, WHERE NORWAY IS A MEMBER, THE FREE TRADE AGREEMENT INCLUDES ALL INDUSTRIAL GOODS. HOWEVER, FISH PRODUCTS HAVE NOT BEEN INCLUDED IN THIS ARRANGEMENT, EXCEPT FROZEN FILLETS, WHICH IS CLASSIFIED AS AN INDUSTRIAL PRODUCT.

A CHANGE IN THESE RULES WAS ANNOUNCED IN THE SO-CALLED OSLO DECLARATION, ISSUED AT THE END OF THE MEETING OF THE E.F.T.A. HEADS OF GOVERNMENT ON MARCH 14-15, 1989. ACCORDING TO ARTICLE 18 OF THE DECLARATION, FULL LIBERALIZATION OF TRADE IN FISH WILL BE INTRODUCED BETWEEN MEMBER COUNTRIES. THIS

WILL BE IMPLEMENTED ON JULY 1, 1990. (FINLAND MAY TEMPORARILY MAINTAIN THE PRESENT IMPORT REGIME ON BALTIC HERRING AND SALMON).

NATURALLY, THE LIBERALIZATION HAS BEEN WELCOMED BY NORWAY AND ICELAND. THE MEMBER STATES OF E.F.T.A. ARE NORWAY, ICELAND, SWEDEN, FINLAND, SWITZERLAND AND AUSTRIA.

A SPOKESMAN FOR THE E.C. COMMISSION SAID LAST WEEK (APRIL 4, 1989) THAT A FUTURE CUSTOMS UNION BETWEEN THE E.C. AND E.F.T.A. IS NOT UNTHINKABLE. THIS WOULD GREATLY IMPROVE ACCESS FOR NORWEGIAN FISH PRODUCTS TO THE E.C.

HOWEVER, THIS IS STILL IN THE FUTURE, AND THE MOST IMPORTANT BILATERAL ISSUE STILL TO BE RESOLVED BETWEEN NORWAY AND THE E.C., IS IMPROVING ACCESS FOR NORWEGIAN FISH PRODUCTS. IN RETURN FOR LOWER TARIFF RATES AND HIGHER IMPORT QUOTAS THE E.C. HAS CONSISTENTLY DEMANDED GREATER ACCESS FOR ITS OWN

FISHING FLEET IN NORWEGIAN WATERS, PARTICULARLY SINCE PORTUGAL AND SPAIN JOINED THE COMMUNITY (THIS IS NOT SURPRISING CONSIDERING THE OVER-CAPACITY OF THE SPANISH FISHING FLEET).

NORWAY IS UNWILLING TO ACCEDE TO THESE DEMANDS, CLAIMING THERE ARE NO ADDITIONAL QUOTAS AVAILABLE IN THE NORWEGIAN ZONE. THE NORWEGIAN MINISTRY OF FISHERIES AS WELL AS THE FISHERMEN'S ASSOCIATION BELIEVE THAT, INSTEAD, NORWAY SHOULD OFFER TO RECONSIDER ITS CURRENT IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS. HOWEVER, THE NORWEGIAN FARMING COMMUNITY IS VIOLENTLY OPPOSED TO THIS.

THE NORWEGIANS ARE NOT TOO WORRIED ABOUT THE IMPENDING INTRODUCTION OF THE E.C. INNER MARKET IN 1992. THERE WILL PROBABLY BE MORE STANDARDIZED REQUIREMENTS FOR LABELLING AND PACKAGING. TODAY, EXPORTERS ENCOUNTER DIFFERENT REQUIREMENTS AS TO LICENSING AND CONTROL IN THE DIFFERENT E.C. MEMBER

COUNTRIES. AFTER 1992 THE INTRODUCTION OF MORE UNIFORM REQUIREMENTS IN THESE AREAS WILL MEAN AN IMPROVEMENT BOTH FOR NORWEGIAN EXPORTERS AND THEIR COMPETITORS.

THE NORWEGIAN MARKETING EFFORT ABROAD WILL BE INTENSIFIED IN 1989. THE MARKETING COUNCIL FOR FARMED FISH, (OWNED 50/50 BY THE FARMERS AND THE EXPORTERS) HAS ALLOCATED NOK 50 MILL. (CAD 10 MILL.) FOR THIS PURPOSE, A LARGE PROPORTION OF WHICH WILL BE DIRECTED TOWARDS JAPAN, THE WORLD'S LEADING MARKET FOR SALMON. IN ADDITION TO THIS THE FISH FARMERS' SALES ORGANIZATION HAS ALSO BUDGETED FOR A SALES DRIVE IN JAPAN. NORWEGIAN EXPORT OF SALMON TO JAPAN IN 1988 WAS APPROXIMATELY 2,500 TONS, MOSTLY FRESH. OPPORTUNITIES FOR FROZEN SALMON ARE FAR GREATER, ACCORDING TO THE NORWEGIAN EXPORT COUNCIL. TOTAL JAPANESE IMPORT OF FROZEN SALMON WAS 120.000 TONS LAST YEAR. IT IS BELIEVED THAT NORWAY WOULD EVENTUALLY BE ABLE TO CAPTURE A SHARE OF AT LEAST 30.000 TONS. FREIGHT COSTS ARE AN ESSENTIAL PART OF THE PICTURE: FOR FRESH SALMON, AIR

FREIGHT COSTS FROM NORWAY TO JAPAN ARE APPROXIMATELY CAD 3 PER KILO; FOR FROZEN SALMON THE COST IS LESS THAN ONE FIFTH OF THIS.

THE NORWEGIAN MARKETING DRIVE ABROAD WHICH HAS BEEN PLANNED FOR 1989, WILL BE DIRECTED FIRST AND FOREMOST TOWARDS THE E.C. THE PROGRAMME WILL BE CO-ORDINATED BY THE EXPORT COUNCIL IN COLLABORATION WITH THE MINISTRIES OF FISHERIES AND FOREIGN AFFAIRS. THE CAMPAIGN WILL START OFF AT THE ANNUAL FILM FESTIVAL IN CANNES ON THE FRENCH RIVIERA NEXT MONTH (MAY 1989), WHERE THIS YEAR'S FESTIVAL WILL BE ACTIVELY USED AS A VEHICLE FOR PROMOTION OF NORWEGIAN SEAFOOD. THE EXPORT COUNCIL HAS INVITED THE PRESS FROM ALL OVER THE WORLD TOGETHER WITH FRENCH AND ITALIAN SEAFOOD IMPORTERS AND NORWEGIAN EXPORTERS TO A MAJOR CULINARY EVENT IN THE FESTIVAL CITY ON MAY 16. THIS EVENT WILL BE FOLLOWED UP BY NORWEGIAN EXPORTERS AS WELL AS THE EXPORT COUNCIL, AND ONE AIM IS EVENTUALLY TO ORGANIZE REGULAR FREIGHT SERVICES TO THE SOUTH

OF FRANCE AND NORTHERN ITALY. A NORWEGIAN ROYAL VISIT TO ITALY THIS SUMMER WILL ALSO BE USED BY THE EXPORT COUNCIL TO PROMOTE NORWEGIAN SEA FOOD. PLANS HAVE ALSO BEEN MADE FOR EVENTS SIMILAR TO THAT IN CANNES, TO BE ORGANIZED THIS YEAR IN PARIS, IN GERMANY, THE U.K. AND IN SPAIN. THE NORWEGIAN CAMPAIGN WILL SEEK TO PROMOTE THE IMAGE OF TOP QUALITY, CLEAN SEA WATER AND A STRICT PRODUCT CONTROL.

AMONG NORWEGIAN EXPORTERS, THERE IS A TREND TOWARDS BIGGER ORGANIZATIONAL UNITS, IN ORDER TO CARRY MORE WEIGHT AND TO PRESENT A MORE UNIFORM IMAGE ABROAD. ONE EXAMPLE OF THIS WAS LAST YEAR'S MERGER BETWEEN SKAARFISH AND MOWI'S SALES ORGANIZATION TO FORM NORWAY'S LARGEST EXPORT COMPANY FOR SALMON. SMALL, WEAK UNITS LEADING TO INTERNAL COMPETITION AND DUPLICATION OF EFFORT IN THE MARKETS HAS BEEN A WELL-KNOWN HANDICAP IN THE NORWEGIAN FISHING INDUSTRY. THE EXPORT COUNCIL FEELS, FOR INSTANCE, THAT JAPANESE IMPORTERS HAVE TOO MUCH INFLUENCE ON PRICES: "THE JAPANESE ARE BIG AND FEW,

NORWEGIANS ARE TOO NUMEROUS AND TOO SMALL". THE EXPORT COUNCIL STRESSES THE IMPORTANCE OF CLOSER CO-OPERATION AND MERGERS BETWEEN EXPORTERS AND BELIEVE IT IS NECESSARY TO MOVE AWAY FROM THE SPOT MARKET AND TO ESTABLISH LONG-TERM SALES AGREEMENTS AT FIXED PRICES WITH FOREIGN CUSTOMERS.

THERE IS ALSO AN INCREASING AWARENESS AMONG NORWEGIAN EXPORTERS OF THE NEED TO FIND COMPETENT PARTNERS ABROAD WITH ACCESS TO DISTRIBUTION AND A RELIABLE NETWORK OF QUALITY CUSTOMERS.

APPENDIX:

THE E.C.'S ANNUAL NET IMPORT REQUIREMENT FOR FISH IS ESTIMATED AT CAD 4.5 BILL. THEIR FISH INDUSTRY DEPENDS ON RAW MATERIAL IMPORTS FROM OUTSIDE. THE NORWEGIAN SCHOOL OF FISHERIES IN TROMSO RECENTLY SUGGESTED THE FORMING OF A NORTH ATLANTIC CARTEL AS AN INSTRUMENT TO FORCE THE E.C. TO REMOVE ITS HIGH TARIFF RATES ON PROCESSED PRODUCTS. SUCH A CARTEL WOULD CONSIST OF NORWAY, ICELAND, THE FAROES AND CANADA. THE CARTEL WOULD INTRODUCE A LEVY ON EXPORT OF UNPROCESSED FISH TO THE E.C., WHICH WOULD RAISE THE E.C.'S OWN INDUSTRY'S RAW MATERIAL COSTS. THIS LEVY WOULD BE TIED TO THE E.C.'S OWN IMPORT DUTIES, AND WOULD THUS UNDERMINE THE E.C.'S PROTECTIVE SYSTEM OF TARIFFS ON FISH IMPORTS. ACCORDING TO THE SCHOOL OF FISHERIES, SUCH AN EXPORT LEVY WOULD HELP ENSURE A MORE UNIFIED POLICY TOWARDS THE E.C. FROM THE MEMBERS OF THE CARTEL.

SEAFOOD MARKET OUTLOOK

D E N M A R K

G R E E N L A N D

F A R O E I S L A N D S

**Presented by:
Ms. Jade Neergaard
Commercial Officer**

Seafood Market Outlook

Denmark

Good Morning!

What I would like to do this morning is briefly describe the fishing industry in Denmark, Greenland and the Faroes and outline some of the implications for Canada with respect to current trade in this industry.

Denmark is the world's third largest exporter of fishery products, supplying 35 million people in 114 countries.

The total value of exports for human consumption is expected to be close to 2.3 billion Canadian Dollars by the end of this year. Danish fishery (11.2 DK) exports exceed its catch by about 50%, making Denmark also a major importer of fish. The key is her value added fish processing industry. There are about 245 firms employing a highly skilled and flexible work force of 12,000 making most plants rather small by international standards. However, these plants tend to be technically advanced and their size enables them to be quickly responsive to changing consumer demands. The industry has reached this position in the last 20 years through a determined development of high quality fishery commodities and with nearly 3 billion Canadian Dollars of investment in plant facilities made during the last decade, the plants are well-positioned to implement the latest techniques. Other infrastructural investments (fishing ports, auction halls) were made in the 60's. Development has been facilitated by the short distance to the fishing grounds, and an efficient Danish fishery.

Denmark has also had a tradition of non-interference or support by the state in this industry which has encouraged development of a very competitive sector.

Total production for human consumption is approximately one half million tons a year with nearly 90% of this being exported. The plants also reduce over 1 1/2 million tons to fish meal for the aquaculture and fur breeding industries, as well as to fish oil for the Danish margarine industry. For consumer purposes cod accounts for one half and flat fish for one sixth of the volume.

Supply to the processing factories is covered both by Danish catch (338,000 tons in 1987), and mainly bulk imports in the form of direct landings by foreign vessels. These amounted to 174,000 tons in 1987. For example, more than one half of the total European herring landings occur in Denmark. Aquaculture is in addition to these figures, 25,000 tons of fresh water rainbow trout and recently about 5,000 tons of rainbow trout produced at sea.

However, Danish landings have fallen 75,000 tons in the last four years and Greenlandic landings are also falling. The Danes are very concerned by this and by the reduction of EEC quotas and the loss of their bargaining position within the Community. Thus the Danish processing factories are becoming more and more dependent on imports.

Canadian statistics indicate a Canadian supply of 52 million Canadian dollars in 1988 to Denmark. However, the real figure is probably closer to 75 million Canadian dollars due to products entering other European ports and being trucked up to Denmark. Principal products are of course shrimp, pacific salmon and lumpfish roe.

The Danish fishing fleet today comprises 3,200 vessels and 12,000 fishermen. Two thirds of these vessels are below 20 gross registered tonnes, while the technologically advanced, modern vessels are often over 100 tonnes. An advantage of the small

vessels is their brief fishing trips of only 24 hours, enabling them to bring really fresh gutted and iced fish to the fish auctions. The fishing fleet is highly flexible, partly because of well-equipped vessels and skilled fishermen, but also because of a completely liberal market system that guides the fishermen to land species in high demand, the latter revealed by the development of auction prices where the fish landings are sold. Apart from herring and mackerel, immediate gutting and adequate icing at sea is demanded by law. This legislation, combined with the auction system guarantees a homogenously high quality of fresh fish.

The salary system of the fishermen is based on sharing the value of the catch instead of a fixed salary, thus motivating them to careful handling to ensure the best prices at auction. Daily auctions regulate the prices according not only to supply and demand, but also quality.

Another important feature is the close integration of Denmark with the best functioning fish distribution system in Europe. About 15 - 20 hours after the fresh fish is landed, it can reach its final users on all the major European fish markets. This has contributed to the first class reputation of Danish products.

Danish Exports

There is a table available showing Danish export shares on foreign markets showing principal products, and it clearly indicates the importance of the EEC, which accounts for two thirds of Danish exports. West Germany is the number one buyer with 19%, while France and Italy, both at 14%, have been the most dynamic recently, the U.K. following at 11%.

Outside the EEC the most significant change is the rapid growth of the Japanese market, taking 6.5% of Danish exports in 1987, compared to 1% in 1982. Almost all of this is of course shrimp, but tiny exports of specialty products - salmon and caviar substitute, for example, are growing. The U.S. market is still

the largest market outside the EEC (8%), taking 23,000 t. of frozen cod fillets in 1987, but this export is entirely dependent upon fluctuations in the exchange rate of the U.S. dollar.

Export values have grown during the 80's, but growth rates are now declining due to the supply shortages.

There are tables of exports by product group available and we managed to persuade the Ministry of Fisheries to release 1988 figures, which I have added where certain that the grouping is correct.

Based on value the of the processed product and both consumption and industrial fisheries, 30% results in fillets, 25% unprocessed fresh or frozen, 26% various processed preparations from smoked salmon to pickled herring and from canned mackerel to ready made frozen meals, 8% shrimp, and 10% fishmeal and oil. Most of the fillets are in consumer packs, while the rest is sold in blocks.

The Future and World Trends

Fish consumption is increasing in the industrialized world. Changing lifestyles and health awareness make fish more attractive to consumers and income growth makes it possible to substitute lower priced meat with more expensive, low calorie food. FAO estimates total world supply at 94 million tonnes by the year 2,000. Total world demand is estimated to reach 113 million tonnes, resulting in a shortfall of 21 million tonnes. As supply is more or less uncontrollable, demand will be reduced by high prices for fish and fish products.

Environment

International agreements are and will reduce the discharge of toxins significantly and this will benefit the fish. However, within Denmark, recent legislation has called for an environmental clean-up within the next four years at a cost of about 2.5 billion dollars. It is estimated that the Danish fishing industry may be held responsible for 7-8% of these

investments. This, combined with the effect of the EEC minimum prices to the fishermen and a prolonged economic recession in Denmark is causing very severe problems for the fish processing industry. There is already a move to foreign takeovers to gain a foothold in the EEC inner market (1992), and we expect to see both closures and more takeovers.

In this situation there is obviously opportunity for increased Canadian exports to Denmark. They will need greater quantities of cod and groundfish and there is room for the introduction of other species.

You will have noticed Danes establishing on this coast, and there is possibility for joint ventures to utilize their marketing and processing skills.

However, whenever I have mentioned joint ventures to any of the people who have helped me compile the information I am giving you today, every one of them has mentioned the comparatively harsh treatment of Canadian fish after catch.

If you wish to supply or compete with the Danes on the world market, not only should you be looking to the establishment of greater value added processes, but you should be starting to educate the fishermen to greater respect for the raw materials.

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Jade Neergaard
Commercial Officer, Copenhagen

List of Tables - Denmark

- Total Danish Catches 1980 - 1988 by Quantity and Value
- Total Danish Imports and Exports for the past five years - Value
- Imports by Principal Groups 1986 - 1988
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- Danish Fish Imports and Exports by Country 1986 - 1987
- Diagram indicating Principal Countries of 1987 Import and Export with indication of Principal Species by Country
- 1987 Foreign Trade in Fishery Products for Human Consumption with Canadian Dollar Value

TOTAL DANISH CATCHES = DANISH FISHERMAN LANDINGS IN DANISH HARBOURS

	Herring, sprat mackerel		Codfish		Flatfish		Lobster and shrimps		Other fish species		Total for human consumption		Fish for reduction	
	tons	1,000 Dkr	tons	1,000 Dkr	tons	1,000 Dkr	tons	1,000 Dkr	tons	1,000 Dkr	tons	1,000 Dkr	tons	1,000 Dkr
1980	74,450	209,170	189,470	842,924	56,435	366,914	8,815	149,131	9,087	166,008	338,257	1,734,147	1,573,452	833,87
1981	87,684	250,044	213,206	1,004,022	47,138	374,976	7,935	153,127	7,014	90,097	365,064	1,941,548	1,344,725	851,01
1982	74,195	196,300	226,895	1,275,406	46,637	376,953	11,813	254,736	8,793	173,013	368,333	2,276,408	1,456,107	874,66
1983	82,581	202,251	221,572	1,240,407	44,025	396,942	11,960	270,682	8,710	180,081	368,851	2,290,370	1,388,312	991,28
1984	93,015	222,523	216,267	1,310,423	46,671	407,489	10,885	284,625	9,115	194,768	375,921	2,419,860	1,349,650	1,093,08
1985	118,513	291,700	206,368	1,387,951	54,073	491,230	11,644	259,127	8,697	193,424	399,295	2,623,430	1,244,002	786,44
1986	102,255	234,922	182,548	1,441,781	54,511	556,466	12,788	310,327	7,763	174,641	359,864	2,718,137	1,364,065	716,30
1987	94,187	209,309	168,201	1,355,243	50,398	606,174	17,313	425,270	8,240	178,039	338,338	2,774,035	1,243,559	584,41
1988	119,187	249,263	143,736	1,133,202	45,034	519,573	8,344	241,757	76,650	171,018	325,776	2,328,550	1,518,683	938,31

Exchange rates: 1980 - 4.80 1985 - 7.70
 1981 - 5.90 1986 - 5.50
 1982 - 6.72 1987 - 5.15
 1983 - 7.65 1988 - 5.35
 1984 - 7.90

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Total Imports of Fish and Fish Products 1982-1987 (Mill. D.kr.)

	1982	1983	1984	1985	1986	1987	1988
Unprocessed fish	1209.5	1209.6	1307.4	1481.0	1789.4	2185.6	
Fillet of fish ²⁾	127.2	166.8	235.1	341.8	500.2	541.4	
Processed fish (excl. fillet)	285.6	301.4	330.7	411.4	398.6	521.2	
Crustaceans and molluscs	818.6	1109.0	1408.1	1583.9	2044.0	2435.4	
Total for human consumption	2440.9	2786.8	3281.3	3818.1	4732.2	5683.6	5634.0
Meal and oil	32.6	38.8	85.5	72.3	66.0	70.6	148.7
Total	2473.5	2825.6	3366.8	3890.4	4798.2	5754.2	5828.8

Total Exports of Fish and Fish Products 1982-1987 (Mill. D.kr.)

	1982	1983	1984	1985	1986	1987	1988
Unprocessed fish	1812.2	1868.1	2021.6	2156.8	2379.5	2545.0	
Fillet of fish ²⁾	1968.3	2195.7	2448.6	2692.0	3036.1	3300.3	
Processed fish (excl. fillet)	1443.0	1523.4	1690.2	2022.3	2195.5	2421.5	
Crustaceans and molluscs	1131.9	1524.9	1726.3	2050.6	2650.1	2993.5	
Total for human consumption	6355.4	7112.1	7886.7	8921.7	10261.0	11260.0	11343.0
Meal and oil	1123.1	1362.2	1443.9	1088.5	919.2	711.0	1125.0
Total	7478.5	8474.3	9330.6	10010.0	11180.0	11971.0	12469.0*

Note: 1) The domestic market consumption of unprocessed fish is estimated.

2) Incl. gutted and boned herring.

For individual figures s
Total Imports/Exports

Exchange rates: 1983 - 7.65 1986 - 5.50
 1984 - 7.90 1987 - 5.15
 1982 - 6.72 1985 - 7.70 1988 - 5.35

Imports by Principal Groups

Bru.Nom.	tonnes	1986		1987		1988	
		value Mil.Dkr	unit value	tonnes	value Mil.Dkr	unit value	tonnes*
<u>Chapter 03</u>							
Whole, fresh/chilled							
Trout, salmon	10.942	428,8	39,19	14.222	569,7	40,06	18,657
Eel	1.276	60,2	47,18	1.186	62,1	52,36	1,562
Other fresh water fish	525	20,1	38,29	545	22,0	40,37	883
Herring	71.895	184,8	2,57	68.193	175,1	2,57	61,287
Cod	70.143	608,5	8,68	76.766	704,2	9,17	74,509
Other salt water fish	67.586	471,9	6,98	76.436	605,1	7,92	78,508
Fillet of cod	19.181	306,0	15,95	21.043	356,8	16,96	11,372
Fillet of groundfish	4.433	116,1	26,19	4.562	128,3	28,12	5,146
Other fillet	3.647	62,5	17,14	2.984	46,9	15,72	
Herring, cod & other (salted or dried)	11.893	180,0	15,14	10.569	244,2	23,10	
Smoked fish	122	10,5	86,07	83	5,6	67,47	
Liver, roe, milt	172	2,9	16,86	88	1,9	21,59	
Shrimp	42.702	1.107,2	25,93	45.847	1.384,5	30,20	43,474
Other Shellfish	4.405	93,2	21,16	6.296	133,4	21,19	6,325
TOTAL	312.615	3.737,7	11,96	338.370	4.568,2	13,50	
<u>Chapter 16</u>							
Shrimp, processed	11.583	818,7	70,68	13.049	891,9	68,35	13,807
Other fish, processed	7.617	172,3	22,62	9.013	221,3	24,55	
TOTAL	19.200	991,5	51,64	22.062	1.113,3	50,46	

*N.B. Total provisional 88 figures are available. I have added tonnage where I can be certain it is correct.

Exchange rates: 1986 - 5.50 1987 - 5.15 1988 - 5.35

Export by Principal Groups

	1986			1987			1988
	Tonnes	Value Mill.Dkr	Unit Value	Tonnes	Value Mill.Dkr	Unit Value	Tonnes
<u>Chapter 03</u>							
Herring	69.769	348,8	4,99	54.389	268,1	4,93	13,659?
Cod	35.029	595,4	16,99	29.517	468,5	15,87	39,849
Other salt water fish	46.377	808,6	17,44	47.434	916,4	19,32	
Fillet of cod	92.021	2.170,3	23,59	98.813	2.486,4	25,16	66,932
Fillet of groundfish	13.540	476,8	35,21	13.008	511,9	39,35	11,014
Salmon	24.668	697,6	28,28	31.221	914,8	29,30	
Shrimps	40.874	1.226,4	30,00	48.015	1.577,0	32,84	42,949
<u>Chapter 16</u>							
Caviar & substitute	987	76,3	77,31	1.113	98,0	88,05	1,284
Herring	13.734	177,4	12,92	11.747	173,3	14,75	11,666
Mackerel	10.546	191,8	18,19	8.801	164,6	18,70	4,288
Fillet of other fish	12.615	353,3	28,01	11.920	351,7	29,51	10,396
Other fish, prepared	14.386	426,7	29,66	12.845	366,6	28,54	
Shrimps	10.901	871,5	79,95	10.079	845,4	83,88	15,149
Mussels	10.199	176,8	17,34	10.595	189,0	17,84	9,445
<u>Chapter 23</u>							
Fish meal	224.661	815,1	3,62	200.443	652,6	3,26	} 316,595
<u>Chapter 15</u>							
Fish oil	62.441	101,3	1,62	39.407	57,4	1,46	

Exchange rates: 1986 - 5.50 1987 - 5.15 1988 - 5.35

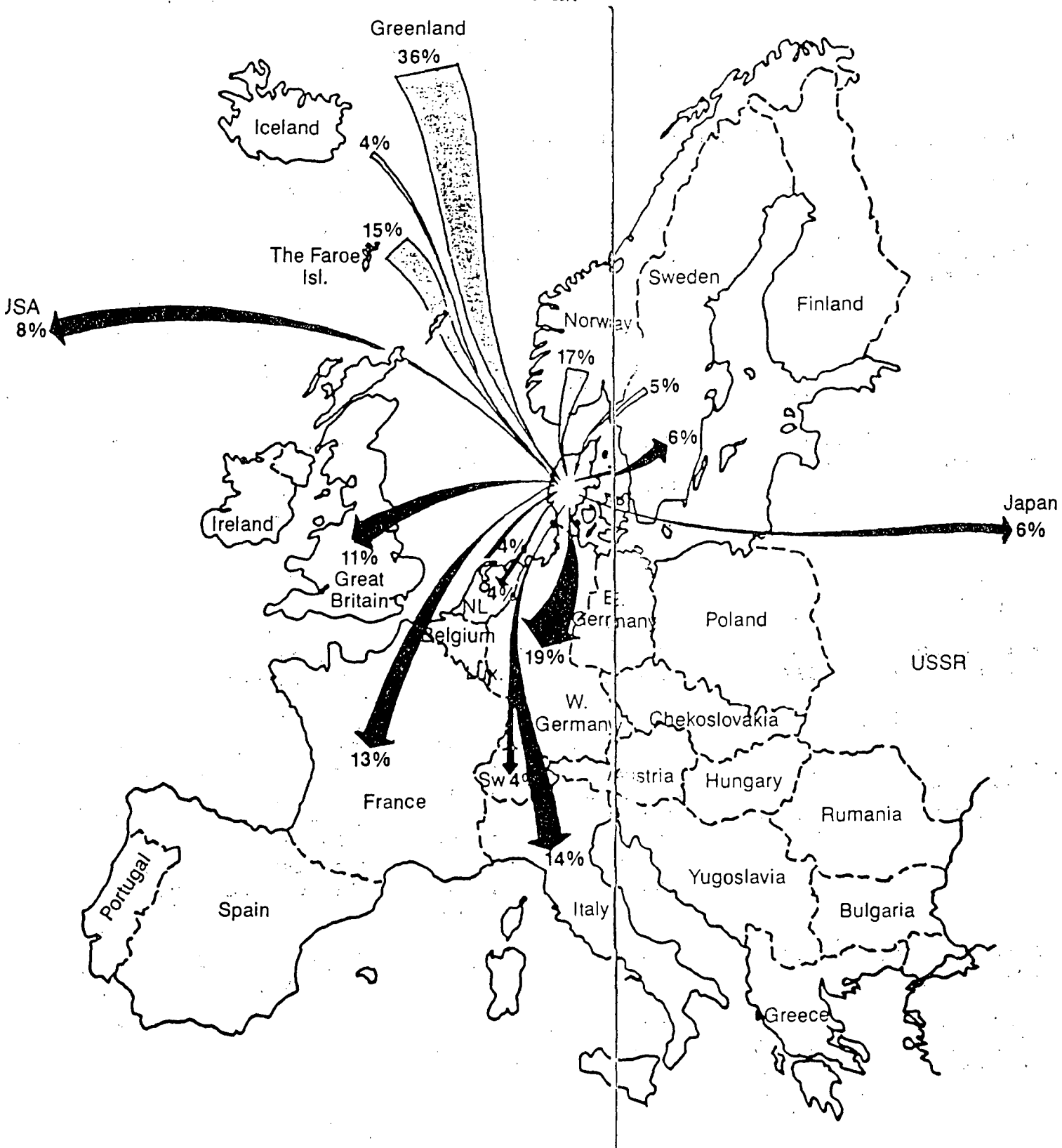
N.B. Total provisional figures for 1988 are available. I have added tonnage where I could be certain it is correct.

Danish Fish Imports and Exports by Country - 1986 & 1987

	1986		1986		1987		1987	
	Import Mill.Dkr	%	Export Mill.Dkr	%	Import Mill.Dkr	%	Export Mill.Dkr	%
EEC	565	12,0	7.318	71,6	634	11,2	7.925	70,4
France	16	0,3	1.338	13,1	24	0,4	1.496	13,3
Belgium	28	0,6	408	4,0	40	0,7	389	3,5
Holland	240	5,0	401	3,9	247	4,4	470	4,2
FRG	156	3,3	2.161	21,2	167	2,9	2.145	19,1
Italy	11	0,2	1.272	12,5	-	-	1.630	14,5
UK	73	1,5	1.337	13,1	125	2,2	1.256	11,2
Ireland	9	0,1	10	0,1	-	-	10	-
Greece	3	0,1	50	0,5	-	-	49	0,4
Portugal	25	0,1	57	0,6	4	-	141	1,3
Spain	2	-	283	2,8	2	-	338	3,0
Faroes	735	15,5	9	0,1	816	14,4	9	-
Norway	691	14,6	194	1,9	960	16,9	188	1,7
Sweden	348	7,4	667	6,5	306	5,4	720	6,4
Switzerland	30	0,6	423	4,1	-	-	456	4,1
Austria	2	-	97	1,0	-	-	95	0,8
Greenland	1.691	35,7	6	0,1	2.019	35,5	-	-
USA	55	1,1	708	6,9	68	1,2	883	7,8
Japan	-	-	528	5,1	7	0,1	730	6,5
Other	612	13,9	269	2,5	262	4,6	251	2,2
Total	4.729	100	10.218	100	5.681	100	11.256	100

Exchange rates: 1986 - 5.50
1987 - 5.15

Principal Countries of Import and Export - 1987



Danish Imports/Exports
(Principal countries and products in m.t.)

Imports - Supply to Processing Factories (1987)

Greenland	- 36%	Norway	- 17%	Faroes	- 15%
Shrimp	36,000	Herring	44,000	Shrimp	10,800
Frozen cod	7,000	Saithe	11,000	Saithe	10,800
Flatfish	2,000	Salmon	11,000	Cod	7,000
				Salmon	3,000
				Flatfish	2,000
Sweden	- 5%	Iceland	- 4%	Canada	
Cod	20,000	Cod	1,200	Shrimps	2,429
Herring	10,000	Shrimp	1,200	Salmon	1,905
		Lumpfish		Cod	507
		roe	300	Lobster	91

Exports

West Germany	- 19%	Italy	- 14%	France	- 15%
(Down 1% since 1986)		(Up 28%)		(Up 12.5%)	
Fresh/chilled		Frozen cod		Shrimp	11,533
herring	32,713	fillets	5,497	Frozen cod	7,500
Frozen saithe	15,053	Shrimp	4,739	Fresh, cooled	
Frozen cod		Salt cod	4,117	cod	4,773
fillets	5,114	Plaice		Mussels	4,336
		fillets	3,703	Finished	
		Fresh, cooled		meals	4,100
		salmon	1,698	Salmon/trout	2,022
Great Britain	- 11%	U.S.	- 8%	Japan	- 6%
(Down 7%)				(Up 38%)	
Frozen cod		Frozen cod		Shrimp	13,986
fillets	16,720	fillets	24,000		
Shrimp	5,824				
Fresh, chilled					
cod	4,794				
Fish fillets					
with batter	3,069				
Finished meals	2,312				
(Rahbeck to M & S)					

DENMARK

FOREIGN TRADE IN FISHERY PRODUCTS FOR HUMAN CONSUMPTION 1987

	Imports Value		Exports Value	
	Mill. Dkr	Mill Cdn\$	Mill Dkr	Mill Cdn\$
Salmon, trout	518	115	914	181
Eel a.o. fresh w.	76	15	132	26
Herring, gutted and boned	9	1.7	211	42
Other herring excl fillets	166	33	57	11
Cod excl fillets	704	140	471	93
Other saltwater fish excl fillets	622	123	914	181
Fillets of cod	152	30	1978	392
Fillets of flatfish	128	25	512	102
Fillets of species	252	50	599	119
Roe and liver	36	7.1	57	11
Cod, dried and salted	241	48	435	86
Other salted fish products	73	14	181	36
Smoked salmon	5	1	502	100
Other smoked products	3	0.59	133	26
Shrimps, not prepared	1387	275	1578	313
Other crustaceans and molluscs	134	27	371	74
Prepared fish products	199	39	1170	232
Prepared crustaceans and molluscs	914	181	1044	207
Total	5684	1128	11,260	2234

Seafood Market Outlook Greenland

Greenland has a population of 53,000, and was previously a community of the Kingdom of Denmark, obtaining Home Rule in 1979. Fishing and fish processing is the most important source of income in Greenland, employing one quarter of the labour force and accounting for more than 75% of total Greenlandic exports in 1986. The Greenlandic fishing fleet in 1986 consisted of 423 vessels: 339 vessels below 25 gross register tons; 34 vessels between 25 and 100 gross register tons, and 50 large trawlers, of which 24 were above 500 gross register tons.

State Companies

There are three large publicly-owned business enterprises: KNI (Greenland Trade) covering supply, transportation and postal authorities; PROEKS covering fishing, fish and sealskin processing and export sales; and GTO (Greenland Technical Organisation), covering public utilities, construction, repair shops and shipyards.

PROEKS consists of three entities: the Kalaallit Tunisassiorfiat (KTU), responsible for fish processing and production; the Home Rule Authority's Trawler entity (GTU) operating 12 large trawlers, 3 smaller vessels and a number of fishing net factories; and Royal Greenland responsible for distribution and sales, which is headquartered in Aalborg, Denmark.

PROEKS has 13 processing factories along the coast and numerous very small facilities. Its operations account for 95% of Greenland's fish exporting. These factories were built back in the '60s when the cod catch was in the region of 500,000 t. They have been adapted to the processing of shrimp products today and frozen storage has been established so that the shrimp production can occur on a continual basis. They are producing blocks of raw frozen shrimp for the Japanese market, I.Q.F. raw for Italy and Spain, and I.Q.F. cooked, shell-on for France, Sweden, Norway,

Denmark, the U.K., Germany, and a little to Italy and Spain. There is no industrial fishery or reduction on Greenland, only for human consumption.

In 1985, PROEKS embarked upon a five year fisheries development plan calling for considerable investments both in the fleet to develop the catch, and to increase Greenland production capacity. After an ambitious start which reduced PROEKS loss to 15 million dollars in 1986 from 1985's 30 million, results in 1987 were disappointing and today PROEKS is in total turmoil and has replaced 14 senior staff within the last year. It is therefore reasonable to assume that it is unlikely that the operation can become commercially profitable in the near future.

International Agreements

Following Greenland's withdrawal from the EEC in 1985, foreign fishing in Greenland takes place under a Greenlandic-EEC fishery agreement allowing for catches of shrimp, whiting and capelin. Faroese and Norwegian fishing in Greenland is also covered by this agreement via those countries' fishery agreements with the EEC. The agreement with the EEC reserves to the Greenlandic fleet a catch equal to the fleet's capacity. The EEC pays an annual fee of 30 million dollars (DKR 210 million) irrespective of the extent to which stock levels allow utilization of allocations granted the EEC fleet. Mainly because of sharply declining cod stocks, the incentive for the EEC fleet to engage in Greenlandic fishing has been significantly reduced. As a compensation for reduced cod allocations to the EEC in 1986 and 1987, Greenland in 1987 raised the EEC's shrimp, redfish and capelin quotas.

Salmon fishing takes place under the provisions of the North Atlantic Salmon Conservation Organization (NASCO), where quotas are set annually for West Greenlandic fisheries.

Finally, the public-owned KTU has a private arrangement with a Japanese trawler organization providing for catches of under-utilized species, mostly redfish, against a fee and in return for transfer of Japanese know-how to the Greenlandic fishing industry.

Catch

A table of catch by Greenlandic vessels is available. In brief, 1988 figures are: shrimp (62,000 tonnes), cod (44,000 t.), greenland halibut (7,000 t.), salmon (333 t.), other (2,200 t.). Greenland does not have the equipment to catch ocean perch or redfish, which they only bring in as bycatch. The Germans are exporting these whole to Japan. The 70,000 ton quota of capelin is auctioned between Iceland, the Faroes and Norway.

On the cod side, the catch fluctuates vastly (45,000 t. in 1988). They are still fishing the '84 population and anticipate they will be doing so another 7 - 8 years, though are praying for a bumper year in 1990. Greenland previously built up large ^{cod} stocks in hopes of pressing the price up. They currently claim to have larger orders than stocks, and they do not have a problem achieving their prices in European markets.

Royal Greenland exports CAD 250 million (DKR 1.5 billion) worth of consumer fish products, and being shipped out of Denmark, this amount figures in Danish exports. This accounts for 75% of total Greenland exports. 75% of Royal Greenland trade is shrimp and 95% of the private factories' trade is shrimp.

Product Innovations:

- Greenland has produced salmon steaks without very much success,
- they have produced cod rolls based on whole fish and not minced fish, but they were too expensive and of too good quality for the consumer price they were able to achieve,
- they are cold smoking greenland halibut, which gives a longer shelf life and better taste,
- producing catfish fillets,
- selling whole frozen halibut, salmon and arctic char to catering and retail markets.
- they are packaging their scallops frozen (with roe on) for the French market,
- there is a little salting of cod in small towns and salt

injection is producing a better product, with a higher moisture content giving a higher price.

On the retail side they are not going to concentrate on chilled products. They are sceptical about the introduction of finished, frozen dinners. They feel the introduction of these requires colossal marketing funds and new products should be introduced every three months. They are aware of the interest on the English, French, German, Italian and Spanish markets for these products, but are maintaining their emphasis on simple frozen products. They believe the irradiation technique is good, but do not believe it will be possible to convince European consumers.

Future Trends

Given the importance of shrimp, Greenland is obviously worried whether the shrimp population can maintain its level, and they are very concerned about the increasing world production of better quality and tasting farm shrimp, which they believe will pressure prices within a very few years. They anticipate that South America and the Far East will soon move into Europe with low introductory prices. The first countries affected will be Spain, France and England.

They are convinced that in the face of this competition, their only hope of maintaining the market is as a high quality product from unpolluted waters. Apparently informal feelers have already gone out to the Faroes, Iceland and Norway, to consider a mutual marketing of North Atlantic shrimp and we expect that Canada could be included if there is interest.

Royal Greenland has just opened its own office in Tokyo with a Japanese employee as a long term investment, and states that in the long run they intend to develop new products based on cod, catfish and capelin for this market. It believes that its ownership of trawlers and fish factories increases its possibility to meet the quality requirements of the Japanese.

/jm
grnlnd

Jade Neergaard
Commercial Officer, Copenhagen

Catches by Greenlandic Vessels
Within Greenland's Fishing Territory
(incl. chartered vessels)

Tonnes of whole fish	1985	1986	1987	1988 (provisional)
Cod	12,454	7,152	17,692	44,836
Greenland cod	6,571	5,963	2,994	1,247
Redfish	7,319	12,322	3,469	223.3
Greenland halibut	9,207	8,676	6,830	6,886.1
Capelin	56,941	55,543	55,330	300.9
Salmon	863	979	475	333.8
Shrimps	52,370	63,984	77,076	62,056.8
Other	3,699	2,846	2,083	2,239.1
Total	149,424	157,465	165,949	118,123

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grcatch

Seafood Market Outlook

The Faroe Islands

Like Greenland, the Faroe Islands have had Home Rule under the Kingdom of Denmark, in their case since 1947. With a population of 47,000, the principal industry is fisheries and supply of equipment to the fisheries sector. In 1988 the deficit on the foreign trade balance was 145 million Canadian dollars (DKR 870 million), most of which was offset by Danish financial support.

The Faroes have a very strained economy and feel the need to restructure their industry and trade. They have commenced negotiations with the EEC for a new trade agreement, however this alone will do little to solve their predicament.

Enormous investments have been made in recent years in larger, more technically advanced ships to handle distant fishing and on facilities to process blue whiting to surimi. However this has led to overcapacity. A factory ship has since been sold and the processing facilities stand unused.

Fleet and Processing Factories

There are currently 350 registered fishing vessels. The coast fleet is suffering difficulties and undergoing a process of reduction. There are 22 privately owned processing factories unable to operate at full capacity due to falling groundfish landings and lack of continuity in raw supplies. Six shrimp trawler factories are operating under Canadian license. Faroes Seafood recently established a trading company here in St. John's.

Landings

Within the 200 mile limit the ICES currently recommends a reduction of catch pressure on cod and saithe, while the haddock

catch is almost optimal. Outside the 200 mile limit the Faroes have agreements with the EEC, the Soviet, Iceland, Norway and Canada. The total average landings are usually in the region of 350,000 tonnes. A fall of 30% in landings is forecast for this year. A table of total landings by species is available.

Additionally, there is increasing aquaculture of both local salmon and rainbow trout from Denmark. 1988 production amounted to 4 - 5,000 tonnes and 1989 is expected to be 8,000 tonnes. Know-how is based on Norwegian co-operation.

Processing

Industrial fisheries reduction, amounting to 100,000 - 150,000 tons of total catch, is increasing for aquaculture feed and export to Europe. In consumer fisheries, the U.S. catering market continues to dominate and there is a move away from block cod blocks to dinner cut fillets. There is an increase in exports of fresh fish shipped over the weekend to Holland for distribution to central Europe. Italy and Greece are their principal markets for salted fish. France, England and Germany their principal markets for frozen fish, followed by Spain and Sweden. They have scheduled shipping routes between the Faroes and Iceland, Denmark, Norway and Holland. The Faroese are still only exporting shrimp to Japan, and although they can see the potential of this market, there are no plans to exploit the potential, due to the cultural/traditional problems they have encountered when exporting to this market.

With the current over-capacity of modern factories, the Faroese are very interested in the possibility of joint ventures with Canada. However, they too refer to the rough handling of Canadian fish after landing and I can only again encourage you to take legislative steps to change this.

/jm
faroes

Jade Neergaard
Commercial Officer, Copenhagen

Greenlandic Fish Exports

Tonnes and Value

	Tonnes		
	Value in Canadian Dollars, Millions		
	1985	1986	1987
Fresh, chilled or frozen fish, exc. fillets	3,414 10.1	3,461 12.8	4,762 19.1
Fresh, chilled or frozen fillets	5,159 14.1	5,743 24.0	6,735 30.0
Salted, dried/smoked fish	3,773 7.6	1,773 4.0	1,950 5.8
Prepared fish, etc.	892 2.6	384 1.7	19 0.04
Frozen shrimps, etc.	33,844 149.4	41,313 265.3	42,123 333.4
Other	391 1.2	216 1.4	388 3.2
Total	47,473 185.0	52,890 309.5	55,977 391.5

Average exchange rates:

1985 - 7.70
1986 - 5.50
1987 - 5.04

/jm
grexprt

Faroese Export 1985 - 1987

Product Group	Amount (tons)			Value (DKR)		
	1985	1986	1987	1985	1986	1987
Fillet	175	152	63	1.768	3.087	1.299
Frozen cod fillet	11.980	9.881	4.844	315.697	232.654	124.798
Frozen haddock fillet	5.312	5.811	4.990	170.434	164.235	145.532
Frozen saithe fillet	22.527	17.740	14.931	238.139	248.325	213.255
Frozen redfish fillet	975	770	795	17.096	12.717	13.901
Frozen groundfish fillet	567	313	225	11.900	7.729	5.625
Frozen blue whiting fillet	912	724	721	7.705	5.917	5.679
Frozen ling fillet	1.038	800	102	18.737	13.935	2.259
Frozen other fillet	331	99	49	6.362	1.555	852
Fillet, frozen	43.921	36.304	25.525	787.861	590.158	513.214
Salt cod	10.354	13.077	11.764	215.944	296.671	320.532
Salt ling	1.004	1.522	1.417	15.530	25.348	28.446
Salt saithe	218	225	805	1.630	2.061	10.134
Salt saithe fillet	2.363	1.468	1.078	30.174	20.428	17.416
Salt ling fillet	823	719	655	18.949	19.254	19.178
Salt tusk fillet	1.610	1.447	1.720	33.023	30.946	40.659
Salt fish, other	1.351	807	791	33.680	23.361	16.286
Salt fish	17.725	19.269	19.232	348.933	418.072	452.655
Shrimp	10.599	10.030	9.425	171.625	226.418	284.644
Lobster	28	36	15	1.422	2.257	1.119
Scallops	191	103	124	10.645	7.354	6.617
Crustaceans, other	0	11	6	6	78	77
Total	10.919	10.182	9.572	183.700	236.109	292.459
Salmon	97	610	2.645	6.598	25.617	137.539
Trout	421	504	903	22.347	18.666	31.940
Other fish	12.459	10.179	38.155	59.731	68.600	101.676
Frozen salmon	901	1.316	979	65.399	69.414	49.443
Frozen trout	28	135	730	1.335	5.555	21.847
Frozen minced fish	2.605	3.491	2.182	22.903	30.071	19.252
Frozen fish, other	7.408	3.183	7.062	87.412	143.779	126.409
Other fish	21.921	24.420	52.559	265.728	361.705	488.110
Smoked fish fillet	316	262	285	10.821	11.345	13.015
Processed fish, other	252	79	1.079	1.979	1.837	20.154
Processed fish	568	341	1.365	12.801	13.183	33.169
Reduction	52.353	14.109	32.109	34.885	6.846	13.448
Waste	51.136	52.148	35.192	49.682	37.970	21.256
Fish meal	27.304	29.665	25.736	99.734	95.531	81.556
Fish oil	16.482	9.911	7.190	47.838	13.907	11.609
Reduction	147.517	105.935	101.229	232.140	154.256	127.869

Exchange rates: 1985 - 7.70
 1986 - 5.50
 1987 - 5.15

Total Landings

Faroe Islands

Principle Species	Danish	1986	1987	1988
cod	torsk	64,001	40,004	49,695
haddock	kuller	15,290	16,338	12,581
saithe	sej	40,138	42,107	45,943
brosme	tusk	3,624	6,996	6,703
ling	lange	2,583	3,519	3,147
blue ling	byrkelange	4,880	3,071	6,954
redfish	roedfisk	15,225	13,859	14,044
greenland				
halibut	hellefisk	691	2,232	3,078
blue whiting	blaahevilling	81,646	86,800	77,591
sand eel	tobis	4,150	18,619	15,531
horse mackerel	hestemakrel	1,992	4,565	4,580
mackerel	makrel	1,425	7,978	3,022
herring	sild	2,020	2,228	934
smelt	sperling	24,161	37,452	28,552
shrimps	rejer	11,038	10,685	14,323
scallops	kammusling	2,000	2,230	8,852
capelin	lodde	65,435	69,243	48,515
other		12,620	18,293	12,797
Total		352,919	386,219	356,842

/jm

flndngs



MARKET OVERVIEW
OF
H O N G K O N G

Presented by:
Francis Chau
Commercial Officer

FISHING INDUSTRY

Marine fish constitute one of Hong Kong's most important primary products. More than 150 fish species of commercial importance frequent the waters of the adjacent continental shelf. Most important of these in terms of landed weight are golden thread, big-eyes, lizard-fishes, melon seeds and squids. Total production from the two major sectors - marine capture and culture fisheries - is estimated at about 238,060 tonnes with a wholesale value of C\$379 million (HK\$2388 million) in 1988. These figures represented increases of four percent in weight and eight percent in value compared with 1987. Of the total production, 96 percent in weight came from marine capture and four percent from culture fisheries.

An estimated 23,400 fishermen work the fleet of some 4,900 vessels, of which over 87 percent are mechanised. There are four major types of fishing in terms of gear: trawling, lining, gill-netting and purse-seining. Trawling is the most important, accounting for 75 percent, 135,000 tonnes of marine fish landed in 1988. The total landed catch of live and fresh marine fish available for local consumption amounted to 100,000 tonnes with a wholesale value of C\$151 million (HK\$950 million). This represented 83 percent of the local consumer demand.

Pond fish farming is one of the most important culture activities. Fish ponds under active cultivation and covering 1,400 hectares are located in the New Territories, mostly in the Yuen Long district. Several different carp species are cultured in the same pond, deriving its food from a different source and so making the utmost use of the nutrients introduced. During the year, the ponds yielded 6,640 tonnes, or 12 percent of the local consumption of freshwater fish.

Marine fish culture has developed considerably in the past decade. Young fish captured from their natural environment as well as imported fish fingerlings are reared in cages suspended from rafts in sheltered bays throughout Hong Kong, particularly in the eastern New Territories. Under the Marine Fish Culture Ordinance, 28 fish culture zones have been designated and all marine fish culture operations are now required to be conducted as sites within these zones under licenses issued by the Director of Agriculture and Fisheries. By year-end, 1,810 licences had been issued. Live marine fish supplied by this activity amounted to 3,280 tonnes valued at C\$35 million (HK\$222 million).

MARKETING

The Fish Marketing Organization operates under the Marine Fish (Marketing) Ordinance, which also provides for the establishment of a Fish Marketing Advisory Board. The ordinance provides for the control of the landing, transport, wholesale marketing, and the import and export of marine fish. The organization operates seven wholesale fish markets. Revenue comes from a six percent commission on the proceeds of sales. Surplus earnings are channelled back into the industry in the form of various services such as low interest loans to fishermen, improvements to the markets, financial support for the 10 schools for fishermen's children and scholarships for secondary and tertiary education.

In 1988, the wholesale fish markets handled 75,600 tonnes of marine fish, crustacea and molluscum (excluding those imported from various overseas countries) which were sold for C\$94 million (HK\$591 million). This included 5,250 tonnes of imported marine fish through these markets.

According to the United Nation's Foods and Agriculture Organization, Hong Kong people are among the world's highest consumers of protein, approx. 107 gram daily. As mentioned above the demand for fish and fish products in Hong Kong is very significant. The average consumption per person is 39 kg per year.

Due to the local product not enough to meet the demand substantial volume of fish and fish products are imported from various areas into this area. According to the trade statistics, total imports in 1988 amounted to 225,780 m/t valued at C\$1,257 million. Breakdown as follows:

TOTAL HONG KONG IMPORTS 1988

<u>DESCRIPTION</u>	<u>QTY M/T</u>	<u>VALUE C\$ (MILLION)</u>
1). FISH FRESH (LIVE OR DEAD) CHILLED OR FROZEN	84,400	254
2). FISH DRIED SALTED OR IN BRINE, SMOKED FISH (WHETHER OR NOT COOKED BEFORE OR DURING SMOKING PROCESS)	17,410	195
3). CRUSTACEANS AND MOLLUSCE WHETHER IN SHELL OR NOT FRESH (LIVE OR DEAD) CHILLED, FROZEN, SALTED IN BRINE OR DRIED CRUSTACEANS IN SHELL SIMPLY BOILED IN WATER	111,675	719
4). FISH CRUSTACEANS AND MOLLUSCS PREPARED OR PRESERVED NES	<u>12,295</u>	<u>89</u>
TOTAL	225,780	1,257

PRESENTLY CHINA IS THE LEADING SUPPLIER SUPPLYING 30% OF THE TOTAL DEMAND, THEN FOLLOWED BY JAPAN 10%, VIETNAM 6%, MACAU 5% AND SINGAPORE 4%.

OF ALL THE TOTAL IMPORTS APPROX. 46% OF THE QUANTITIES IMPORTED WERE RE-EXPORTED TO VARIOUS DESTINATIONS. BREAKDOWN AS FOLLOWS:

<u>DESCRIPTION</u>	<u>QTY M/T</u>	<u>VALUE C\$ (MILLION)</u>
1). FISH FRESH (LIVE OR DEAD) CHILLED OR FROZEN	18,945	101
2). FISH DRIED SALTED OR IN BRINE, SMOKED FISH (WHETHER OR NOT COOKED BEFORE OR DURING SMOKING PROCESS)	6,820	52
3). CRUSTACEANS & MOLLUSCS, WHETHER IN SHELL OR NOT FRESH (LIVE OR DEAD) CHILLED FROZEN, SALTED IN BRINE OR DRIED CRUSTACEANS IN SHELL SIMPLY BOILED IN WATER	72,060	526
4). FISH CRUSTACEANS & MOLLUSCS PREPARED OR PRESERVED NES	<u>5,525</u>	<u>39</u>
Total	103,352	718

THE MAIN SPECIES OF FISH IMPORTED ARE AS FOLLOWS:

<u>DESCRIPTION</u>	<u>QTY M/T</u>	<u>MAIN SOURCES</u>
FRESH WATER FISH, FRESH OR CHILLED (COMMON CARP, GRASS CARP, MUD CARP, BY HEAD)	36,800	CHINA 36,200 TAIWAN 560 THAILAND 25
MARINE WATER FISH NES FROZEN (SNAPPER, GROUPER, POMFIET, SEA BREAM, CROAKER, MACKEREL, SOLE, GOLDEN THREAD, ETC.)	18,100	CHINA 9,390 NEW ZEALAND 1,570 URUGUAY 1,580
MARINE WATER FISH, FRESH OR CHILLED (SAME AS ABOVE)	17,380	CHINA 13,280 THAILAND 2,340 TAIWAN 830
FISH FILLET, FRESH OR FROZEN (GROUPER, SOLE, SNAPPER)	8,430	CHINA 3,960 NEW ZEALAND 658 ARGENTINA 680
SEA CUCUMBER DRIED	7,720	INDONESIA 3,130 PHILIPINES 1,720 FUJI 1.070
SHARK FINS DRIED	3,610	JAPAN 510 SINGAPORE 610 CHINA 375
PRAWNS, SHRIMP FISH CHILLED FROZEN	71,620	CHINA 44,700 VIETNAM 12,630 MACAU 6,640
ABALONE FRESH, CHILLED OR FROZEN	570	AUSTRALIA 250 PHILIPPINES 100 CHILI 75
ABALONE CANNED	1,470	AUSTRALIA 530 U.S.A. 295 NEW ZEALAND 280
CRUSTACEANS NES FRESH, CHILLED OR FROZEN (CRABS, LOBSTER)	7,220	CHINA 5,215 THAILAND 370 MACAU 790
MOLLUSCS NES FRESH CHILLED OR FROZEN (SCALLOPS, MUSSELS, SNAILS, GEODUCK)	7,600	CHINA 4,500 AUSTRALIA 915

CANADA EXPORTS TO HONG KONG

During the last decade, Canada imports of fish and fish products were rather small to this area. Since the solo food show held in March 1987 and the in-store food and beverage Canada promotion in 1987, 1988, 1989. Exports of fish and fish products from Canada increased significantly from C\$6.3 million in 1986 to C\$13 million in 1988, approximately 106% increase over 1986. The products mentioned below continue to bring good sales and results.

Canada Salmon has been known to this market for years and the quality is recognized by the trade as superior. Annual consumption is approximately 500 M/T. Main supplies come from U.K., Canada, Norway, Denmark and New Zealand. We are at present testing the farmed salmon, size approximately 1 kg per fish, with one of the leading restaurant chain to smoke on a special way to see ;whether it is suitable for the Chinese. If successful Canadian Salmon will obtain a bigger share in this marketplace.

Roch Oysters were introduced to this market five or six years ago, and the Canada supplies are of acceptable quality to the trade. Sales have steadily increased over the years and today Canada is the leading supplier.

Geoduck was launched in Hong Kong approximately 10 years ago, but he market was small, until two years ago sales increased sharply from C\$1.5 million in 1986 to C\$5.5 million in 1988. This item is now very popular among the Chinese restaurants. It is expected that further progress can be achieved in the coming years.

Dried Squid is well established in this market, but owing to poor catches in the last few years, supplies have not been available. When supplies return to normal Canada should be able to recover its previous market of approximately C\$7 million or 1,000 M/T per annum.

Fish Fillets: Demand for frozen fillets has been increased considerably during the last few years. However, Canada exports to this area is still rather small and this is due to 1) price not competitive compared with other supplying sources, and 2) Canadian fish fillet is not thick enough and is not so suitable for the Chinese restaurant trade. However, if Canada could supply the fillet 3/4 or 1 inch thickness and with the right pricing, we are confident that this item can be developed in this market.

Herring: Demand exists in this market, but the volume is rather small and is mainly consumed by expatriates living in this area. As you know the majority of the population in Hong Kong is Chinese and the Chinese do not like to eat fish with a lot of pin bones in it. That is the reason why demand for herring is so limited in this area. However we understand that Canada export substantial volume of herring roes to Japan. After taking out of the roes the carcass will be turned into fish meal. We have received enquiry from the trade asking for cheap dried fish for the Chinese market. We wish to know the protein content of the herring carcass after drying. If it is suitable for the mink, and with the right price, then there will be good opportunity to sell this to China. Please consider.

Mackerel: Due to high fat content of this species, it will be very easy to deteriorate. In such circumstances, it is difficult to convince buyers to import this species into this area. Besides, there is plentiful supplying of mackerel from the local waters as well as from the neighbouring areas.

Male Capelin: It was introduced to this market in 1987 and is a little known to this area. Annual offtake is approximately 30-4 containers. We think, if the species were promoted properly it could be developed. As we know there is plentiful supply of male capelin, we wonder whether it can be changed into dry form for animal feeding. Same as herring mentioned above.

The potential for other dried marine products such as shrimps, oysters, abalone, shark fins, fish maws, sea-cucumber, etc. is very substantial (approximately 20,000 M/T per year). While these species are available in Canada, processors have not pursued turning them out in dry form. If in future they are able to produce these products in dry form, with competitive pricing should create good opportunity not only in this market, but elsewhere in South East Asia.

GOVERNMENT INVOLVEMENT

Import Tariffs and Health Regulations: There are no import tariffs/duties and government health regulations governing the importation of fish and fish products into Hong Kong. However, for all live seafood products require health certificates issued by the appropriate authority of the exporting country to accompany with shipment.

As Hong Kong is a free port, it is an extremely competitive market to deal with. To day Canadian suppliers have made little penetration to this market. However, there are good opportunities available in this area provided the Canadian suppliers/exporters be more flexible. Most importers prefers quotations based on CIF and C&F Hong Kong either in Canadian or USA currency. (FOB quotations normally will not be considered by importers). This help them to calculate the landed cost of the product and to assess the competitiveness with the similar products already established here.

Payment Terms: Payment is usually made by confirmed irrevocable letter of credit, although other terms such as sight draft, documents against payment etc. are also being used. List of all fish and fish products importers is attached for reference.

In short, there are good opportunities for Canada fish and fish products in this market provided prices are competitive and availability of supplies.

COMPANY

Wing Cheung Co.
55 Cooke St.
1/F., Kowloon
Att: Mr. Chow Cheung
Manager
Tel: 3-620345
Tlx: 85500 WCCHK

Goodwell Grocery Co. Ltd.
Heung Wah Industrial Bldg.
12 Wong Chuk Hang Road
Aberdeen, Hong Kong
Att: Mr. C. C. Lui
Manager
Tel: 5-550371
Tlx: 63351 GSCGC HX

Hillsdown (Hong Kong) Ltd.
Room 843, Swire House
Chater Road
Hong Kong
Att: Mr. Steven K. M. Cheng
Managing Director
Tel: 5-262338
Tlx: 81740 HLSDN HX

Lucullus Foods & Wines Co. Ltd.
9 Wang Kwong Road
9/F., Kowloon Bay
Kowloon
Att: Mr. John Tai
Controller
Tel: 3-7981288
Tlx: 61510 LUCCLL HX

William Y. W. Wong & Sons Ltd.
247 Wing Lok St. W.
Hong Kong
Att: Mr. Winston Wong
Director
Tlx: 73057 WWONG HX

Hong Kong Refrigerating Co. Ltd.
47-51 Kwai Fung Crescent
Kwai Chung, N.T.
Att: Mr. J. J. E. Hodkinson
General Manager
Tel: 0-299111
Tlx: 37507 HRCL HX

PRODUCTS

Frozen seafoods

Frozen fish fillets, scallops, crab meat, shrimps

Fish and fish products

Frozen salmon, fish and fish fillets, scallops,
lobster, oysters

Frozen fish fillets, squid and dried squid

Frozen fish, fish fillets, scallops

COMPANY

Associated Meat Distributors Ltd.
20/F., Wah Kit Commercial Centre
300-302 Des Voeux Road C.
Hong Kong
Att: Mr. Norman Ng
Managing Director
Tlx: 71934 AMDHK HX

Dunford Provisions Ltd.
52 Western St.
Hong Kong
Att: Mr. Y. P. Lam
Managing Director
Tel: 5-461240
Tlx: 65627 WSTCO HX

Dah Chong Hong Ltd.
4th - 7th Floors
77 Des Voeux Road C.
Hong Kong
Att: Mr. H. F. Chu
Senior Manager - Prov. Dept.
Tel: 5-261111
Tlx: 73738 DACHO HX

Yuen Shing
78 Des Voeux Road W.
Hong Kong
Att: Mr. Liu Shun
Manager
Cable Address: 3293

Eastern Pearl Int'l Co.
Rm. 1101-2 Seaview Comm. Bldg.
21-24 Connaught Road W.
Hong Kong
Att: Mr. Dicken Lam
General Manager
Tlx: 74279 SHARK HX

Cheong Hing Hong Kin Co. Ltd.
34 Gough St.
G/F., Hong Kong
Att: Mr. H.K. Lam
Managing Director
Tel: 5-8151712
Tlx: 83924 HKLAM HX

PRODUCTS

Frozen fish fillets, scallops

Frozen fish fillets, scallops, abalone

Frozen fish, fillets, scallops, oysters, clams,
abalone, salmon, canned fish

Frozen scallops, dried squid, sea-cucumber,
oysters, shrimps, fish meat, shark fins

Frozen abalone, scallops, whelkmeat, dried
fishmaw, sea-cucumber

Frozen fish fillets, live oysters, frozen
scallops, salmon

COMPANY

Asia Provisions Co. Ltd.
14-24 King Wah Road
Hong Kong
Att: Mr. K. K. Ho
Director
Tlx: 75223 ASIA HX

Chester Trading Co.
654 Nathan Road
6/F., Flat B
Kowloon
Att: Mr. Ho Vai Chi
Managing Director
Tlx: 54065 HOCHI HX

David Trading Co. (HK)
184 Wing Lok St.
4/F., Hong Kong
Att: Mr. David Fan
General Manager
Tlx: 85306 KLFAN HX

Euroasia Holding Ltd.
1101-1103 Leader Comm. Bldg.
54 Hillwood Road
Kowloon
Att: Mr. Peter Lee
Director
Tel: 3-669309
Tlx: 37598 EUHOL HX

Fook Wah Trading Co.
702 Alliance Bldg.
130-136 Connaught Road C.
Hong Kong
Att: Mr. Lin Shei
General Manager
Tlx: 83663 FOWAH HX

Fung Sang Trading Ltd.
54-56 Bonham Strand W.
Hong Kong
Att: Mr. So Kai Luen
Managing Director
Tlx: 86081 FSTL HX

Great Continent Imp. & Exp. Co. Ltd.
198 Wing Lok St. W.
Hong Kong
Att: Mr. Hoi Tak Hing
Director
Tlx: 75085 GYFGL HX

PRODUCTS

Frozen fish, fish fillets, canned fish

Dried squid, frozen fish

Dried Marine Products

Frozen fish, fillets, abalone, scallops, shrimps

Frozen fish, fillets, abalone, scallops, shrimps,
crab meat, squid, cuttlefish, octopus

Dried marine products

Dried marine products

COMPANY

Hoover Food Supplies
G/F., Delightful Mansion
54-56 Fort Street
North Point, Hong Kong
Att: Mr. Willy Chan
Marketing Manager
Tlx: 62654 FOHO

Hop Lee Fisheries Trading Co.
1/F., Aberdeen Wholesale Fish Mkt.
102 Shek Pei Wan Road
Aberdeen, Hong Kong
Att: Mr. Christopher Law
Managing Director
Tlx: 83527 HOLEE HX

Johnny & Cheng Trading Co. Ltd.
3/F., Hung On Bldg.
4 Tit Hong Lane
Hong Kong
Att: Mr. Johnny Yip
Sales Manager
Tlx: 61168 JOHCH HX

Kwong Tai Trading Co.
217 Wing Lok St. W.
Hong Kong
Att: Mr. Liu Tak Wah
Manager
Tlx: 75401 KWONG HX

Starlite Company
89 Connaught Road W.
3/F., Hong Kong
Att: Mr. George Yu
President
Tlx: 62546 ORINT HX

Luen Tai Hong
7 Bonham Strand W.
Hong Kong
Att: Mr. Frederick Chan
Manager
Tlx: 65998 LTH HX

Luen Yick Hong
71 Bonham Strand W.
Hong Kong
Att: Mr. Lui Kan Yuen
Manager
Tlx: 85204 LYH HX

PRODUCTS

Frozen salmon, frozen fish/fillets

Frozen squid, cuttlefish, fish

Frozen/smoked salmon, fish fillets

Dried marine products

Dried squid

Dried marine products

Dried marine products

COMPANY

Man Ming Imp. & Exp. Ltd. (HK)
14 Ship St.
Wanchai, Hong Kong
Att: Ms. Vivian Lee
Managing Director
Tlx: 60898 MANMTHK HX

Multi World Ltd.
1706 Shun Tak Centre
200 Connaught Road C.
Hong Kong
Att: Mr. Frank Ngo
Manager

Nza Meat Co. Ltd.
10 Fort Street
Hong Kong
Att: Mr. Henry Ho
Managing Director
Tlx: 66129 NZAHK HX

Nam Lung Hong
2 Sung Hing St.
Sai Ying Poon
Hong Kong
Att: Mr. Fung Yun Wai
Manager
Cable Address: 9630

New World Trading Co.
Rm. 705 Centre Mark
287-299 Queen's Road C.
Hong Kong
Att: Mr. Chow Sing Wai
Manager
Tlx: 66354 NEWLD HX

Parry Pacific Ltd.
9/F., Yat Sun House
55 Wong Chuk Hang Road
Aberdeen, Hong Kong
Att: Mr. Michael Parry
Managing Director
Tlx: 64919

Sam Hup Enterprises Ltd.
64-66 Bonham Strand W.
Hong Kong
Att: Mr. Mak Man Fai
Managing Director
Tlx: 85068 SHEND HX

PRODUCTS

Live lobster, oysters, frozen salmon, fillets,
scallops

Frozen fish, fillets, crabmeat, scallops

Frozen salmon, crabmeat, scallops

Salted fish

Frozen fish and fish fillets, scallops

Frozen/smoked salmon, fillets

Dried marine products, dried salted fish

COMPANY

Shower Japanese Foodstuffs Co.
3 Yuk Sau St.
Happy Valley, Hong Kong
Att: Mr. Kenneth Chan
Manager
Tlx: 52288 UTECA HX

Silco International Ltd.
Suite 102-103 Landwise Comm. Bldg.
118-120 Austin Road
Kowloon
Att: Mr. Bernard Holfstein
Director
Tlx: 84192 SILCO HX

Sun Ming Hong
24 Hillier St.
Hong Kong
Att: Mr. Joseph Y. H. Sit
Asst. Manager
Tlx: 74038 SMH

Sun San Frozen Meat Co.
135 Central Market
Des Voeux Road C.
Hong Kong
Att: Mr. Tang Lau
Manager
Cable Address: ABCDE

Tai Tai Development Co. Ltd.
2/F., Goldfield Bldg.
42-44 Connaught Road W.
Hong Kong
Att: Mr. Benjamin Chan
Manager
Tlx: 75304 SIYAM HX

Tai Loong Marine Products Ltd.
53 Bonham Strand W.
Hong Kong
Att: Mr. Eric Yu
Director
Tlx: 65895 TLONG HX

Vanney & Co.
Rm. 1523 Central Bldg.
Pedder St.
Hong Kong
Att: Mr. H. P. Lam
General Manager
Tlx: 63311 VANEY HX

PRODUCTS

Frozen fish, fish fillets, scallops, shrimps

Salmon, lobster, frozen fish/fillets, oysters,
etc.

Dried squid

Frozen fish & fillets, abalone, scallops, squids

Frozen fish/fillets, scallops, abalone

Dried marine products

Frozen salmon, fish/fillets, abalone, scallops

COMPANY

Wilson Co.
6 Tat Hong Lane
Hong Kong
Att: Mr. Leung Sing
Manager
Tlx: 61600 WILHK HX

Wing Loong Hong
70 Bonham Strand W.
Hong Kong
Att: Mr. Ho Fai
Manager
Tlx: 64389 EYUCO HX
A. Bennett & Co.
33 Lyttelton Road
6/F., Hong Kong
Att: Mr. Li Sze Kit

Casella Far East Ltd.
Hong Kong Ind. Centre
A1, 1/F., Block A
489 Castle Peak Road
Hong Kong
Att: Mr. Johnny Hung
Managing Director
Tlx: 39048 CASLA HX

Lafico Ltd.
1113 Tung Ying Bldg.
100 Nathan Road
Kowloon
Att: Mr. L. F. Chow
Director
Tlx: 54542 LAFIC HX

On Kun Hong Ltd.
8/F., Harbour Comm. Bldg.
122-124 Connaught Road C.
Hong Kong
Att: Mr. Andrew Yuen
Executive Director
Tlx: 65916 ENCOM HX

World Foods Co.
2/F., Universal Ind. Centre
Blk. G, 19-25 Shan Mei St.
Fo Tan, Shatin
N. T.
Att: Mr. K. K. Lo
Manager
Tlx: 50926 KKLO HX

PRODUCTS

Frozen fish/fillets

Dried marine products

Dried fishmaws, shark fins, abalone

Frozen seafoods

Frozen/smoked salmon

Dried squid

Canned fish

COMPANY

Hau Cheong Trading Co.
Ko Shing Bldg., Blk. A
48-66 Ko Shing St.
Hong Kong
Att: Mr. Herbert Woo
Manager
Tlx: 60857 HWSKS HX

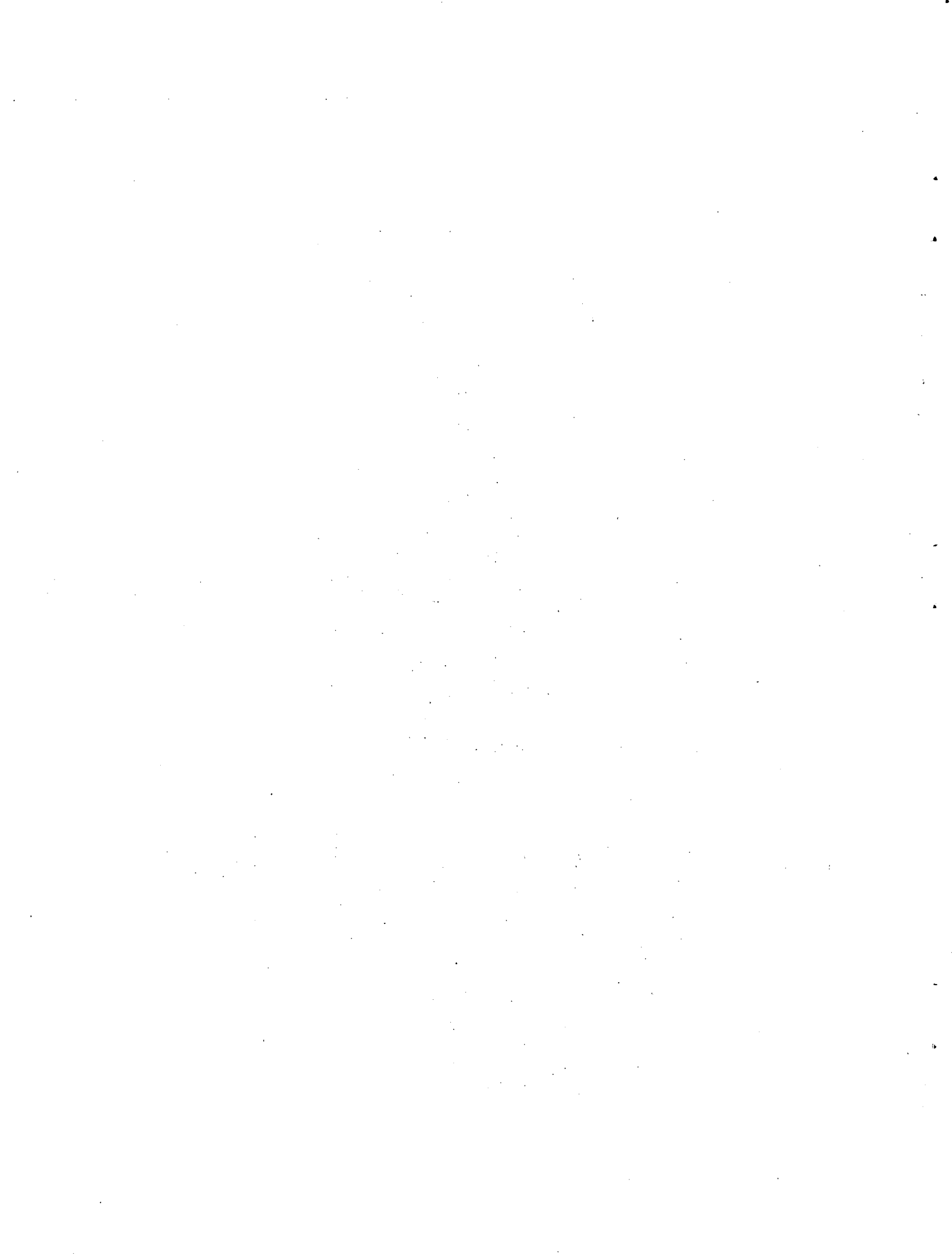
Kevin T. H. Wu Co. Ltd.
1701 Wing On Central Bldg.
26 Des Voeux Road C.
Hong Kong
Att: The Manager
Tlx: 85284 WUTRA HX

Sea Sources Marine Products (HK) Ltd. Frozen/dried squid, frozen scallops
2A Central Bldg.
6-14 Central St.
Hong Kong
Att: Mr. Fong Yui man
Manager

PRODUCTS

Dried squid and other dried marine products

Dried squid



THE UK FISH MARKET

**Presented by:
Janet Farmer
Commercial Officer**

THE UK FISH MARKET

I'm extremely glad to have the chance to talk with you, the Newfoundland industry, about the market for your product in the UK, the country where it is my job to help you sell. I hope to be able to give you information which will better help you to market your product. In return, I hope to come away from this visit better briefed from your perspective to enable me to work more effectively for you.

As those of you who have dealt with the UK over the past 20 years will know, her fishing industry has been decimated since the early "70's". When the distant water fleet was at its peak in the 60's, there were 250-300 vessels of over 140 feet. Now there are about 20, including 2 freezer trawlers. The establishment of 200 mile limits and subsequently the formation of the Common Fisheries Policy (CFP) saw to that.

The preferred species for the UK consumer is cod, both for consumption straight, or in processed form. And this preference, combined with the loss of distant water fishing opportunities has left the UK very dependant on imports.

I'm going to cover the import trade for the principle species of interest a little later, but first I want to talk about trends in the market place at consumer level.

These are not easily summed up in one sentence because there are a lot of interacting factors. The first and most obvious of these is price - firstly that of fish, and secondly that of fish relative to competing products, principally meats, but in the case of some of the cheaper processed products, such things as canned baked beans and canned spaghetti.

The next factor is consumer perception of the health benefits of eating fish. While much talked about, especially in the upper socio-economic groupings, the effect on household consumption in particular is far from obvious, the gains instead appearing in the catering market. And, here, perversely, if one takes seriously the argument about reducing saturated fatty acids, triglycerides and blood cholesterol levels, why do traditional fried fish and chip shops still enjoy such a share of the catering market?

There is another part I should mention in passing while talking about health. Some of you may have heard about the UK salmonella crisis. In fact, for the past four months the UK has been rocked by sensational headline after sensational headline about food scares - firstly salmonella in eggs (that one cost a junior minister her head, even though her somewhat outspoken style had included such good advice to Northerners as not to eat chips (French Fries to you!) three times a day!), listeria in prepared meals and soft cheeses, mineral hydrocarbons for waxing cheeses and then salmonella in poultry meat. No-one, or almost no-one, said anything nasty about fish during this period (apart from the professor who had highlighted listeria in prepared meals, who

when asked what the next scare might be, referred to the possibility of botulism in vac-packs and controlled atmosphere packs, both commonly used for retailing fish in multiple stores. Mercifully no-one seems to have taken this up! While the processors are not unanimous on this, one or two I have spoken to think their sales since Christmas have benefited from all the fuss about other foods.

Now, all that said, what has actually happened to the volume and value of fish eaten in the UK in recent years? Monitoring of household consumption is carried out by the Sea Fish Industry Authority, the semi-autonomous body charged with representing the fishing and processing industries. They also contract for monitoring of catering sales, but freely admit that figures for the latter are much more difficult to obtain and subsequently much less weight can be given to them.

Chart I

If we look at household consumption since 1981, we can see the greatest peak is in 1983 followed by another peak in 1986. This was followed by a really spectacular crash from the second quarter of 1986 all the way through to the end of 1988. This can be put down entirely to high raw material prices. If we look at expenditure, we can see that even the high prices did not make up for the loss in volume sales.

Chart 2

If we look at price changes, in relation to other foods we can see that fish price has actually declined a little at retail level during the course of 1988 although it has now turned up

again. However, compared to other foods it remains expensive. The latest retail sales figures for the first quarter of 1989 show a zero to one percent increase on the same time last year. However, raw material prices are climbing again. Are we going to see a repeat of the boom and bust of 1986/87 again? Or will the development of alternative white fish resources be able to modify price hikes?

Chart 3

We should not leave this general discussion of the market at consumer level without talking a little more about catering. SFIA's annualised figures based on a month in the last quarter of 1988 show a total market of 160,000 tons compared with 168,000 tons at household level. This last figure was 4 percent down on the previous year. The catering figures, however, while a little up on figures for the mid 80's, were sharply down on the 1987 figure circulated on the same period of 244,000 tons. This probably has more to do with the problems of getting data than anything else and the 1987 figure must be viewed with some caution. If one looks at the split by species of catering use, it's hard to get away from the fish and chip shop specials - cod, haddock and dplaice, in that order. However, the money is to be made at the upper end of the market with more expensive species, and I want to talk in more depth about that later. (Chart 4) - Meanwhile, it is interesting to look at the principle catering outlets through which the species and products monitored by SFIA are sold. It is a shame the 'other' category is so wide because it obviously includes extremes of very expensive and very cheap species.

Cod - Chart 5

This is probably a good time to move to a species by species discussion of the market. As you all know, in this stronghold of the cod, the UK consumer eats more cod than any other fish, in and out of the home; and it is the major species used in processing. Landings (head on, gutted) for 1988 were some 76,000 tonnes. (Chart 6) - Imports (in various forms) were some 131,000t, down from a high of 137,000t in 1986 prior to the price hike. As you can see, Iceland is very much the dominant supplier putting in some 59,000t. Much of this fish is brought in wet to Hull and Grimsby. Denmark is the second supplier, with 24,000t last year, closely followed by Norway with around 20,000t. Canada put in 6,500t. As you know well, the interesting thing for Newfoundland is that not only does the UK buy cod blocks for further processing but also fillets, especially skin-on, for that famous fish and chip shop trade as well as for retail sale. OK, you say, we don't need you to tell us what we sold last year. What about 1989? What indeed. A number of things have changed, most notably TAC's, but also EEC autonomous reduced tariff quotas.

The cod TAC in the arcto-Norwegian zone (including the Norway coast, the Barent Sea, Bear Island and so on, has come down by 37%. Baltic cod TAC's have been reduced by 16%. And nearer to home and directly impacting on the home fleet, North Sea cod TAC's have been reduced by around 22%. However, in most cases those figures are not as quite as dramatic as they sound because it has not been possible to catch up to the full previous TAC level.

On the other side, the EEC is to receive more cod fishing rights in Greenland, and the UK will share this. And there also appears to be some deal cooking with the USSR.

While some of these changes will give you some encouragement, the change to the EEC autonomous reduced tariff quotas for fish for further processing will certainly not. Whereas last year there was access (to the whole EEC) for 10,000t of cod fillets at zero duty, this year the autonomous reduced tariff quota is set at 8,000t at 10%. What is more, minced cod, which once fell under the classification whole headless or in pieces, is now under the same general heading as fillet. In addition, there is a GATT bound reduced tariff quota of 8% for 10,000t of fillet available to the whole EEC Community, but this is obviously very different to the possibility of a share in a zero duty tariff, as happened last year. Minced cod, which does fall under the autonomous reduced tariff quota for fillet, will be subject to the full duty of 12% outside that quota. There remains an autonomous tariff reduced quota for the entire Community for whole cod of 40,000t at 3.7%, a little down from 45,000t the last year. Possibly the only good thing that can be said about the autonomous reduced tariff for quotas for whitefish this year is that they are no longer to be allocated on an importing country basis. Previously, the UK industry felt the UK share of the cod quotas did not reflect their needs when compared with those quotas given to other countries.

Another significant factor affecting prospects for the coming year is the availability of Alaskan pollock. The high cod prices of a couple of years ago led processors to try out this species and currently skinless boneless blocks are available for little more than half the price of the equivalent cod blocks (which are now trading duty paid delivered up towards 2000 pounds/t). However, 1QF skinless boneless pollock fillets are currently at around 82-82p/lb. (delivered duty paid). And of course, in looking into the crystal ball, we always face that factor which has such a major effect on our trade, and over which we have so little control, exchange rates.

Haddock

Next after cod, haddock is the British consumers favourite. This species, while generally not used so much for fish fingers and fish cakes, is popular 'as is' or smoked. (Chapter 7) - North Sea catches have been declining sharply and imports have increased from 22,000t in 1985 to 37,000t in 1988. 1989 will see a real crisis in the home catch. While the final UK TAC for 1988 for North Sea haddock was 128,570t (of which around 70% would have been caught) the 1989 figure has been reduced to 54,000t, effectively a 40% cut on what was actually caught last year. Needless to say, when the UK industry heard I was coming to see you, they asked me to look out for haddock for them! I had to tell them that I did not hold out strong hopes, but would do my best.

Herring and Mackerel

I'm not going to spend too much time on herring and mackerel as we have some UK processors here today and you will be hearing a much more applied account of the market than a bureaucrat such as I could ever hope to give you.

Many of you will remember the days when the North Sea herring fishery was closed and Canada did a fine export trade to the UK. The closure of the fishery seem to work and the resource is now abundant. However, due to the highly seasonal nature of the fishery there is still a need for imports especially to meet certain specifications. In fact a very high proportion of the UK catch is klondyked to Eastern block vessels and not landed in the UK at all. The west of Scotland fishery in particular provides mainly small sizes and as there is little canning these days, most of this catch is transhipped. The UK TAC's this year will be 31,000t, up from 28,000t last year for the West of Scotland, and 75,300t for the North and Central North Sea up from 70,000t in 1988. Traditionally the Clyde fishery has provided excellent kippering fish but sizes have been disappointing of late, and the quota is only for about 3,000t. This leaves the North Sea as the principle home-caught supply of processing fish.

Chart 8

Looking at herring imports, some 9,000t came in during 1988, down from 14,000t in 1985. Iceland has taken over from Norway as the main shipper in the past couple of years. Eire, too puts in a lot of herring. Canada's exports more than halved from 1985 to

1986 but have picked up somewhat since to nearly 400t in 1988. There is definite interest in good sized high fat content fish, and it would be nice if Newfoundland could supply more of this product as a result of this gathering in St. John's and the UK buyers visits.

There is a duty-free period for whole herring and flaps from mid-February to mid-June and the UK has previously had around 700t of the Community-wide autonomous reduced tariff quotes of around 30,000t outside this period. However, for Canadian product there is no relief on the 15% duty on fillet.

Mackerel

Chart 9

There had been something of a problem with mackerel sizes too, but 1988 saw these pick up a little. The UK processors here may correct me, but there does not seem to be much opportunity for imports outside the established supplying countries, especially Eire.

Other Species

Shrimp

The UK is a big market for cooked and peeled shrimp and there is also a place for cooked shell-on product. However, Canada does face a considerable disadvantage by qualifying for full tariff at

satisfy this demand but there may come a time when it is economic to develop fisheries for some of the less popular white fish species in Canadian waters. On the other hand, at the upper end of the marketing interesting things are happening too. Some consumers who try less or non-traditional fish when on foreign holidays are willing to repeat the experience at home. This is particularly noticeable in the restaurant trade, especially in the affluent south and east. As we have seen fish remains relatively expensive compared with other foods. British consumers, too, have a basic reticence about preparing fish at home because they are uncertain how to handle other than the most familiar species and cuts, and because it makes the house smell! However, those who eat out in the better restaurants are frequently pleased to let someone else have the hassle and enjoy a lower calorie meal with a good health image, and are prepared to pay for it. It is quite noticeable now that there are many more fish dishes on the menus of such restaurants than even a few years ago.

Chart 10

This means increased demand for such things as fresh Atlantic halibut and live lobster. In fact in the past few months we have had several companies approaching us about the possibility of fresh halibut out of Canada. The live lobster trade is indeed lively too, both on the import and the export front. The locally caught lobster commands a higher price than North American lobster, especially when exported to France. Meanwhile, lobster imports have more than tripled in the last four years, and we're noticing a steady stream of new buyers approaching us to source

20% in supplying cooked and peeled coldwater shrimp when compared with Iceland, who can put in product at zero duty and Norway at 7.5%. However, the Iceland new season has reported to have been not very good so far. In the market place cold- water shrimp consumption has pulled up somewhat after loosing a lot of ground to warm water product because of very high prices a couple of years ago.

Frozen Lobster

There is never a very big market for this product in the UK and currently the market is sluggish, especially for brine pack.

Frozen Snow Crab

While scarceness of resource is usually the limiting factor on this product, high prices seem to have led to heavy stocks.

I want now to move from the more traditional products to talk about what may perhaps be better described as market niche opportunities. Although the great mass of the British public have proved remarkably resistant to being weaned away from those species they traditionally consume in bulk, namely cod, haddock and plaice, there are changes afoot in certain sectors of the market.

One change is, if you, like, at the lower end of the market. High cod prices have already encouraged processors of block in particular to use alternative white fish species. If cod prices shoot off again, the Alaskan pollock resource should do a lot to

product out of Canada. Of course, the difficulty from your point of view is the seasonality of demand. Canadian live lobster sales seem to be best from October to May, when local supplies are least abundant. Also, as with the fresh halibut, availability of suitable air-freight services is very important.

Chart 11

I shouldn't leave this discussion of niche markets without mentioning dogfish even though this is definitely not at the upper end of the market. Looking at catering sales of fish, you will notice 'Rock Salmon', 90% sold through fish and chip shops. This is dogfish backs. While not a huge market for imports and heavily influenced by local catches, it does exist. Also some UK traders sell on into the Continent, as you can see from the trade figures. In a similar category there is also a small market in the UK for skate wings.

We should also touch on other shellfish here. There are increased efforts going into shellfish culture, particularly oysters, mussels and scallops. Lobster have proved more difficult and any success has been confined to ranching. While the more adventurous consumer we've already talked about is starting to eat more molluscs at restaurant level, and there is an outlet in prepared meals too, it's not an easy market for Canada to tackle, firstly, because of local and Irish supply, and secondly, because health regulations make it very difficult to bring in live molluscs. Frozen meats are of course a different matter.

I could talk to you for much longer about the various other niche markets that exist, but time is short so I would like to sum up as follows.

The UK market is very much dependant on supplies of imported fish, none more so than in the case of cod. Reduced TACs amongst other supplying countries appear to be leading to a strengthening of the market. However, abundant supplies of Alaskan pollock may have a moderating effect here - which would probably be a better thing for the long term health of the industry than a massive price hike and subsequent collapse in demand.

There are opportunities to sell herring of good size and high fat content to the UK. There are also opportunities for a range of other products, including live lobster, fresh halibut, dogfish backs and skate wings.

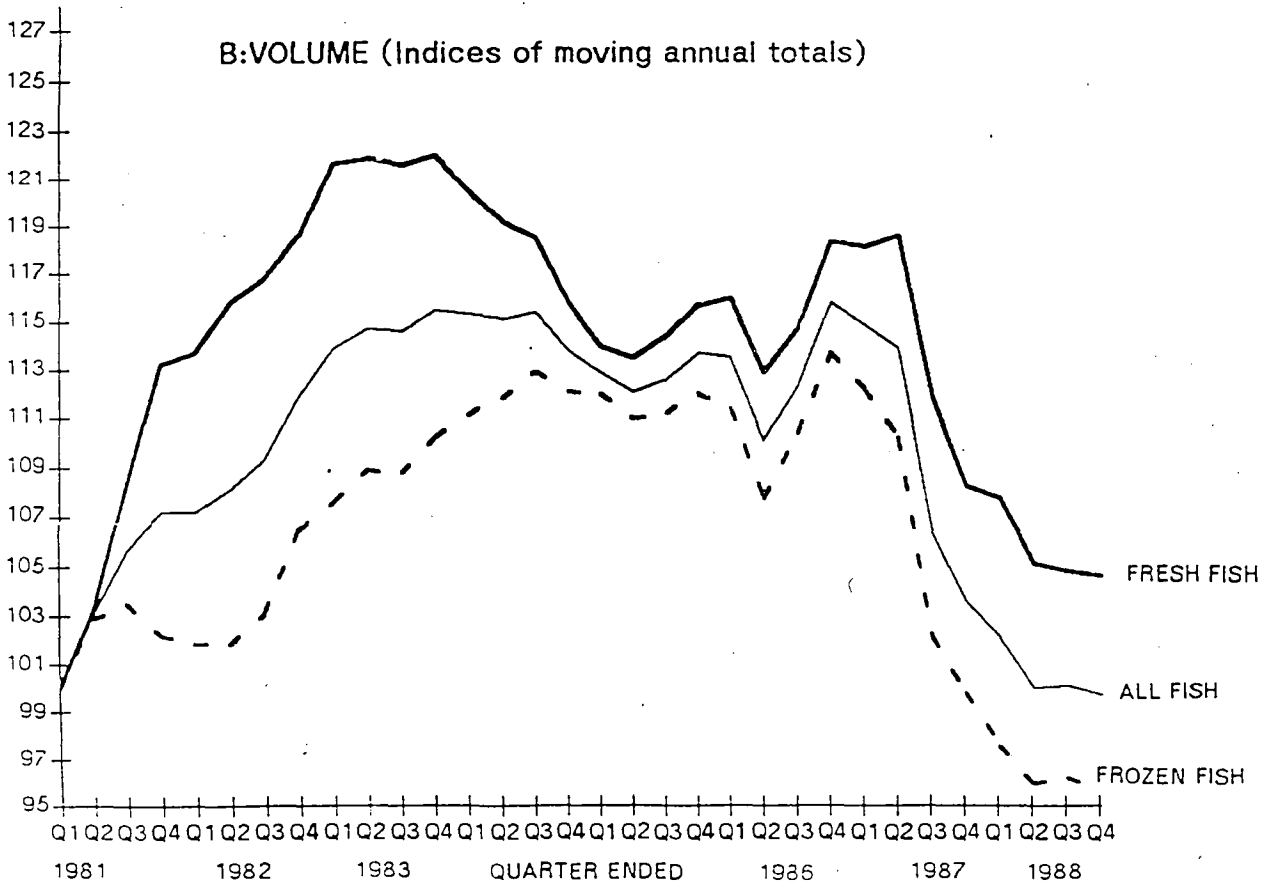
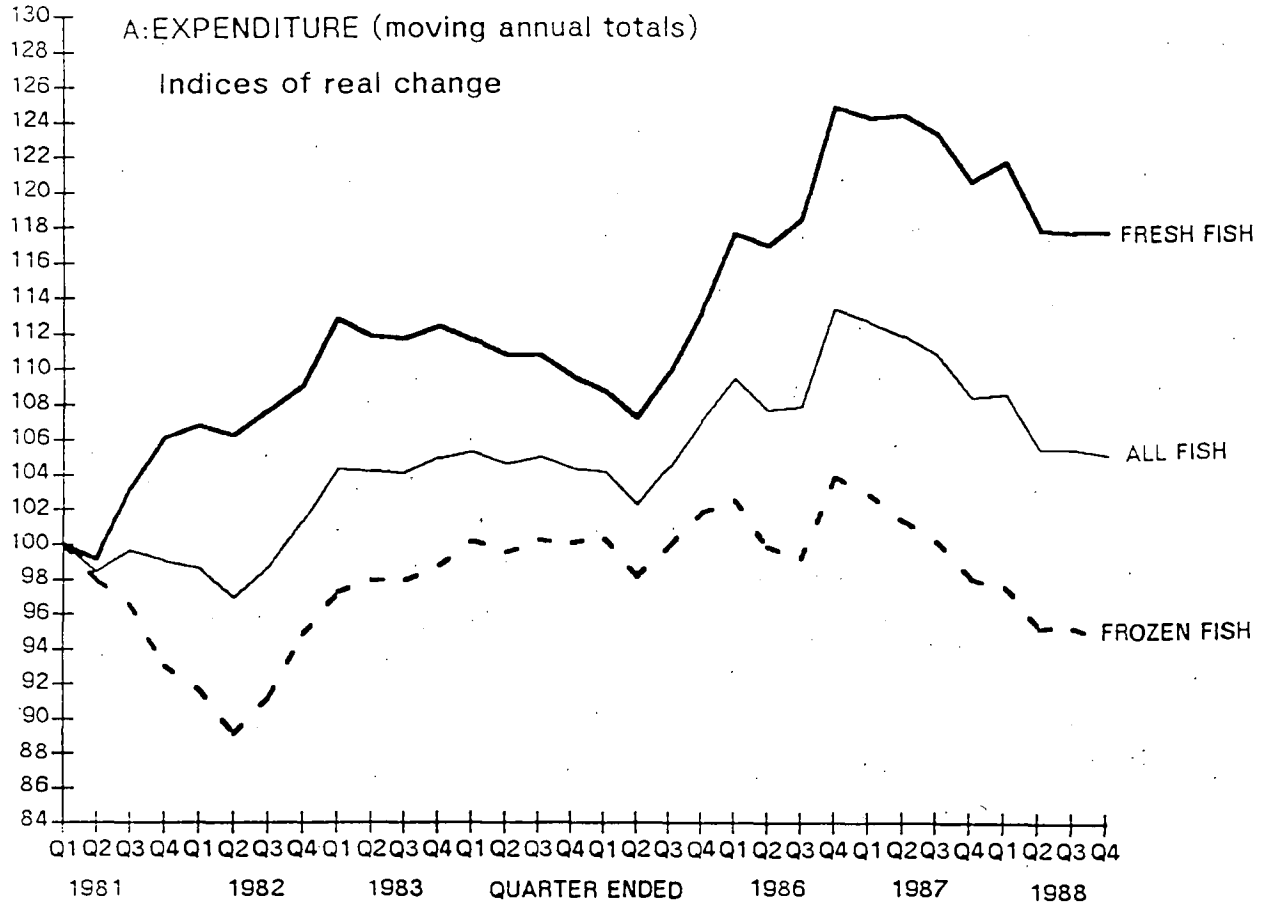
However, I would be failing in my duty to you if I did not take this opportunity of taking a leaf from Margaret Thatchers book and giving you a short lecture. The UK is a sophisticated market. The world is knocking on its door and trying to sell there. You've seen from the trade statistics just how much some countries actually are selling there. Put yourself for a moment in the position of a UK buyer. You are looking to buy some product and you decide to see if Canada can offer at a competitive price to your other suppliers. You send off a telex to a number of Canadian suppliers and you await quotations. And you wait. Nothing happens. Not even a 'sorry, our season has not

started yet', a 'sorry we're out of stock' or 'sorry we can't provide this species from our waters'. What do you do? Unless you really do not have any other offers, you leave it there, but more importantly, next time around, you'll be damned if you'll go back to those people again, and so they'll never know you wanted just what they had available at the time, that time. If I could leave you with no-other thought in mind from the last 20 minutes, it would be that the UK market is too valuable to be treated simply as a residual one, both in quality of service and in quality of product. And I would like to tell you that, while there will always be occasions when there is roomm for improvement, in contrast to the situation that applied a few years ago, Newfoundland product generally enjoys a good quality image in the UK now. In fact, one buyer told me not so long ago that he had just seen the best cod block of his life, and it had come from here. And of course you have marvellous and varied resources. Let's work together to capitalize on them.

Household Purchases in Great Britain CHART 1

Year ended

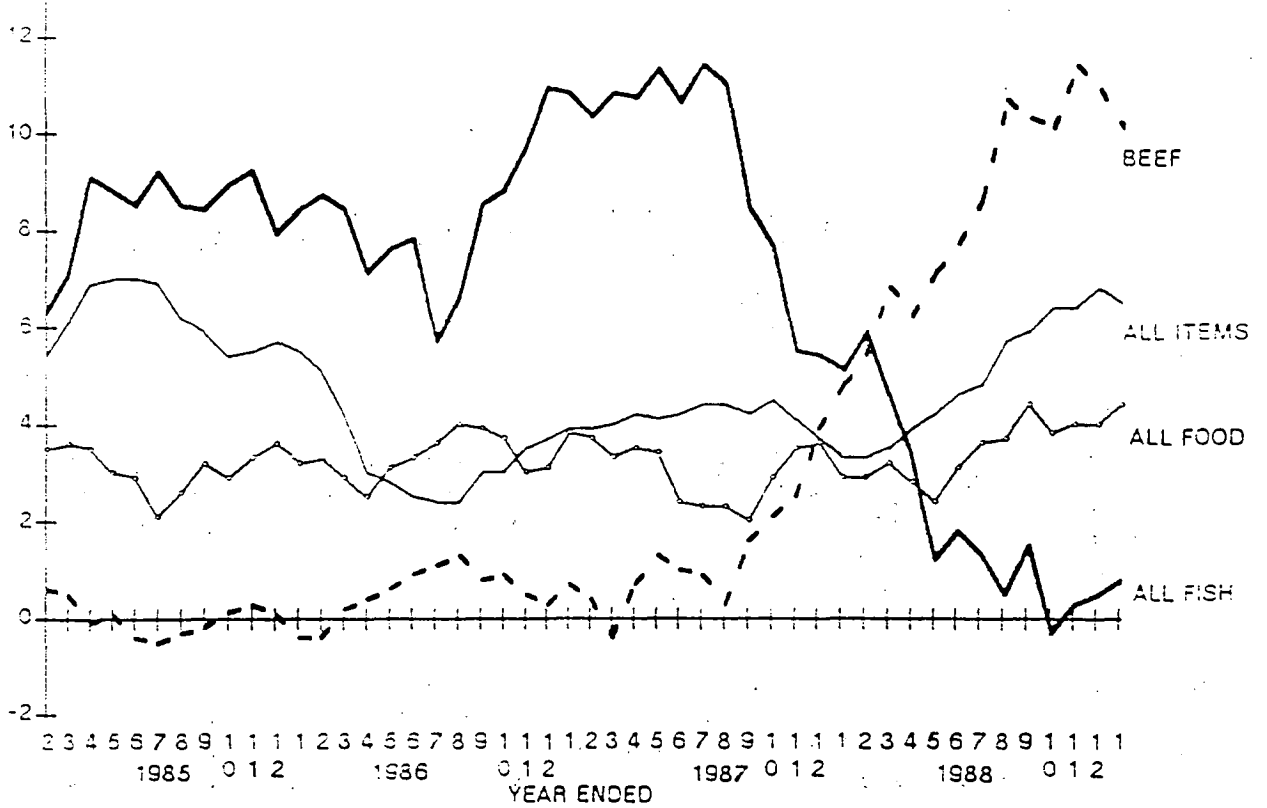
March 1981=100



A. CHANGE

10-

A: Percentage change over 12 months



1983=100

B: Various items January 1985 to December 1988

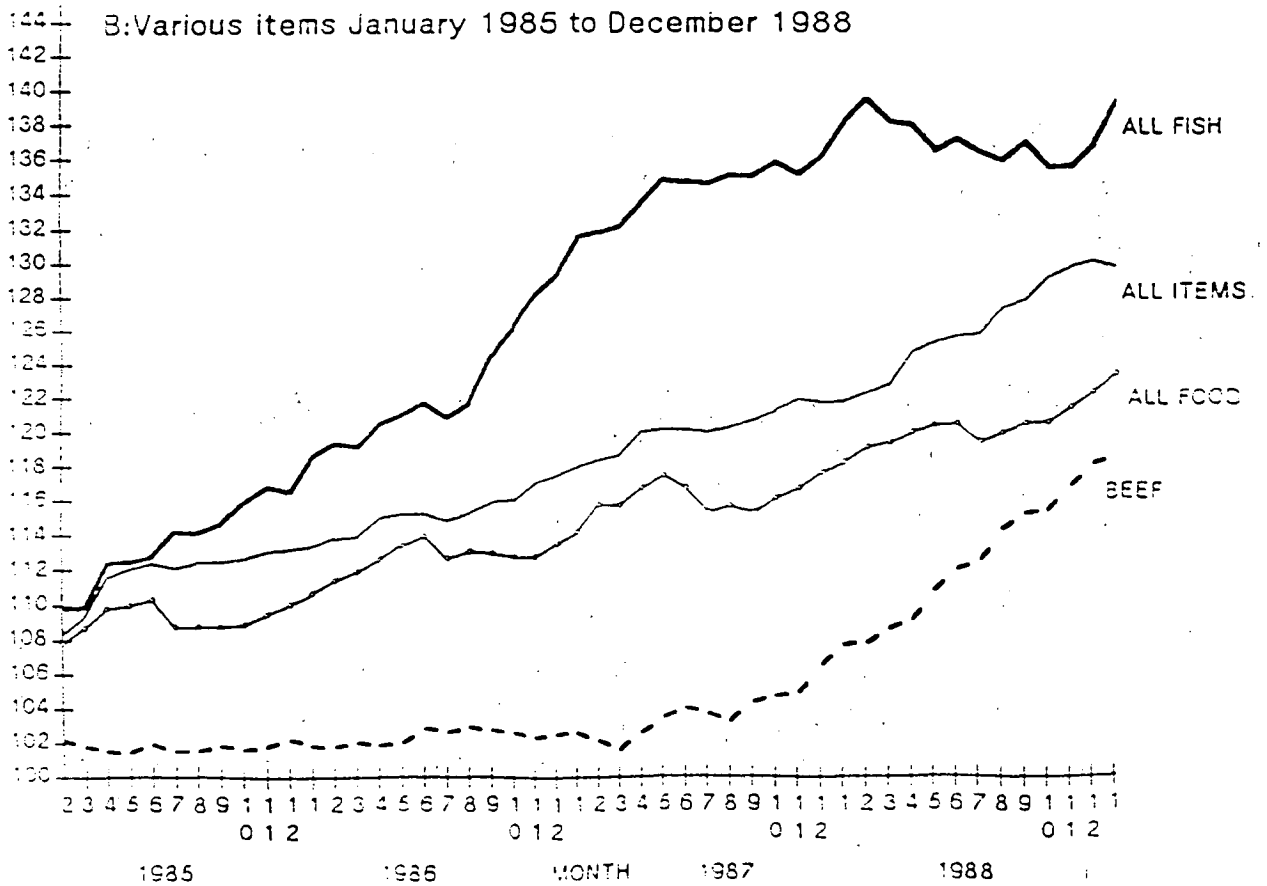


CHART 3

FISH USED IN CATERING IN GREAT BRITAIN

TONS	WINTER 1984	WINTER 1986	WINTER 1987	WINTER 1988	%
COD	56,312	53,812	91,000	49,562	31.0
HADDOCK	39,937	29,812	32,812	31,375	19.6
PLAICE	17,437	14,437	27,875	14,125	8.8
SOLE	3,687	2,937	6,812	3,312	2.1
MACKEREL	2,375	1,875	2,625	1,750	1.1
WHITING	2,250	875	2,187	2,000	1.2
COLEY	1,937	1,562	2,687	1,000	0.6
HERRING	1,937	1,562	6,000	937	0.6
ROCK SALMON	6,875	4,187	5,000	4,250	2.7
SUB-TOTAL	126,562	111,062	177,000	108,312	67.7
FISH FINGERS	6,437	13,062	14,187	7,750	4.8
FISH CAKES	3,000	5,062	5,875	4,812	3.0
OCEAN STICKS	62	62	625	NEG	NEG
SUB-TOTAL	9,500	18,187	20,687	12,562	7.8
PRAWN	4,062	7,062	10,937	12,625	7.9
SCAMPI	3,875	5,750	10,875	9,937	6.2
SUB-TOTAL	7,937	12,812	21,812	22,562	14.1
SALMON	3,687	2,937	7,062	6,000	3.8
TROUT	2,062	2,750	5,187	3,375	2.1
SUB-TOTAL	5,750	5,687	12,250	7,187	5.9
OTHER	4,750	3,687	12,312	7,187	4.5
TOTAL	154,500	151,437	244,062	160,000	100

Source SFIA

Note: Annualised figure based on one month sample in winter quarter

BREAKDOWN OF GB FISH CATERING SALES BY PRINCIPLE OUTLET WINTER 88 %

CHART 4

%	HOTELS	REST.S	PUBS	CAFES	FISH/CHIP	CLUBS	CANTEENS	HEALTH	EDUCATION	SERVICES
COD					53		17		8	
HADDOCK			13		37			9		
PLAICE		14	14		27					
SOLE	23	26					21			
MACKEREL	21		28				36			
WHITING					28		62			
COLEY									88	
HERRING	33						33			
ROCK SALMON					90					
SUB-TOTAL	6	7	8	2	43	neg	20	8	6	neg
FISH FINGERS							6	10	69	
FISH CAKES					18			8	65	
SUB-TOTAL	3	3	1	2	1	neg	1	9	68	neg
PRAWN	19	26	33							
SCAMPI	19	11	40							
SUB-TOTAL	19	19	36	6	3	4	11	1	neg	neg
SALMON	42	29					15			
TROUT	26	28					20			
SUB-TOTAL	36	29	9	1	3	2	1	2	1	neg
OTHER	19	20							17	
TOTAL	10	10	11	2	30	1	17	6	10	neg

Source: SFIA

- Note: 1. Percentages may not total due to rounding
 2. Definitions of establishments believed to cover 95% of catering sales

UK VESSELS LANDING INTO THE UK 1987 & 1988

CHART 5

SPECIES	TONNES			VALUE '000			AVE PRICE /TONNE		
	1987	1988	% DIFF	1987	1988	% DIFF	1987	1988	% DIFF
COD	90,637	76,224	-16	83,621	73,666	-12	923	966	5
DOG FISH	13,446	12,674	-6	7145	6988	-2	531	551	4
HADDOCK	101,936	97,499	-4	77,744	68,597	-12	763	704	-8
HAKE	3,301	3,530	7	5,515	6,322	15	1,671	1,791	7
LEMON SOLE	5,319	5,401	2	9,019	8,780	-3	1,696	1,626	-4
ANGLERFISH	9,610	11,001	14	18,145	19,279	6	1,888	1,752	-7
PLAICE	25,438	27,077	6	22,348	22,136	-1	879	818	-7
SAITHE	15,089	14,362	-5	7,030	5,628	-20	466	392	-16
SOLE	3,063	2,955	-4	16,623	13,936	-16	5,427	4,716	-13
WHITING	51,306	44,943	-12	25,155	21,097	-16	490	469	-4
OTHER DEMERSAL	56,795	62,675	10	27,400	27,972	2	482	446	-7
TOTAL DEMERSAL	375,940	358,341	-5	299,745	274,401	-8	797	766	-4
HERRING	106,477	93,199	-12	12,716	11,241	-12	119	121	1
MACKEREL	189,467	175,720	-7	21,424	20,753	-3	113	118	4
OTHER PELAGIC	7,589	14,612	93	1,124	1,579	40	148	108	-27
TOTAL PELAGIC	303,533	283,531	-7	35,264	33,573	-5	116	118	2
CRABS	11,016	12,953	18	9,136	11,930	31	829	921	11
NEPHROPS	24,202	26,864	11	42,932	43,739	2	1,774	1,628	-8
OTHER SHELLFISH	68,708	51,173	-26	36,467	32,091	-12	531	627	18
TOTAL SHELLFISH	103,926	90,990	-12	88,535	87,760	-1	852	965	13
TOTAL ALL FISH	783,399	732,861	-6	423,544	395,732	-7	541	540	-0

Source: MAFF. Notes: 1. Equivalent landed weight for most common method of presentation
 2. Mackerel landings include figures caught by British vessels and transferred to foreign vessels.
 3. Shellfish figures may significantly underestimate total landings due to difficulties of reporting.

UK IMPORTS OF COD BY COUNTRY OF ORIGIN

CHART 6

	1985		1986		1987		1988	
	TONNES	£'000	TONNES	£'000	TONNES	£'000	TONNES	£'000
Norway	19,714	31,845	21,313	39,389	23,491	48,531	20,827	37,864
Denmark	24,033	46,985	24,191	37,065	24,033	46,985	24,191	37,065
Iceland	45,652	44,079	59,861	69,698	58,776	75,489	59,397	73,154
FRG	5,886	7,642	3,594	7,018	3,594	7,014	3,065	6,293
Canada	10,856	11,626	6,630	10,377	5,706	8,777	6,527	9,491
Eire	2,240	1,561	1,420	1,217	(1)	(1)	(1)	(1)
Faroe Islands	5,736	8,698	4,930	8,716	1,892	3,117	3,213	5,465
Greenland	1,466	2,230	1,134	1,943	(1)	(1)	(1)	(1)
Holland	7,564	4,620	3,871	2,985	2,705	2,693	2,089	2,354
France	1,558	2,429	1,316	2,242	(1)	(1)	(1)	(1)
Belg-Lux	511	401	1,245	1,051	(1)	(1)	(1)	(1)
USSR	(1)	(1)	(1)	(1)	510	499	3,309	2,418
Other	4,986	2,849	6,611	5,614	13,314	20,227	12,372	13,203
TOTAL	129,592	146,076	137,752	195,813	124,720	197,541	131,654	180,941

Source: SFIA

(1) Trade, if any, included in 'Other' in this year.

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UK IMPORTS OF HADDOCK BY COUNTRY OF ORIGIN

Chart 7

	1985		1986		1987		1988	
	TONNES	£'000	TONNES	£'000	TONNES	£'000	TONNES	£'000
NORWAY	2,991	4,663	5,263	8,330	7,042	12,209	9,628	14,953
ICELAND	9,609	6,340	10,612	11,009	10,384	10,237	16,811	17,344
USSR	(1)	(1)	(1)	(1)	2,799	2,208	2,115	1,622
FAREC IS	2,194	3,840	1,397	2,867	1,376	2,493	1,578	2,969
EIRE	3,588	2,772	1,456	967	2,395	1,386	3,445	1,794
DENMARK	2,241	3,058	1,966	2,397	2,847	3,575	3,427	4,112
OTHER	2,135	1,862	984	1,048	1,087	4,516	492	843
TOTAL	22,758	22,535	21,678	26,618	27,930	36,624	37,496	43,636

SOURCE SFIA

(1) TRADE, IF ANY, INCLUDED IN OTHER THIS YEAR.

(1)
UK IMPORTS OF HERRING BY COUNTRY OF ORIGIN

CHART 8

	1985		1986		1987		1988	
	TONNES	£'000	TONNES	£'000	TONNES	£'000	TONNES	£'000
EIRE	2,880	534	3,883	842	3,505	723	2,416	669
CANADA	654	305	299	152	393	194	388	177
NORWAY	4,362	1,953	4,785	2,112	1,920	826	2,899	1,298
HOLLAND	479	150	322	146	259	101	315	190
FRG	248	103	82	36	(2)	(2)	(2)	(2)
ICELAND	2,800	1,324	2,809	1,405	3,888	1,768	3,276	1,721
DENMARK	2,488	464	1,716	354	208	102	162	88
FRANCE	69	32	37	18	(2)	(2)	(2)	(2)
OTHER	43	39	254	168	33	18	181	116
TOTAL	14,024	4,904	14,188	5,232	10,206	3,732	9,638	4,259

(1) Includes fresh, chilled, frozen and cured.

(2) Trade, if any, included in 'other' for this year.

Source: SFIA

UK IMPORTS OF MACKEREL BY COUNTRY OF ORIGIN

CHAZI 9

	1985		1986		1987		1988	
	TONNES	£'000	TONNES	£'000	TONNES	£'000	TONNES	£'000
Eire	10,967	1,533	10,637	1,647	17,279	3,001	16,789	3,191
France	228	124	346	186	375	212	361	176
Holland	606	130	731	180	650	211	446	142
Italy	(1)	(1)	(1)	(1)	0	0	32	16
Taiwan	(1)	(1)	(1)	(1)	0	0	18	11
India	(1)	(1)	(1)	(1)	2	2	13	8
Norway	1,479	485	195	43	(1)	(1)	(1)	(1)
Other	180	57	216	102	1,347	466	857	356
TOTAL	13,460	2,329	12,125	2,158	19,653	3,892	18,515	3,899

Source: SFIA

(1) Trade, if any, included in 'Other' this year.

UK IMPORTS AND EXPORTS OF LOBSTER

CHART 10

	1985		1986		1987		1988	
	TONNES	£'000	TONNES	£'000	TONNES	£'000	TONNES	£'000
IMPORTS								
Live	145	1,105	277	1,854	350	2,167	628	3,256
Whole	81	435	70	372	124	540	34	124
Frozen	56	266	167	1,397	101	624	269	1,537
Other	292	1,935	517	3,645	7	66	11	82
TOTAL IMPORTS	6,402	14,736	6,861	21,305	582	3,397	943	4,997
EXPORTS								
Live	877	7,930	837	8,157	1,031	9,743	997	8,939
Whole	39	304	61	409	138	999	37	264
Frozen	24	264	53	222	308	1,965	318	1,982
Other	971	8,783	1,061	9,547	348	1,019	113	801
TOTAL EXPORTS	4,239	14,010	5,636	19,995	1,824	13,726	1,465	11,985

Source: SFIA

UK IMPORTS AND EXPORTS OF DOGFISH

Chart 11

	1985		1986		1987 ⁽¹⁾		1988 ⁽¹⁾	
	TONNES	£'000	TONNES	£'000	TONNES	£'000	TONNES	£'000
IMPORTS								
CANADA	255	243	265	230	265	230	96	90
EIRE	5,224	1,843	4,230	1,561	6,088	2,418	3,594	1,450
USA	721	668	476	427	972	1,231	673	769
GFR	7	9	11	27	(2)	(2)	(2)	(2)
SWITZERLAND	(2)	(2)	(2)	(2)	0	0	13	9
TAIWAN	(2)	(2)	(2)	(2)	49	80	64	92
FRANCE	(2)	(2)	(2)	(2)	35	40	36	31
OTHER	193	140	93	70	241	308	162	176
TOTAL IMPORTS	6,400	2,903	5,075	2,315	7,385	4,077	4,542	2,527
EXPORTS								
FRANCE	N/A		5,842	6,766	6,366	7,986	5,294	7,094
GFR	N/A		519	736	938	1,890	735	1,073
THAILAND	N/A		165	73	145	258	187	102
HOLLAND	N/A		56	69	67	97	112	179
SWITZERLAND	N/A		21	13	20	57	(2)	(2)
NORWAY	N/A		(2)	(2)	(2)	(2)	27	20
BELGE-LUX	N/A		89	156	145	258	132	238
OTHER	N/A		122	268	33	48	62	75
TOTAL EXPORTS			6,818	8,081	7,800	10,460	6,549	8,781

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(1) INCLUDES OTHER SHARKS

(2) INCLUDED IN OTHER IN THIS YEAR

SOURCE: SFIA

EUROPE 1992

**Presented by:
Armand Blum
Director General
European Community Bureau
Dept. of External Affairs**

E U R O P E 1 9 9 2:

A MAJOR CHANGE IN CANADA'S COMPETITIVE LANDSCAPE

I WOULD LIKE IN MY PRESENTATION TO COVER BOTH WHAT EUROPE 92 MEANS TO CANADIAN BUSINESS AS A WHOLE AND THEN MORE SPECIFICALLY, TO CANADIAN EXPORTERS OF FISH PRODUCTS. I THINK IT IS IMPORTANT TO SEE THE BIGGER PICTURE IN ORDER TO SITUATE YOURSELF WITHIN IT.

THE MESSAGE FOR CANADIAN BUSINESS IS THAT EUROPE IS ON THE MOVE AGAIN, IN A BIG WAY. LET ME TRY TO ILLUSTRATE WHERE IT MATTERS TO CANADIAN BUSINESS. (SLIDE ONE) 1992 IS SHORTHAND FOR THE CREATION IN THE EUROPEAN COMMUNITY OF A TRULY SINGLE MARKET, WITHOUT ANY BARRIERS TO THE INTERNAL MOVEMENT OF GOODS, CAPITAL, SERVICES, OR PEOPLE. IT IS BECOMING A SINGLE MARKET IN A SENSE IN WHICH THE CANADA-USA FREE TRADE AREA CANNOT CLAIM TO BE. AS A SINGLE MARKET, IT ENCOMPASSES FAR MORE THAN THE CANADA-USA FTA. SO WE SHOULD THINK OF IT IN TERMS OF ONE MARKET, RATHER THAN A UK MARKET PLUS A GERMAN MARKET PLUS A FRENCH MARKET, ETC., ALTHOUGH OF COURSE NATIONAL AND REGIONAL CHARACTERISTICS WILL REMAIN AND ARE VERY IMPORTANT FROM A MARKETING POINT OF VIEW.

2. I'D LIKE TO FOCUS FIRST ON WHY THE CREATION OF THE SINGLE MARKET MATTERS TO US. FOR CANADIAN BUSINESS, THE FIRST STRIKING THING ABOUT IT IS THE SHEER SIZE OF THAT MARKET: (SLIDE TWO) WITH 325 MILLION AFFLUENT CONSUMERS, THE EC IS THE WORLD'S LARGEST EXPORTER AND THE WORLD'S SECOND-LARGEST IMPORTER.

3. BUT IT IS ALSO WORTH FOCUSING ON THE COMMON MARKET'S OWN INTERNATIONAL TRADE NETWORK. (SLIDE THREE) THE EC HAS A FREE TRADE AREA IN INDUSTRIAL GOODS WITH THE EUROPEAN FREE TRADE AREA COUNTRIES (THE SCANDINAVIAN COUNTRIES, SWITZERLAND AND AUSTRIA) AND HAS PREFERENTIAL TRADING AGREEMENTS WITH A LARGE PART OF THE REST OF THE WORLD MAINLY-THE FORMER COLONIES OF ITS MEMBER STATES.

4. THAT NETWORK INCREASES THE EC'S OWN COMMERCIAL AND ECONOMIC WEIGHT, WHICH RESTS ON THE FACT (SLIDE FOUR) THAT THE EC HAS A GROSS DOMESTIC PRODUCT (GDP) ABOUT EQUAL TO THAT OF THE USA. THE EC'S ECONOMIC WEIGHT IS ALSO EVIDENT IN WORLD CAPITAL MARKETS: EC FINANCIAL CENTRES NOW ACCOUNT FOR 45% OF TOTAL INCREMENTAL BANK LENDING, COMPARED TO 18% FOR JAPAN AND 10% FOR THE USA. (SLIDE FIVE)

5. ABOVE ALL, THE EC IS A GIANT IN INTERNATIONAL TRADE; (SLIDE SIX) IT ALONE CONDUCTS ABOUT SIXTEEN PERCENT OF WORLD TRADE.

6. IN TERMS OF OUR OWN EXPORTS, AS A SINGLE MARKET IT IS A VERY BIG ONE INDEED (SLIDE SEVEN) WITH A FAIRLY STEADY ANNUAL GROWTH RATE OVER THE LAST THREE YEARS OF 17 TO 19 PERCENT.

7. IT IS WORTH NOTING THE COMPOSITION OF THOSE EXPORTS. (SLIDE EIGHT) FIRST, WE ARE TALKING ABOUT A CASH MARKET, AND BY AND LARGE A HIGH-PROFIT MARKET. SECOND, YOU WILL NOTE THAT A HIGH PROPORTION OF OUR EXPORTS TO EUROPE ARE OF VALUE-ADDED GOODS. THIS SLIDE WILL SHOW YOU (SLIDE NINE) THE LEVEL OF EXPORTS TO THE EC BY PROVINCE; THE FOLLOWING ONE SHOWS (SLIDE TEN) THE PERCENTAGE OF THE TOTAL EXPORTS OF EACH PROVINCE THAT GO TO THE EC MARKET. (ABOUT 20% FOR NEWFOUNDLAND AND FROM THIS MORNING'S SPEECH YOU HEARD THAT 11% OF YOUR FISH EXPORTS GO TO WESTERN EUROPE, MAINLY THE EC)

8. MOVING FROM TRADE TO ECONOMIC RELATIONS, IT IS WORTH NOTING A HIGH LEVEL OF ECONOMIC AND INDUSTRIAL PARTNERSHIP (SLIDE ELEVEN) IN THAT THE LEVEL OF THE EC'S DIRECT INVESTMENT IN CANADA IS HIGH AND GROWING, AND THAT IT CARRIES AN IMPORTANT ELEMENT OF TECHNOLOGY TRANSFER.

9. IN FACT, TECHNOLOGY DEVELOPMENT IS AN IMPORTANT PART OF THE SINGLE MARKET EXERCISE. THEY HAVE MATCHED THE 1992 EXERCISE WITH A MAJOR R AND D EFFORT TO REGAIN TECHNOLOGICAL COMPETITIVENESS, WITH A TEN-BILLION DOLLAR COMMUNITY PROGRAMME

OVER FOUR YEARS. THIS IS OVER AND ABOVE THE R AND D BUDGETS OF THE TWELVE MEMBER-STATES (SLIDE TWELVE). THE EC IS DETERMINED TO PUT ITS INDUSTRIES ON A NEW COMPETITIVE FOOTING, BY CLOSING THE TECHNOLOGY GAP WITH THE USA AND JAPAN. THE BENEFITS OF THE WORLD'S LARGEST SINGLE MARKET PLUS \$10 BILLION IN NEW MONEY FOR R AND D IS GOING TO GO A LONG WAY TO ACHIEVE THAT.

* * * * *

10. I HOPE I HAVE GIVEN YOU AT LEAST AN IMPRESSION OF WHY MAJOR DEVELOPMENTS IN EUROPE MATTER TO CANADIAN BUSINESS. AND THE SINGLE MARKET/1992 IS PROBABLY THE MAJOR ECONOMIC DEVELOPMENT IN EUROPE SINCE THE EC WAS FOUNDED IN 1957. IF IT IS SUCCESSFUL (AND EVERY INDICATION IS THAT IT WILL BE) IT WILL SUBSTANTIALLY CHANGE OUR COMPETITIVE ENVIRONMENT. IN SOME AREAS, WE WILL FACE STRONGER EUROPEAN COMPETITION NOT ONLY IN THE EUROPEAN MARKET, BUT IN THIRD-COUNTRY MARKETS AROUND THE WORLD, AND IN OUR OWN NORTH AMERICAN MARKET. BUT WE WILL ALSO FACE INCREASED OPPORTUNITIES IF CANADIAN FIRMS CAN MATCH THE COMPETITION AND SEIZE THEIR OWN PIECE OF THE LARGER ECONOMIC PIE THAT WILL RESULT FROM THE 1992 EXERCISE.

11. A FEW BASIC THINGS HAVE TO BE SAID ABOUT THE SINGLE MARKET/1992 EXERCISE:

- THE THRUST BEHIND THE WHOLE EXERCISE IS INTERNATIONAL COMPETITIVENESS FOR EUROPEAN FIRMS; IT IS ONLY IF THEY PULL TOGETHER, ON THE BASIS OF A HUGE BARRIER-FREE DOMESTIC MARKET, THAT THEY CAN BE EQUAL COMPETITORS WITH THE USA AND JAPAN; IT IS ONLY IF THEY REMAIN AN OPEN AND LIBERAL MARKET THAT THEY CAN SHARPEN THEIR INTERNATIONAL COMPETITIVENESS;
- WHAT THEY ARE AFTER IS RATIONALIZATION AND ECONOMIES OF SCALE; THEY ARE TRYING TO ACHIEVE THAT BY LESS REGULATION, NOT MORE;
- THE PROGRAMME IS COMPREHENSIVE, AND IS PAIRED WITH OTHER MAJOR EC POLICIES: EC-WIDE R AND D; MERGER POLICY; SMALL AND MEDIUM BUSINESS POLICY; ENERGY POLICY; REGIONAL DEVELOPMENT POLICY, ETC.
- THE SINGLE MARKET WILL HAPPEN; INDEED MUCH OF IT IS ALREADY HAPPENING, AND IT IS BEING DRIVEN AS MUCH BY THE PRIVATE SECTOR AS BY GOVERNMENTS.

12. THERE IS NO LACK OF EVIDENCE FOR THAT:

- PREPARATION FOR 1992 IS PUSHING INVESTMENT: AN 8 PERCENT RISE LAST YEAR, THE FASTEST IN TWENTY YEARS;

- PREPARATION FOR 1992 IS PUSHING MERGERS AND ACQUISITIONS: EVEN IF WE EXCLUDE TRANSACTIONS INVOLVING LESS THAN US \$100 MILLION, THERE WERE 240 LARGE MERGERS AND ACQUISITIONS LAST YEAR, INVOLVING A TOTAL OF US \$135 BILLION. (101 OF THOSE WERE TRANSATLANTIC TRANSACTIONS);

- TO A LARGE EXTENT, WHAT WE ARE SEEING IS FIRMS RESTRUCTURING AND POSITIONING THEMSELVES FOR THE SINGLE MARKET: EUROPEAN FIRMS SURELY, BUT ALSO USA FIRMS IN A BIG WAY, JAPANESE TOO, AND INCREASINGLY CANADIAN FIRMS.

* * *

13. WHAT WILL THE SINGLE MARKET MEAN FOR CANADIAN BUSINESS?

- FIRST, A CHALLENGE IN THE EUROPEAN MARKET, IN THIRD COUNTRIES, AND IN OUR OWN NORTH AMERICAN MARKET; CANADIAN COMPANIES WILL BE CHALLENGED TO COMPETE WITH EUROPEAN COMPANIES THAT WILL BE INCREASINGLY COMPETITIVE;

- SECOND, IN THOSE SAME MARKETS, CANADIAN COMPANIES WILL BE CHALLENGED BY AMERICAN AND JAPANESE FIRMS THAT WILL HAVE TAKEN ADVANTAGE OF SOME OF THE BENEFITS OF 1992;

- THIRDLY, THERE WILL BE A SHORT-TERM TENDENCY ON THE PART OF POTENTIAL EUROPEAN PARTNERS TO BE MORE INWARD-LOOKING, TO BE CONCENTRATED ON ASSURING THEIR EUROPEAN "BASE".

14. BUT THERE WILL BE POSITIVE ASPECTS TOO:

- THE SINGLE MARKET WILL PROMOTE EUROPEAN GROWTH, AND THEREFORE WILL STIMULATE DEMAND (SLIDE THIRTEEN). TO ILLUSTRATE THAT, THE PROCESS STARTS FROM A HIGH BASE, AND IF IT RAISES EC AVERAGE NATIONAL INCOME ONLY TO THE LEVEL OF BELGIUM TODAY, THAT WOULD ADD \$700 BILLION OF EXTRA PURCHASING POWER (ABOUT EQUAL TO ITALY'S TOTAL GDP);
- THE EC WILL BE A MORE ATTRACTIVE PLACE TO INVEST BECAUSE OF MARKET AND PRODUCTION ECONOMIES, R AND D FACILITIES, AND ACCESS FACILITIES SUCH AS EC-WIDE ACCESS TO PUBLIC PROCUREMENT FOR EC-BASED COMPANIES;
- THE EC WILL BE AN EASIER MARKET-PLACE BECAUSE OF UNIFORM STANDARDS ESTABLISHED ON A FAIRLY COMFORTABLE BASIS OF MUTUAL RECOGNITION OF STANDARDS, BECAUSE OF ONE PATENT PROTECTION PROCEDURE WILL DO INSTEAD OF TWELVE, BECAUSE A SINGLE INCORPORATION WILL DO INSTEAD OF SEVERAL, AND BECAUSE OF RATIONALIZED WAREHOUSING AND DISTRIBUTION SYSTEMS.

15. WHAT WILL THE SINGLE MARKET MEAN FOR THE CANADIAN FISH EXPORTERS?

THERE ARE TWO POSSIBLE AREAS WHERE 1992 MAY HAVE AN IMPACT IN THE FISHERIES SECTOR:

- A) THE CANADIAN EXPORTERS COULD HOPEFULLY SOON BENEFIT FROM THE ELIMINATION OF THE PROVISIONS ESTABLISHING ALLOCATIONS PER MEMBER STATE WITHIN THE CURRENT EC TARIFF RATE QUOTAS FOR FISH PRODUCTS AND
- B) THE CANADIAN EXPORTERS WOULD HAVE TO FACE MORE WELL DEFINED BUT STRINGENT HEALTH & TECHNICAL STANDARDS AS WELL AS CONSUMER LABELLING REQUIREMENTS.

THE ELIMINATION OF INDIVIDUAL M/S QUOTA ALLOCATIONS FOR THE TARIFF REDUCED QUOTAS SHOULD BENEFIT CANADIAN FIRMS IN GIVING THEM GREATER FLEXIBILITY AND SPEED IN DIRECTING THEIR PRODUCTS TO THE MOST APPROPRIATE MARKETS IN THE COMMUNITY.

THE HEALTH AND TECHNICAL STANDARDS AND OTHER EC DIRECTIVES WILL GENERALLY BE COMMON TO ALL THE AGRI-FOOD INDUSTRY. FOR INSTANCE, OF ALL THE EC DIRECTIVES THAT HAVE

BEEN PROPOSED. TABLED OR ADOPTED ONLY TWENTY HAVE BEEN IDENTIFIED AS BEING OF POSSIBLE INTEREST TO THE FISHERIES SECTOR. OF THESE, THERE ARE FOUR THAT DEAL SPECIFICALLY WITH TRADE IN FISH PRODUCTS AND ONLY ONE HAS BEEN TABLED. IT IS THE ONE THAT RELATES TO THE REQUIREMENTS FOR THE EVisCERATION OF FISH PRIOR TO ITS MARKETING. ALSO HERE ARE SOME EXAMPLES OF GENERAL DIRECTIVES COMMON TO THE AGRI-FOOD INDUSTRY:

A) THE DIRECTIVE ON ADDITIVES IN FOOD PRODUCTS.

THIS TEXT IS AIMED AT AVOIDING NATIONAL MEASURES ON ADDITIVES HARMING THE FREE MOVEMENT OF THE PRODUCTS. THE ADDITIVES WHICH CONFORM TO THE DIRECTIVE SHOULD CIRCULATE FREELY AS FROM THE BEGINNING OF 1991; THE ADDITIVES WHICH DO NOT CONFORM SHOULD BE BANNED AS FROM THE BEGINNING OF 1992.

B) THE DIRECTIVE ON FROZEN FOODS. THE PRODUCTS

WHICH CONFORM TO THE DIRECTIVE SHOULD BE FREELY ADMITTED IN ALL THE MEMBER STATES AS FROM JUNE 1990; AT THE BEGINNING OF 1991, TRADE IN PRODUCTS WHICH DO NOT CONFORM WILL BE BANNED.

C) THE DIRECTIVE ON MATERIALS AND OBJECTS WHICH ARE DESTINED TO COME INTO CONTACT WITH FOODSTUFFS.

(WRAPPINGS, ETC.). THOSE MATERIALS AND OBJECTS WHICH CONFORM TO THE DIRECTIVE SHOULD BE ADMITTED IN ALL THE MEMBER STATES AS FROM JUNE 1990; THOSE MATERIALS AND OBJECTS WHICH DO NOT CONFORM WILL BE BANNED EVERYWHERE AS FROM JANUARY 1992. SOME ADJUSTMENT MAY BE NECESSARY ON THE PART OF THE CANADIAN EXPORTERS.

ANOTHER ASPECT OF 1992 RELATES TO QUALITY REGULATIONS. THE IMPORTANCE OF COMMON QUALITY CONTROL RULES ON FUTURE FISH TRADE IS A SUBJECT OF SOME CONCERN. HYGIENE OFFICIALS FROM THE EC MIGHT BE REQUIRED TO APPROVE EVERY FISH PROCESSING/PLANT "INDIVIDUALLY AND PERIODICALLY", JUST LIKE THEY NOW DO FOR OUR MEAT-PACKING PLANTS.

THE 1992 PROCESS WILL NOT AFFECT THE FUNDAMENTALS OF THE EC MARKET FOR FISH. IT IS FORECAST THAT THE BASIC STATE OF EC FISH SUPPLIES WILL REMAIN CONSTANT. THE COMMUNITY WILL CONTINUE TO HAVE A SHORTAGE OF SOME FISH VARIETIES, ESPECIALLY COD, AND WILL CONTINUE TO RELY ON IMPORTS.

16. ONE LARGE QUESTION IS ALWAYS ASKED: WILL THE POST 1992 EUROPE BE PROTECTIONIST, WILL IT BE "FORTRESS EUROPE"?

CLEARLY, THAT IS NOT THE IDEA OF 1992; THE IDEA IS AN ALTERNATIVE TO PROTECTIONISM, WHICH IS SEEN AS SOMETHING THAT WAS TRIED AND WHICH FAILED IN TERMS OF COMPETITIVENESS. THAT SAID, WHAT IS IN TRAIN IS A BROAD EXERCISE IN RESTRUCTURING, WHICH (TOGETHER WITH "WINNERS") WILL PRODUCE INDIVIDUAL, SECTORAL AND REGIONAL "LOSERS". THE "LOSERS" WILL GENERATE PROTECTIONIST PRESSURES, BUT SIGNS ARE THAT THESE WILL BE RESISTED BY THE COMMUNITY AT LARGE.

CLEARLY ALSO, THE EC WILL NEGOTIATE SKILLFULLY IN THE MTN, SEEKING TO USE SOME OF THE 1992 BENEFITS TO OUTSIDERS AS BARGAINING COINAGE.

HOW IT WILL PLAY OUT IN THE END WILL BE INFLUENCED BY A NUMBER OF IMPONDERABLES; SUCH AS: WILL THE URUGUAY ROUND FAIL? WILL WE HAVE A DEEP RECESSION? WILL THE G-7 FINANCE MINISTERS LOSE CONTROL OF EXCHANGE RATES AND OF BUDGETARY AND TRADE DEFICITS?

MY ONLY ANSWER TO THE QUESTION "WILL IT BE FORTRESS EUROPE?" IS THIS: IT IS NOT INTENDED TO, AND WITH ANY LUCK AT ALL, NO. BUT THE PUDDING IS NOT YET COOKED!

* * * * *

17. ONE FINAL QUESTION: WHAT DOES CANADIAN BUSINESS DO ABOUT IT?

- FIRST, BECOME AWARE OF IT. YOUR RESPECTIVE BUSINESS CONSULTATIVE BODIES SUCH AS YOUR SAGIT AND DAVID CULVER'S ITAC TASK FORCE ON EUROPE ARE CONTACTS ESTABLISHED FOR THESE PURPOSES:
- THEY ARE CLOSELY LINKED TO A WELL-STRUCTURED PROCESS OF SECTORAL ANALYSIS BEING CONDUCTED BY THE FEDERAL GOVERNMENT;
- ONCE YOU KNOW MORE ABOUT 1992 IN RELATION TO YOUR SECTOR, USE YOUR NETWORKS TO CLARIFY YOUR OWN VIEWS ON HOW YOUR OWN INTERESTS ARE INVOLVED: YOUR INDUSTRY ASSOCIATIONS; YOUR COUNTERPARTS IN THIRD COUNTRIES; EVENTUALLY, SPECIALIZED CONSULTANTS;
- HAVING DONE THAT, YOU CAN BEGIN TO FACE THE STRATEGIC QUESTIONS WHICH MANY AMERICAN AND JAPANESE FIRMS HAVE ALREADY BEEN ACTING UPON OVER THE LAST YEAR OR MORE:

DO YOU NEED A CORPORATE PRESENCE IN THE EC? DO YOU WANT TO TAP INTO THEIR R AND D FUNDING BY ESTABLISHING AN R AND D FACILITY IN THE EC?

. IF YOU ARE ALREADY MARKETING IN EUROPE, DOES 1992 GIVE YOU AN OPPORTUNITY TO EXPAND INTO OTHER EUROPEAN MARKETS AT REASONABLE COST? DOES IT GIVE YOU AN OPPORTUNITY TO RATIONALIZE YOUR MARKETING AND DISTRIBUTION?

. DO YOU KNOW ALL YOU NEED TO KNOW ABOUT THE DEVELOPMENT OF EUROPEAN STANDARDS, WHICH ARE OFTEN TENDING TO BECOME WORLD STANDARDS? ABOUT HOW THEY MESH WITH EXISTING INTERNATIONAL STANDARDS?

. WE IN THE DEPARTMENT OF EXTERNAL AFFAIRS, AND MORE SPECIFICALLY IN THE EUROPEAN COMMUNITY BUREAU, STAND READY TO HELP YOU WITH ANY ADVICE OR INFORMATION YOU SEEK. YOU CAN EITHER ACCESS US DIRECTLY OR THROUGH THE INTERNATIONAL TRADE CENTRE IN YOUR AREA. WE HAVE JUST PUBLISHED THE FIRST PHASE OF A STUDY WHICH WE COMMISSIONED ON THE IMPLICATIONS OF A SINGLE EUROPEAN MARKET. IT WILL BE MADE AVAILABLE THROUGH THE INTERNATIONAL TRADE CENTRE.

18. THE MESSAGE I WOULD LIKE TO LEAVE WITH YOU IS FAIRLY SIMPLE, ALTHOUGH THE PROCESS I TALKED ABOUT IS COMPLEX:

- SOMETHING IMPORTANT IS HAPPENING OUT THERE IN EUROPE;

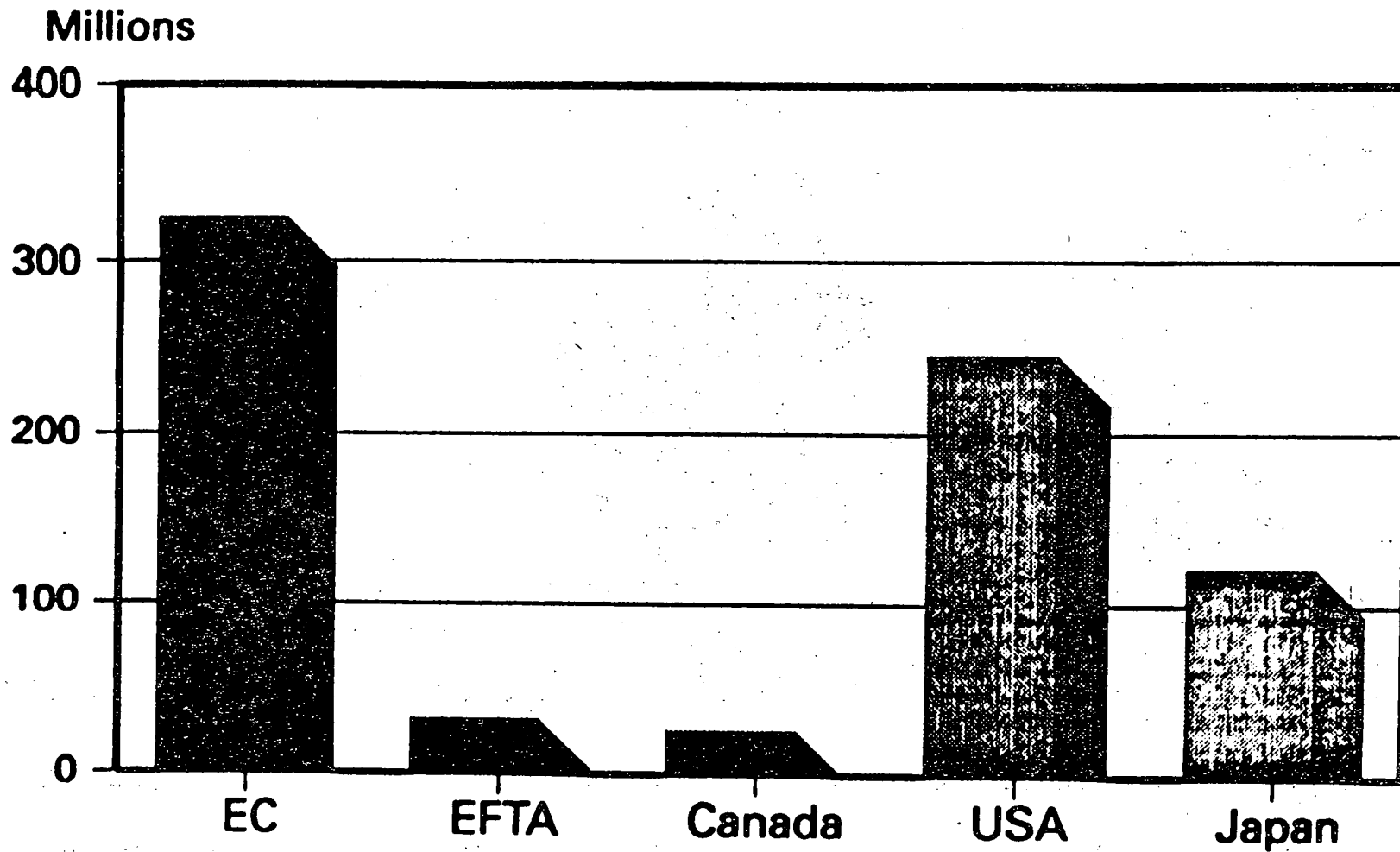
- IT WILL PROBABLY CHANGE YOUR COMPETITIVE ENVIRONMENT SIGNIFICANTLY;
- IT PRESENTS BOTH RISKS AND OPPORTUNITIES;
- YOU NEED TO KNOW; YOU NEED TO KEEP ON TOP OF IT; YOU MAY WELL HAVE TO DO SOMETHING ABOUT IT.

19. IF YOU ARE HERE TO TALK ABOUT THE PROSPECTS OF CHANGE IN INTERNATIONAL BUSINESS OVER THE NEXT DECADE, THIS IS ONE OF THE MAJOR FACES OF CHANGE.

THANK YOU.



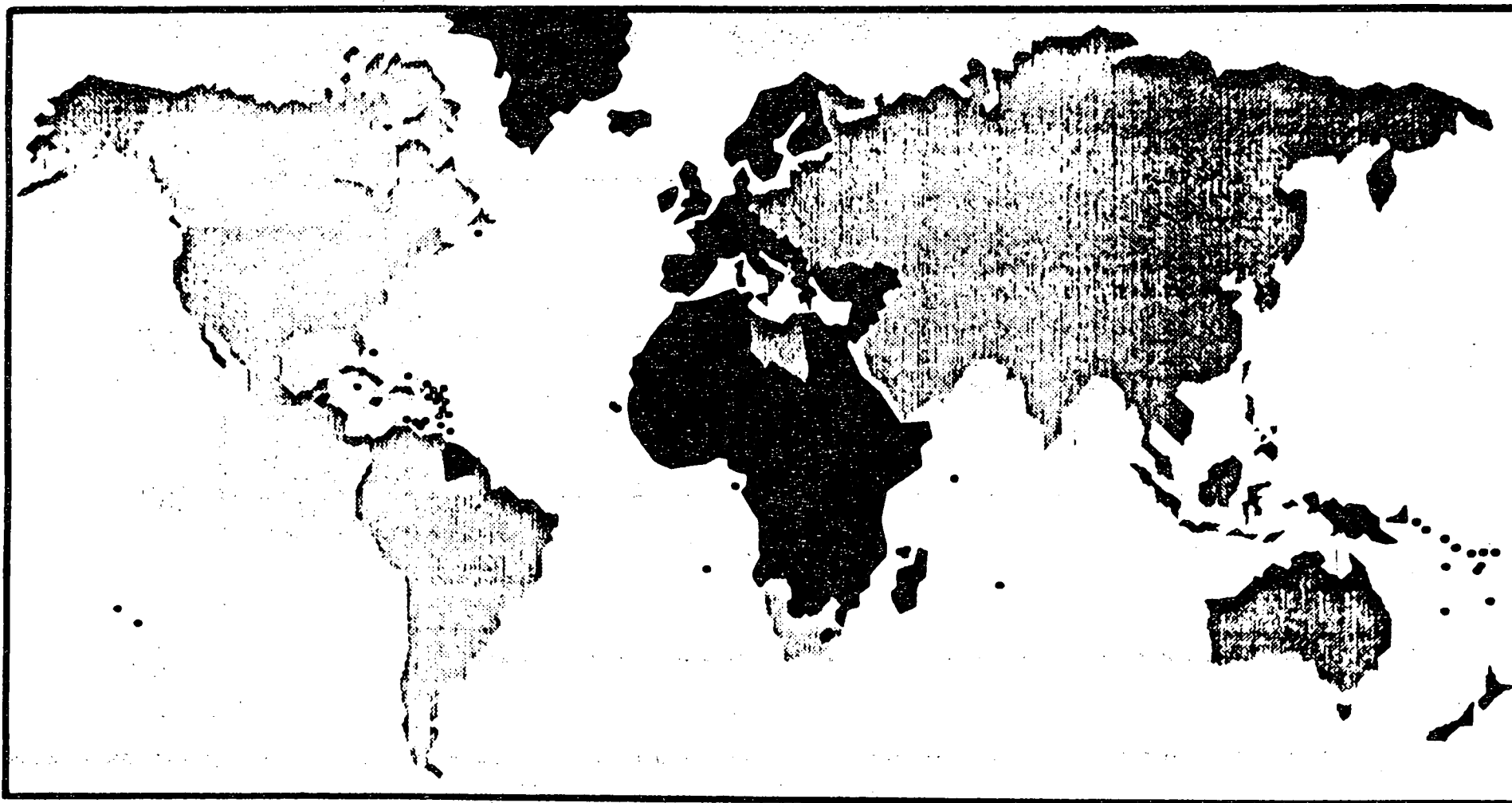
Population - 1988



Source: OECD Main Economic Indicators

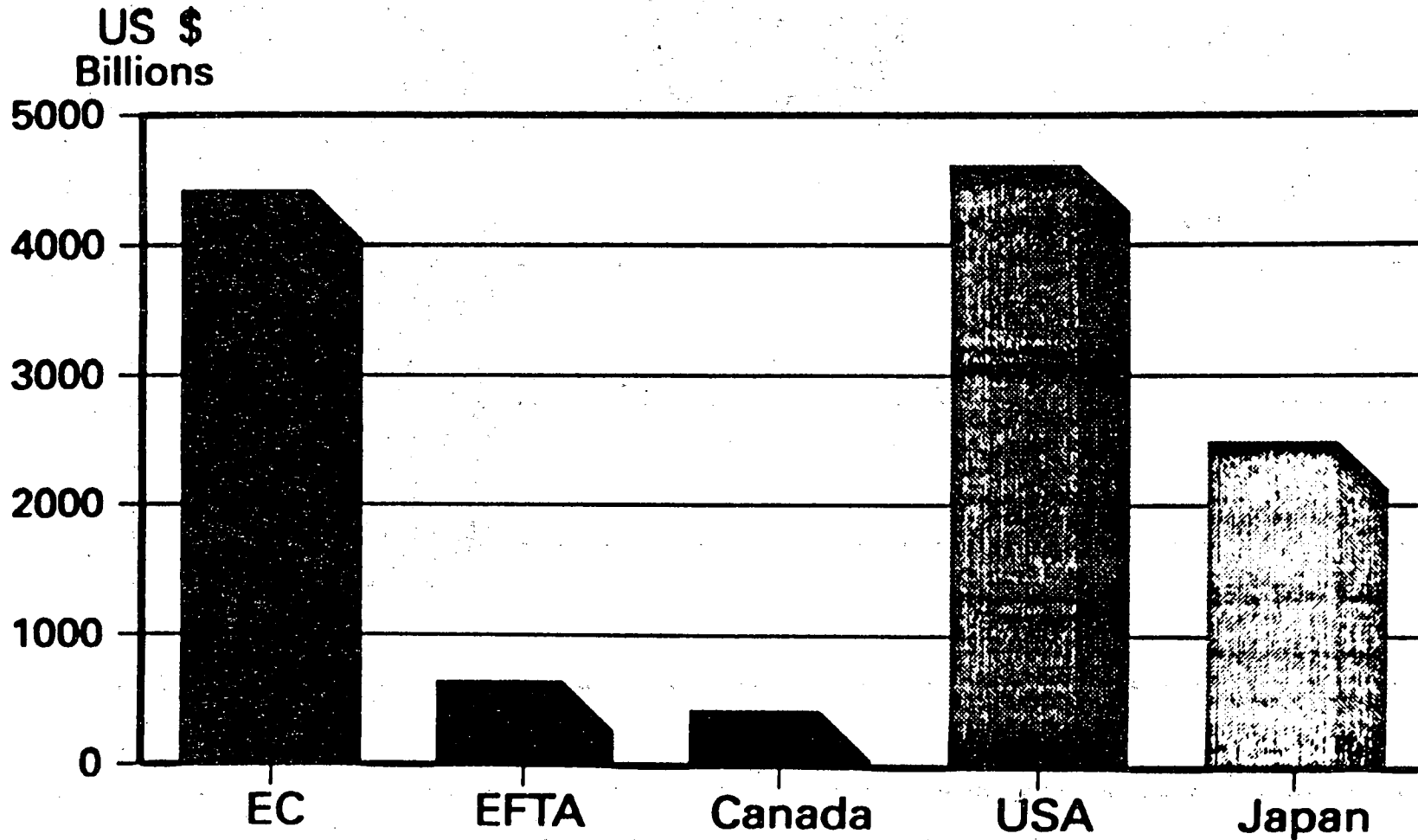
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EC Preferential Trade Partners



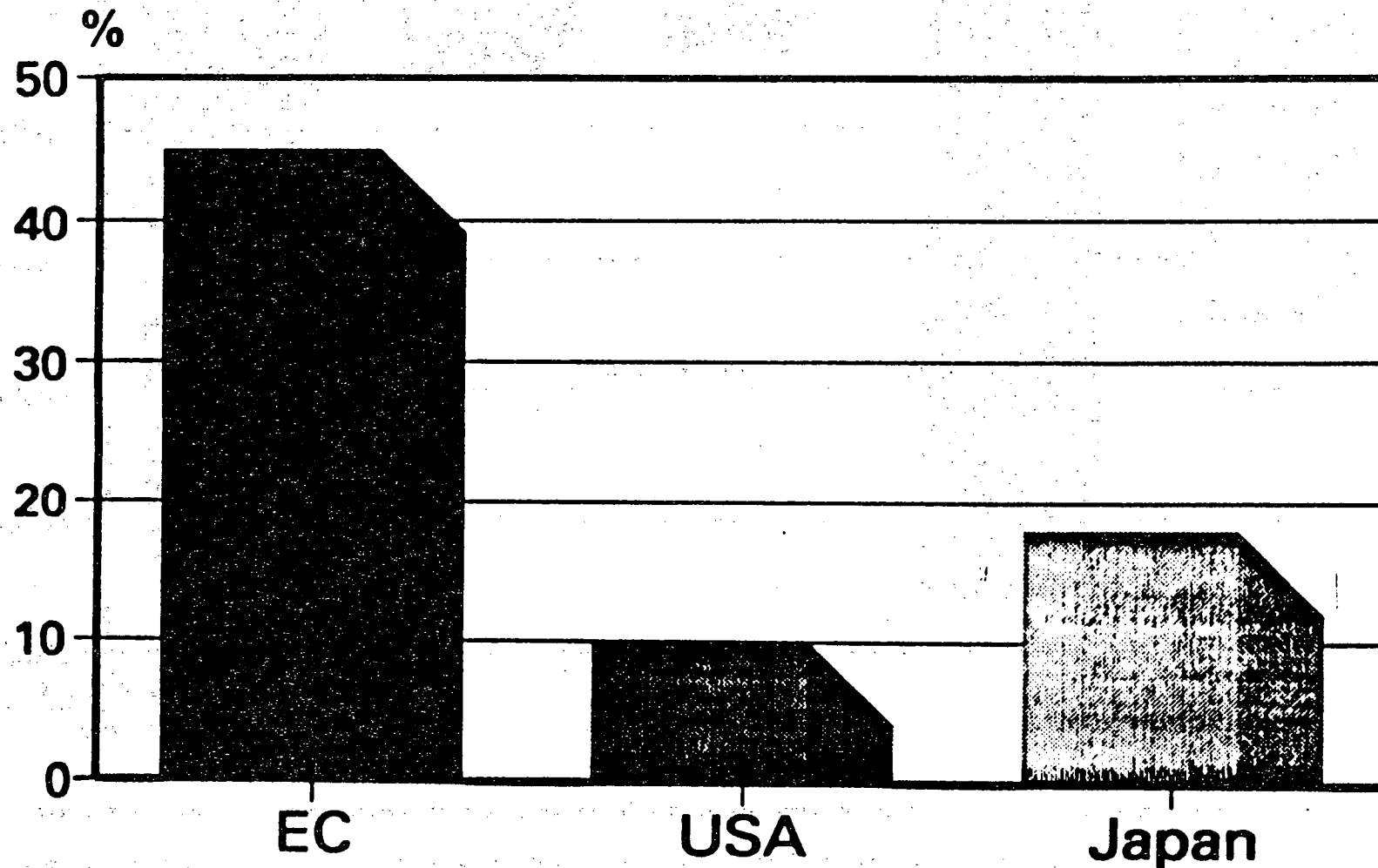
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Gross Domestic Product - 1988



Source: OECD Main Economic Indicators and Wharton Econometric Forecasting Associates

Global Bank Lending - 1987



Source: IMF and SRI International

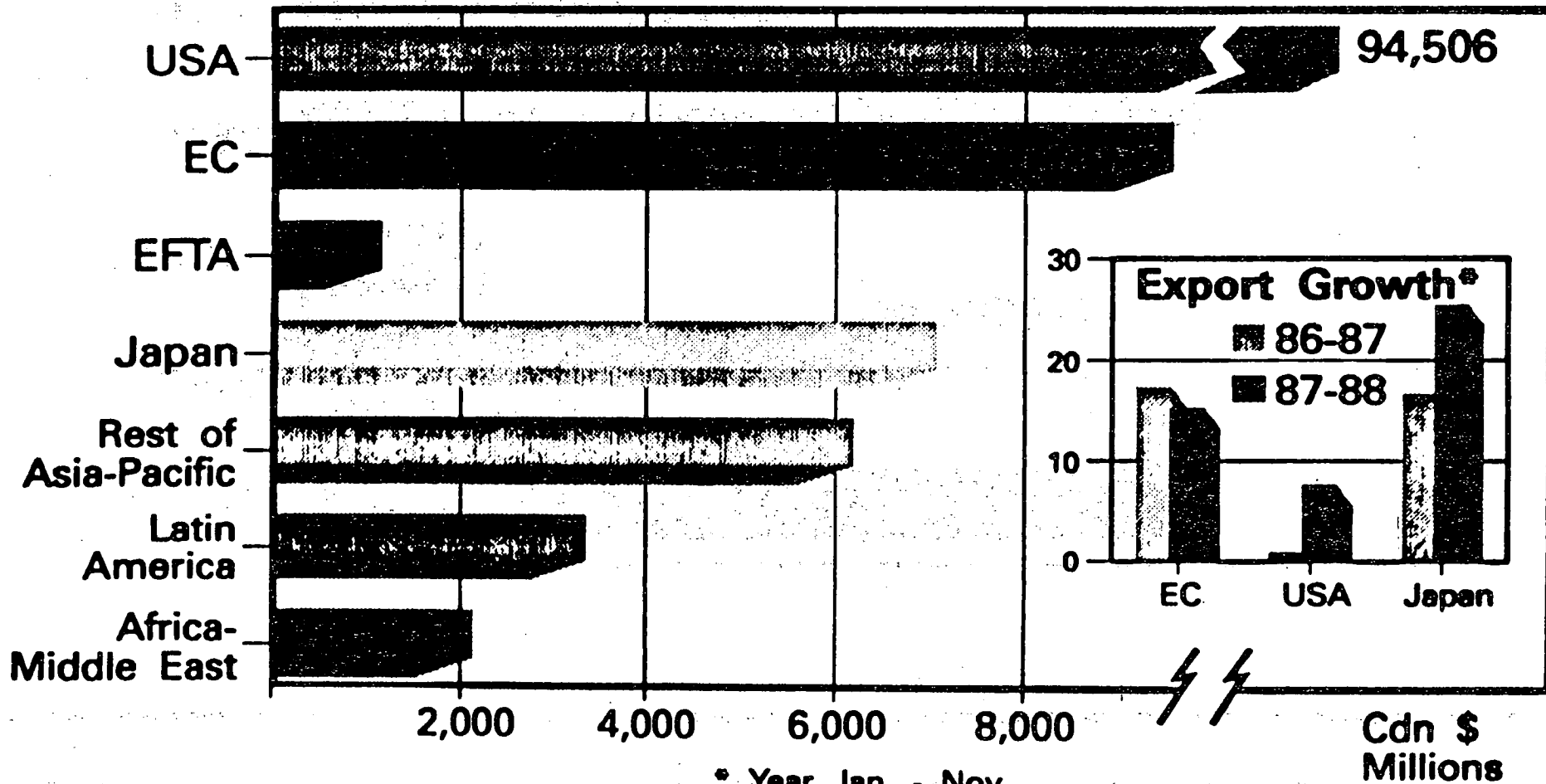
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Share of World Exports and Imports - 1987



Source: GATT International Trade 87-88

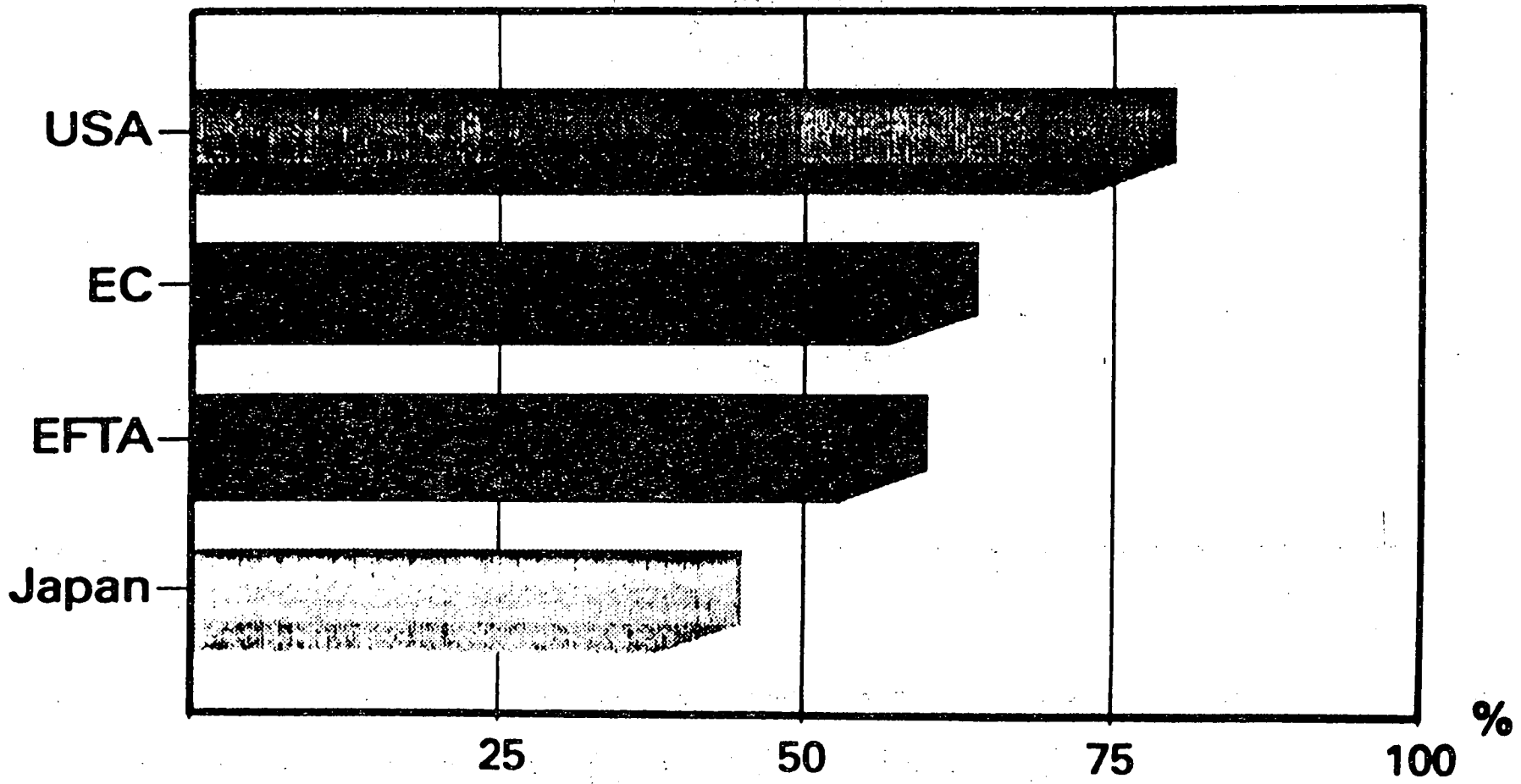
Canadian Exports - 1987



* Year Jan. - Nov.
Source: Statistics Canada

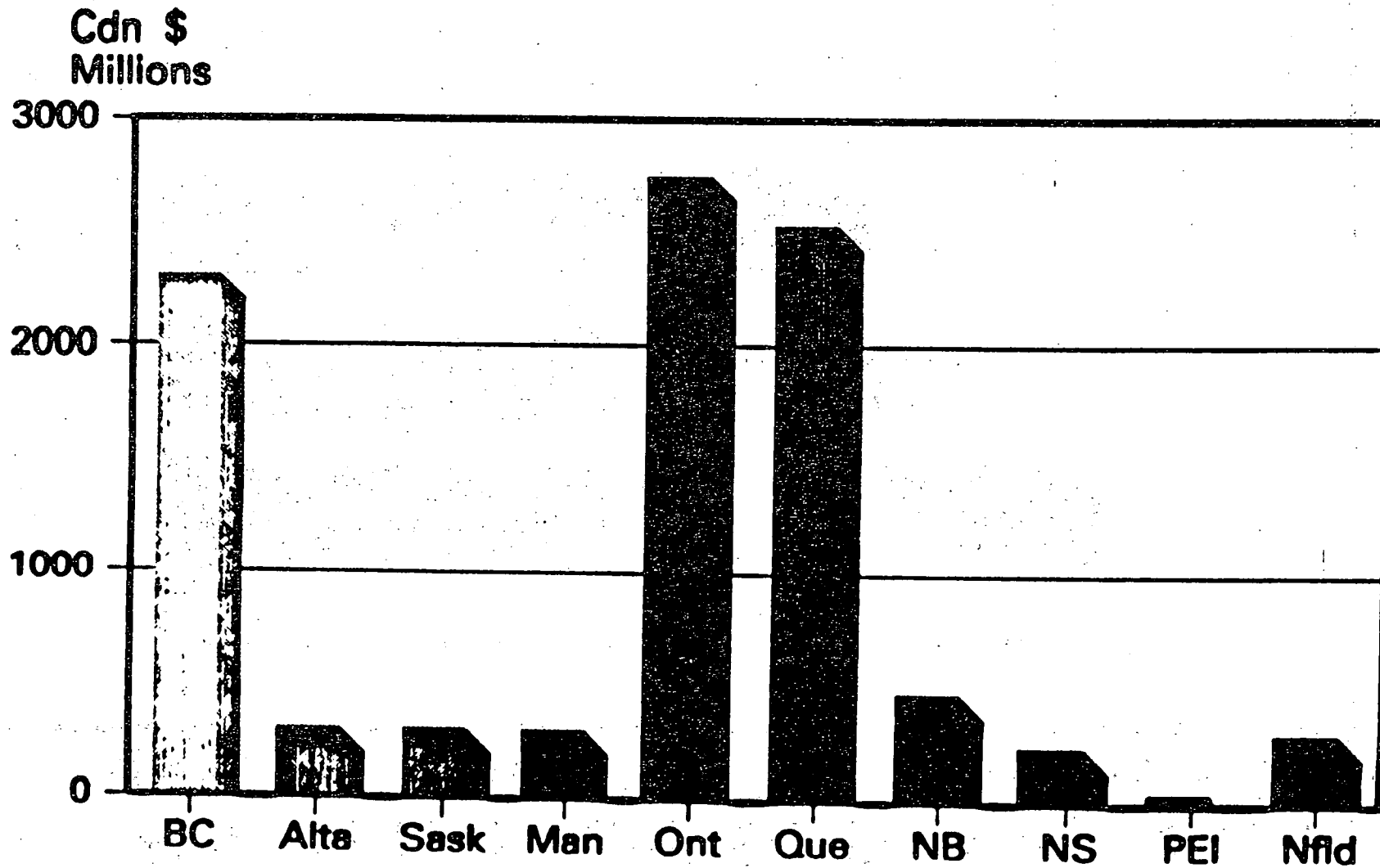
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Manufactured and Semi-Manufactured Exports as Percent of Total Exports - 1987



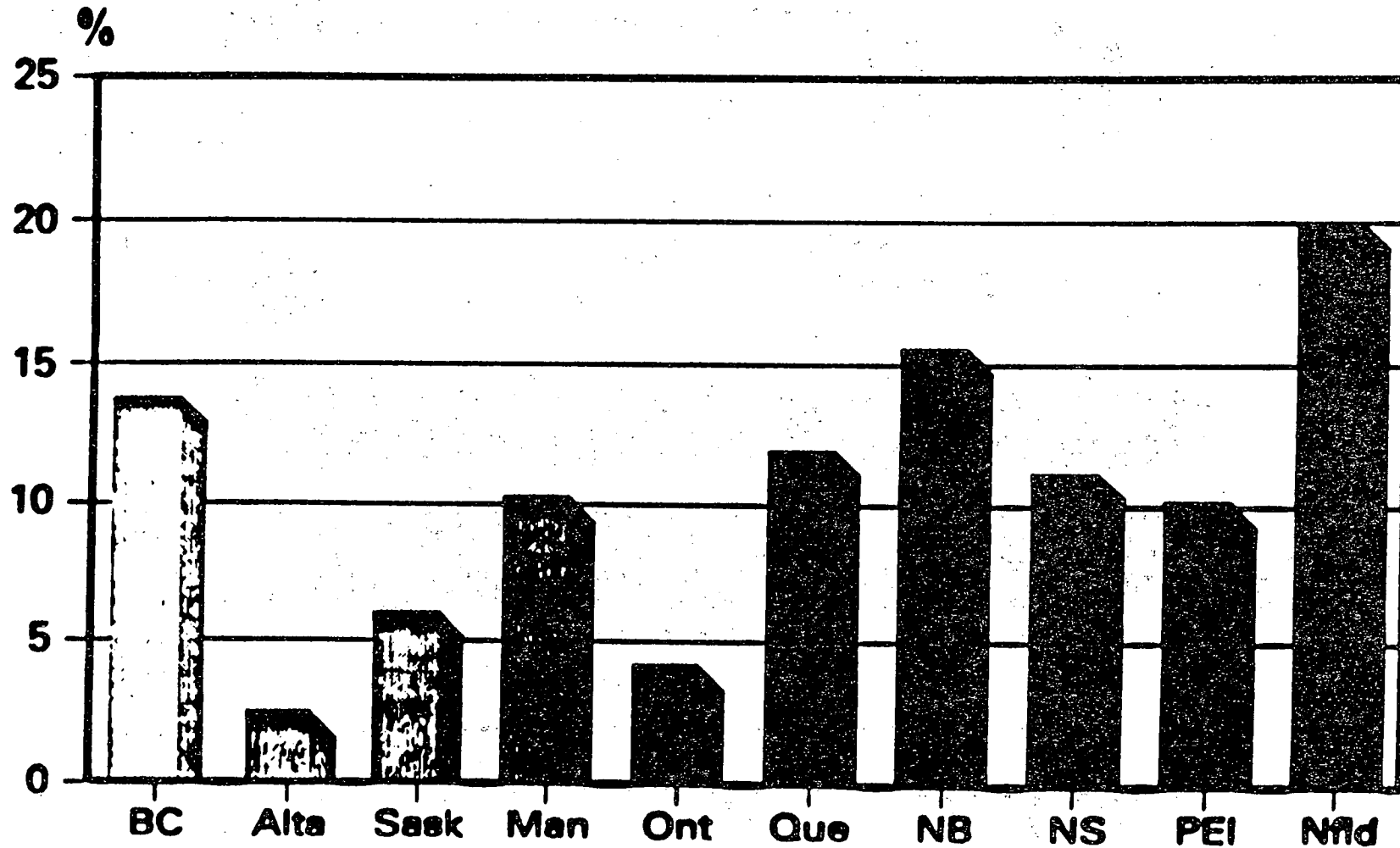
Source: Statistics Canada

Provinces Exports to EC - 1987



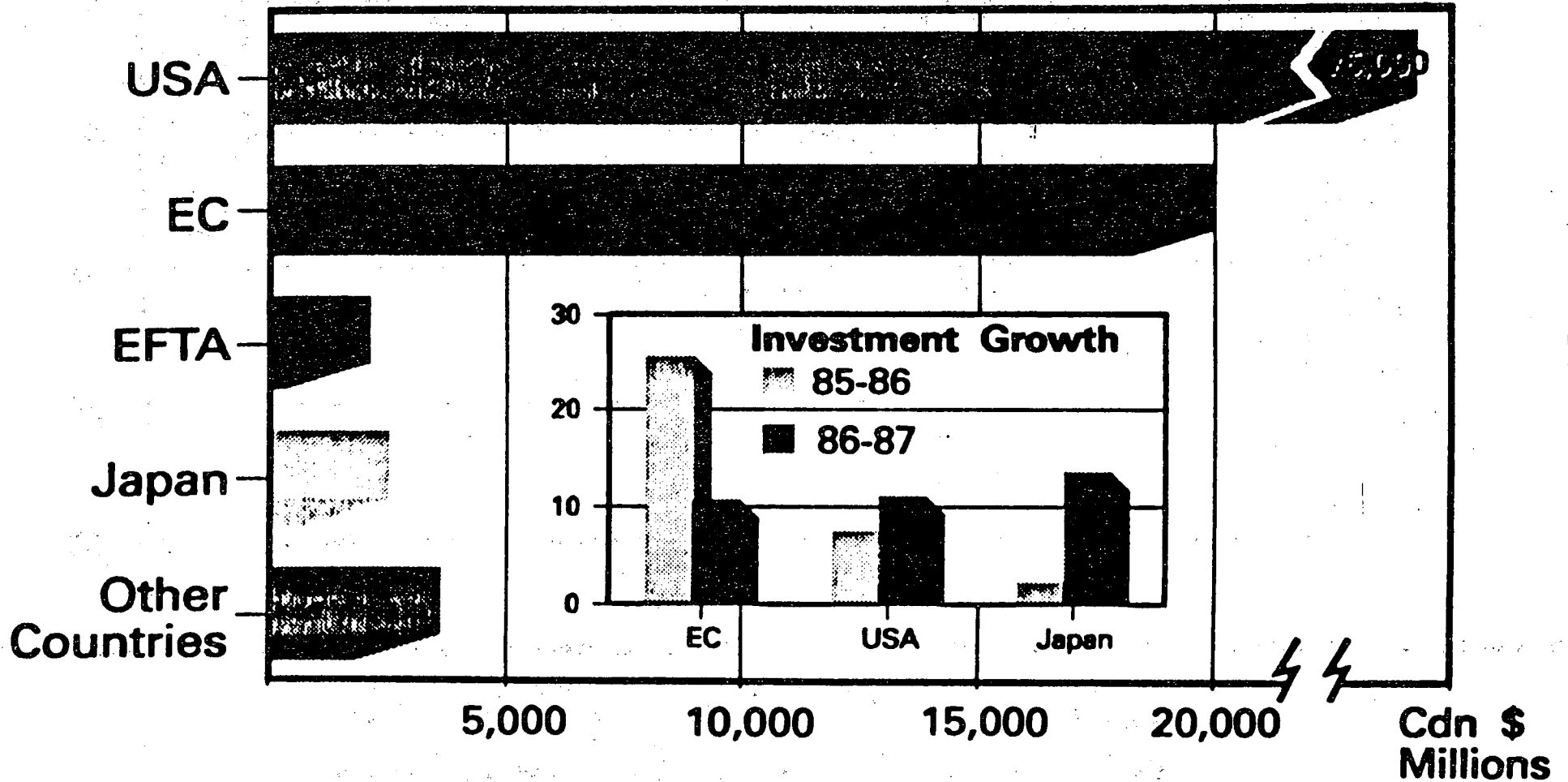
Source: Statistics Canada

Exports to EC as Percent of Total Exports - 1987



Source: Statistics Canada

Foreign Direct Investment in Canada - 1987

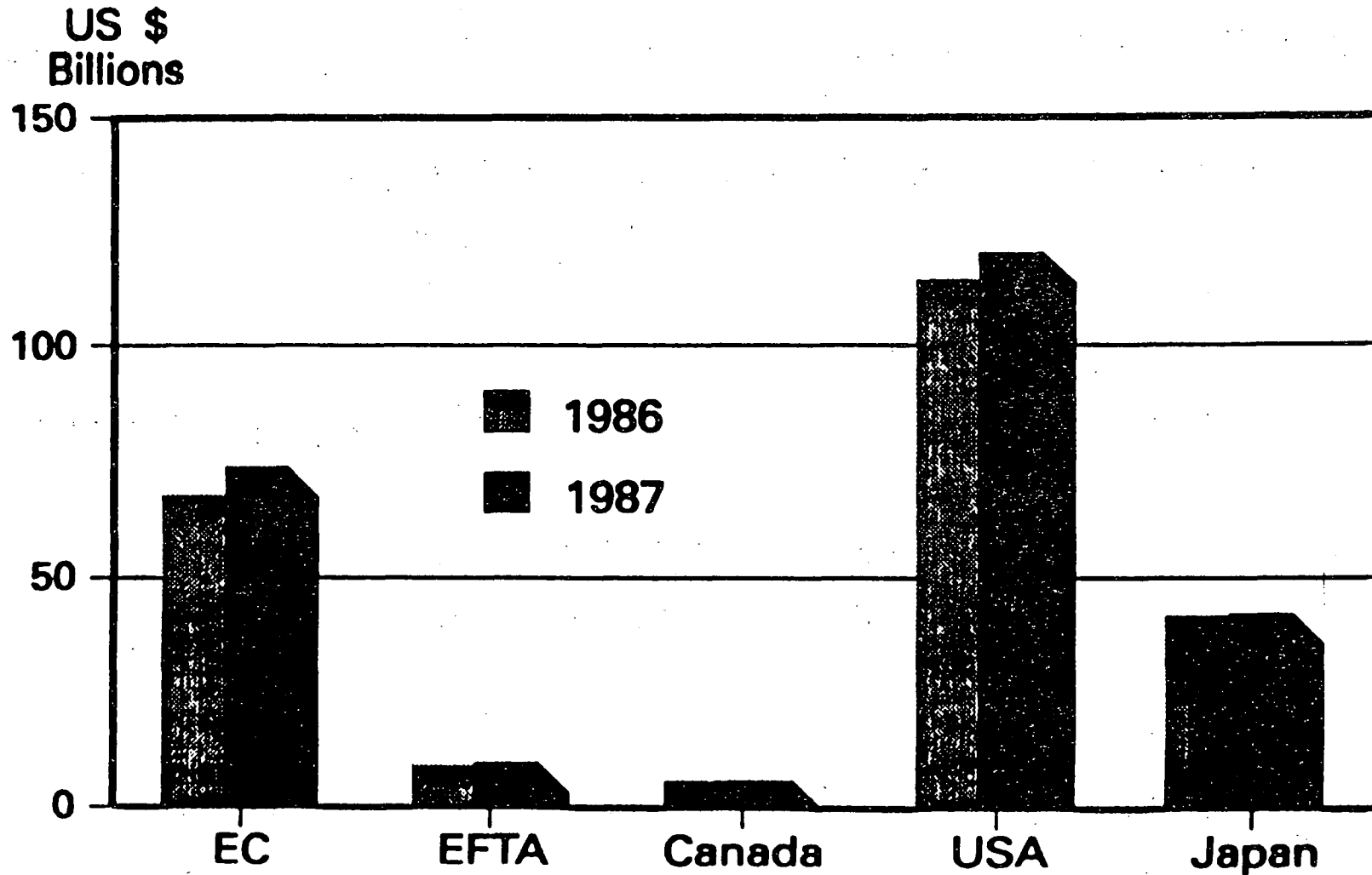


Source: Statistics Canada

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Gross Expenditure in Research and Development



Source: OECD

Forecasted Impact of 1992 on EC

- GDP** ■➔ Increased productivity
- 4.5% to 7.0% increase
- Employment** ■➔ Regeneration of European industry
- 1.8 to 5 million additional jobs
- Consumer Prices** ■➔ Increased competition
- 6.1% to 4.5% reduction in consumer prices
- Imports** ■➔ Steady, significant international sourcing
- 4.6% annual increases

Source: Cacchini report and BIPE study

**SEAFOOD OPPORTUNITIES
UNDER THE
FREE TRADE AGREEMENT**

**Presented by:
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Industry Analyst
ISTC**

SEAFOOD OPPORTUNITIES UNDER
THE FREE TRADE AGREEMENT

Address Delivered at Seafood Outlook '89
in St. John's, Newfoundland - April 13, 1989

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Good Afternoon Ladies and Gentlemen!

I am very pleased to be here with you and to discuss seafood marketing opportunities under the Canada-US Free Trade Agreement. In preparing my notes, I have been prompted by a DECIMA RESEARCH poll conducted in December, 1988, which revealed that after three years of publicity surrounding the Free Trade Agreement (FTA) and in the aftermath of a federal election mainly contested on this issue, 74 percent of Canada-wide respondents claimed that they did not have "enough clear information on the FTA".

My remarks this afternoon will deal with the following points:

1. Major objectives of Canadian trade policy and the General Agreement on Tariffs and Trade (GATT).
2. Implementing the Free Trade Agreement; achievements, opportunities, benefits and challenges.
3. The importance of marketing and sustained business development under a more open market access regime.

Background

In 1947, Canada and 22 other nations signed the General Agreement on Tariffs and Trade which committed them to a process of trade liberalization. Canada has always had a strong interest in maintaining an open trading system and in renewing the authority of the GATT. Small and medium-sized countries such as Canada need internationally agreed-upon trading rules to ensure that their rights are observed by countries that enjoy greater economic power. This has become an issue for Canada in recent years, as various lobbying groups in the United States have shown increasing aggressiveness in using their country's trade laws to limit imports which eventually led to the Omnibus Trade Bill of 1988.

The global scene has been changing rapidly. An earlier presentation reviewed the process of European economic integration to be completed by the end of 1992. Perestroika, economic renewal and restructuring in the Soviet Union and in several East-European countries are other dynamic and encouraging developments. In the evolving new environment and with the formation of transnational economic units Canada has been faced with a decision regarding its future trade orientation. Canada's major concern in trade negotiations has been to uphold the GATT principles of liberalization while attempting to limit the damage resulting from U.S. trade action.

These developments served as background to the negotiations that led Canada to sign a free-trade agreement with the United States on January 2, 1988. From Canada's perspective, the objective of this agreement is to extend earlier initiatives, to encourage tougher competition in the Canadian market, and to open up the large U.S. market for Canadian goods and services. These goals are in keeping with the internationalization of financial activity and the global application of science, technology, and investment.

Objectives

According to the official assessment of the FTA, at the outset, Canada had four major objectives in the bilateral negotiations with the United States.

- ° To seek more open access for Canadian exports flowing into the United States;
- ° To seek more secure access as "Canadians wanted to be sure that when they invested to serve the North American market they would not be subject to the whims of American courts and regulators. They complained that U.S. trade laws were being used capriciously to harass them".
- ° To secure a special provision for sensitive sectors; and
- ° To set an example to the world of reciprocal trade liberalization and to offer a model for the multilateral negotiations under the Uruguay Round.

Accomplishments

The Canada-US Free Trade Agreement does three things:

1. It eliminates all tariff, and some non-tariff, barriers within the North American context. These barriers to trade reduce the real incomes of consumers, increase production costs, and distort the use of resources away from their most efficient allocation. The fact that many U.S. tariffs rise with the amount of manufacturing content has restricted and discouraged Canadian manufacturers. The removal of the limitations is of great importance to the future restructuring of Canadian industry.

Tariff elimination is one of the key accomplishments of the FTA. All tariffs will be removed by January 1, 1998. Currently, about one-third of Canadian fish products entering the U.S. are subject to duty. Conversely, about 15 percent of Canadian imports from the U.S. face a duty. Some tariffs will be eliminated immediately, some in five equal annual steps, and some in ten years.

Highlights of the tariff elimination schedule for key fishery products are shown in the following table:

	Canada Duty Rate %	U.S. Duty Rate %
Immediate		
Fresh/frozen flatfish (excluding fillets)	free	1.1(¢/kg)
Fish meal	5	0 to 6
Fish oil	7.3 to 7.5	0 to 5
Five Years		
Fresh/frozen groundfish fillets	free	4.1(¢/kg) or 6
Salmon	3	3 to 12
Clams	10	3.5 to 14
10 Years		
Tuna	7 to 14	1.1(¢/kg) or 35
Fish sticks	11	10 to 15
Prepared meals	6 to 17.5	10
Sardines	2(¢/kg) or 11	2.5 to 20
Herring	8	4 to 8
Crab	8 to 8.2	5 to 11

2. The agreement establishes trade rules that will ensure a more predictable climate for commercial decisions on both sides of the border. As one observer has noted: "Trade rules are rules about investment. What a business wants to know when it builds a new plant is what size plant to build, what size market it is going to have". The agreement sets the stage for increased business activity and investment on both sides of the border.
3. While the agreement does not by itself eliminate trade disputes, it will forestall, or provide joint adjudication on, minor irritants. And if comprehensive bilateral North American trade rules are ultimately worked out, that should further improve commercial relations between the two countries.

Sectoral Benefits

The Canada-US Free Trade Agreement will be of significant economic benefit to the Canadian fishing industry. The Agreement will:

- ° Improve Canadian access to the large U.S. market for fish. Tariff reductions will give Canadian fish exporters an advantage over competing exporters from other countries and create opportunities for increased Canadian processing of value-added products and increase employment;
- ° Benefit Canadian fish exports through the dispute settlement mechanism. Exporters will be assured that anti-dumping and countervail cases will be judged strictly in accordance with the law. The time and money spent defending these cases will be lessened due to the existence of the dispute settlement process;

- ° Curtail trade impediments arising from U.S. regulations and procedures. Canada and the United States are committed to work toward the removal of technical barriers to trade;
- ° Leave intact the powers of the Minister of Fisheries and Oceans to ensure benefits are derived from our fish resources for Canadians. The Agreement provides no direct or indirect access to Canadian fisheries stocks by U.S. fishing vessels; and
- ° Maintain the Government of Canada's ability to operate social and regional development programs which benefit the fisheries.

Canada's fishing industry is the mainstay of hundreds of small communities in coastal areas throughout Canada. In redefining the rules and procedures for trade with Canada's largest trading partner, the Agreement will strengthen the potential for future growth of the fishing industry. Probably nowhere else is this more significant than here in Newfoundland.

The U.S. Seafood Market

The United States has been a net importer of seafood since 1895. Total imports in 1987 (the last year for which we have statistics) amounted to U.S. \$5.7 billion. This places the U.S. second only to Japan in fishery products imports. At the same time, the U.S. is the second largest exporters of seafood with 1987 exports totalling U.S. \$1.5 billion. Canada has retained its first place with 60 percent of its exports going to the United States.

In 1987, per capita consumption of seafood products in the U.S. hit a record high of 15.4 pounds. This is a low figure compared with many other countries (and also in comparison with per capita consumption statistics for beef and poultry), but it represents a 25 percent increase over the last five years.

As you might expect from a country with a low per capita consumption, consumers in the United States are not very sophisticated when it comes to seafood. Medical experts and nutrition counsellors urge people to eat more seafood, for the low cholesterol and omega-3 benefits, but only a relative few will change their eating habits because of health considerations. Seafood consumption in the United States is characterized by high-value species having an acceptable non-fishy taste, with whitefish predomination.

Marketing Challenges

The U.S. marketplace is full of opportunity as American consumers become more venturesome in their eating habits, as they generally have more disposable income to spend on higher-priced foods, as they become influenced by the "exotic" image of seafood. On the other hand, however, the issues of price, safety, availability and regulations all fall under the category of what we in marketing like to refer to as "challenges." The U.S. market is full of vagaries and inconsistencies at the moment. For every opportunity there are pitfalls, especially for the unwary. I propose to review the most important constraints under the following headings: supplies, price, convenience, safety, regulations and labelling.

Supplies - Quota reductions in Canada, Norway, Iceland and Denmark point to tight supplies of Atlantic groundfish species during 1989. As many U.S. buyers don't want to get on the cod roller-coasters again, they are continuing to look at whitefish alternatives. As an example, Long John Silver's, one of the largest buyers of cod, will be rolling out a new product this year made from Alaska pollock. This is Alaska pollock's entree into the big time on a national basis, and LJS is making this move purely on price -- to be able to offer their customers a full meal for under \$4.00.

Price - It is generally true the the major U.S. buyers are price shoppers, known for their "nickel and dime" adherence to the bottom line. The net effect of this attitude has been to drive the best-quality seafood into markets more willing to pay the price. We see this attitude carried over into the retail sector, where major retail buyers buy almost exclusively on price, demanding the highest quality, but often not knowing what that means. As regards whitefish at retail, once you leave the world of \$3.99/lb. for protein, you've lost a good many customers, and most seafood now exceeds that price. Restaurants, especially independent restaurants, are different. Astronomical menu prices can be charged and will be paid by someone.

If the Free Trade Agreement results in smaller Canadian suppliers establishing better long-term relationships with buyers, and doing that directly rather than through middle men it is a reasonable assumption that prices and competitiveness would be affected in a positive way.

Some shellfish products (crab, for example) face fairly high tariffs in U.S. markets, but because there is a strong demand for the product prices are good and tariffs do not appear to limit trade in any significant way. So removal of tariffs on shellfish products under the FTA is not likely to have a large impact on trade with the U.S.

Convenience - If we take a look at the American consumer's demand for convenience in cooking, the importance of this item becomes apparent. For years, actually for as long as it has existed in the United States, the seafood industry has been a commodity market. Few products are branded or packaged in a way to make them attractive to the buying public, and the consumer hasn't had much help in overcoming his or her fear of home preparations. Consumers still need to be persuaded that seafood can offer a convenient and efficient meal when prepared in the home. Most seafood is still eaten in restaurants.

The big push in the future will be towards brand-identified, packaged seafood products, whether for individual steaks or fillets or for value-added items such as single dishes, frozen entrees, etc. Trade is handicapped in the U.S. because the Food and Drug Administration refuses to certify modified atmosphere packaging for sale at retail, and it is a long way from allowing irradiation for seafood. Still, there is much fertile ground in the area of packaged, frozen, and microwaveable seafood.

Value-adding is an area that the small processor could get into; the real rewards would not be reaped for ten years when the tariffs on further processed products disappear, but that also leaves time for product and market development.

Safety - It is becoming increasingly likely that 1989 will go down as "the year of food safety" in the United States. And it is unlikely that seafood can escape being tarred by that brush any more than it escaped last year's "summer of pollution," particularly since seafood in the U.S. is not subject to any kind of mandatory inspection the way that beef, pork, and poultry are.

The 15.4 pounds per capita in the U.S.A. is a very fragile number. People do not have to eat seafood, and if they hear too many negative things about it, they won't. One effort that would help turn the situation around would involve Canadian companies, whatever their size, gaining a greater control of the marketing of their seafood products within the U.S. If cross-border partnerships and joint-venture operations are established, safety and quality control become issues to be handled jointly, not one side taking the rap for everything that's wrong with a product.

Rules and Regulations - A challenge which can not be easily dismissed is the trend that American harvesters and processors are starting to use conservation as a trade weapon, putting size restrictions on Canadian groundfish and lobsters coming into the U.S. The New England Fisheries Management Council is working to establish size limits on lobsters and certain

groundfish species largely as a conservation measure since these resources have in the past been poorly managed and over-fished. But the desire to impose these rules and regulations on Canadian imports smacks more of protectionism than conservation.

On the positive side, the two countries agreed to harmonize technical standards. Work has already begun in this area, such as the use of food additives and regulations regarding contaminants.

There are, of course, many other regulatory issues on the table right now, not the least of which is determining how GATT will operate, particularly in respect of the outstanding controversy concerning the export of unprocessed salmon and herring from Canada to the U.S. The U.S. government is apparently ready to put retaliatory tariffs on some other products (including lobster), but that has not been settled yet, and further negotiations and public hearings will be taking place in the next four to five weeks.

Labelling - Because of a variety of food-safety issues, the U.S. Food and Drug Administration has come under the gun for allowing improperly labelled foods to get through to the consumer. Expect the FDA to be much stricter in its labelling requirements, especially for imported product.

In general, although this has little to do with free trade, we can expect to see the Food and Drug Administration emphasizing the importance of proper labelling. The FDA is fighting a battle on two fronts, on safety issues, and on the issue of economic fraud. The FDA will be stricter than before on species identification and on ingredients listings on labels of processed products.

In a nutshell, these are the issues of concern in the U.S. seafood marketplace: to make consumers happy, assure them that seafood is safe to eat, and that it is available at a good price and in a convenient form. To make harvesters and processors happy, conform to American size standards, and to make regulatory agencies happy, conform to U.S. rules and labelling requirements.

While it is unlikely that free trade will change these basic facts, it will offer some opportunities to those who wish to take advantage of them. Because the large Canadian companies (principally National Sea, Fishery Products, and Clearwater Fine Foods) have already gotten around many trade issues by establishing plants and marketing offices in the U.S., these opportunities will be particularly valuable to the small and medium size processors.

Special Opportunities

The Canadian fisheries industry will benefit from the FTA in several ways:

First of all, economic gains will be realized from new investment in production facilities made in response to new opportunities for value added processing. Source of the money could come into Canada from smaller distributors in the U.S. wishing to invest in Canadian suppliers.

Investments will continue to cross the border. So far, Canada's investments in the U.S. seafood industry have outpaced U.S. investments in Canada, but that may change. Because the Canadian fisheries resource is generally better managed and conserved than it is in the U.S., expansion within the Canadian industry is more likely, leading to more jobs. Taking advantage of investment capital to modernize production facilities and to import current technology is an other significant benefit from free trade.

Second, there will be opportunities for Canadian firms to deal directly with buyers in the U.S. If a small Newfoundland company is accustomed to selling to a broker, for example, that company will not have control over the price of its product. Establishing a joint-venture agreement with a company in New England would provide a closer relationship with more control over crucial issues.

In general, I think we can say that free trade should result in better co-ordination and integration in marketing efforts, particularly among the medium and small players. There is a growing number of small joint-venture operations between Canadian suppliers and American distributors. American buyers are also developing their presence in Canada, while Canadian suppliers are looking to develop partnerships in the U.S. market.

The market access and productivity benefits of the agreement come at an opportune time for the Canadian fishing industry. Demand for fish products has been growing faster than the available supply, and industry growth depends increasingly on securing existing markets and increasing exports even though 76 percent of Newfoundland's seafood exports already go to the United States.

Third, there are untold opportunities for the development of value added seafood products. The U.S. market is wide open for these further processed items.

Fourth, there are greatly increased opportunities for Canadian companies to get into direct marketing in the U.S. Smaller suppliers should get together to form a marketing consortium which offers larger supply capabilities. Such a group should establish a presence in the U.S. and build a reputation as a reliable supplier.

The greatest benefit of free trade lies in the fact that the agreement solidifies the relationship between the two countries. The FTA facilitates the flow of product from Canada to the United States, and gives better access to those 260 million buyers than you have ever had before.

Market Development Key to Success

As you have seen, there are many tangible and intangible benefits from the FTA. The elimination of tariffs over the years is a very important achievement, but the U.S. market is a highly competitive arena. It is also a huge seafood import market and competition for market share among suppliers will remain intense.

Admittedly, Canada has maintained a better than 20% share of U.S. imports, nevertheless, there is a need to become more dynamic, more sophisticated in our marketing approach.

Availability of our traditional products at competitive prices alone does not confer a lasting competitive advantage in a new trading environment. It is true that Canada enjoys significant positional advantages in the U.S. over competitors with the FTA in place, but generally, medium and smaller size companies do not know enough about the final consumer of their products. Continued reliance on existing arrangement should not prevent Canadian processors from getting closer to the users of their products. Developing direct communications with decision makers in the U.S. can go a long way in better understanding markets, consumer trends and the business in general.

In order to compete effectively in a changing environment, Canadian processors must adopt today's marketing principles which starts with a profound understanding of consumer needs. Buyers wish to satisfy demand and will be looking for new products and ideas. When the consumer wants variety, new taste experiences, safe and wholesome products, and convenience, the supplier has to come up with the right product.

This is the way how the multinational companies have been marketing their products. They research the market, identify needs and develop products to satisfy consumers. Advertising and promotion play a key role in building product acceptance and brand loyalty. In this respect, nothing has changed with the implementation of the FTA.

Markets are changing and not guaranteed for traditional suppliers. The U.S. market with its size and purchasing power lures seafood exporters from around the world. Domestic groundfish supplies are increasing and competition intensifies. In addition to established Scandinavian companies, Japan is also beginning to bring its packaged food items to the U.S.A. The Japanese rely on research and development. They are used to providing quality service. New product development is the lifeblood of Japanese business. They have the money to invest. They are also patient and may take years to do things right.

Two examples: 1) Nissin Food Products built its first U.S. plant in 1972 to make Ramen (Noodle) soups sold under the "Cup O'Noodles" brand, but consumers in the U.S. did not know what Ramen was. Today the company holds 20% of the \$500 million a year U.S. Dry soup market. 2) Nichirei Corp., a major supplier of frozen foods is building U.S. plants to process fish and frozen vegetables. Last year they brought "Sea Watch", a seafood processing company in Delaware. This provides access to the resource and instant market penetration.

As I noted earlier, Newfoundland processors have traditional advantages over competitors in the U.S. marketplace. As a reliable supplier of quality groundfish, Newfoundland has a good reputation. Exporters of seafood can build on this base and the Free Trade Agreement opens up a number of new opportunities for further processed fishery products under vastly improved conditions of market access.

By working together, we can take full advantage of the opportunities offered by the FTA.



EXCERPTS FROM THE
I C E L A N D I C
PRESENTATION

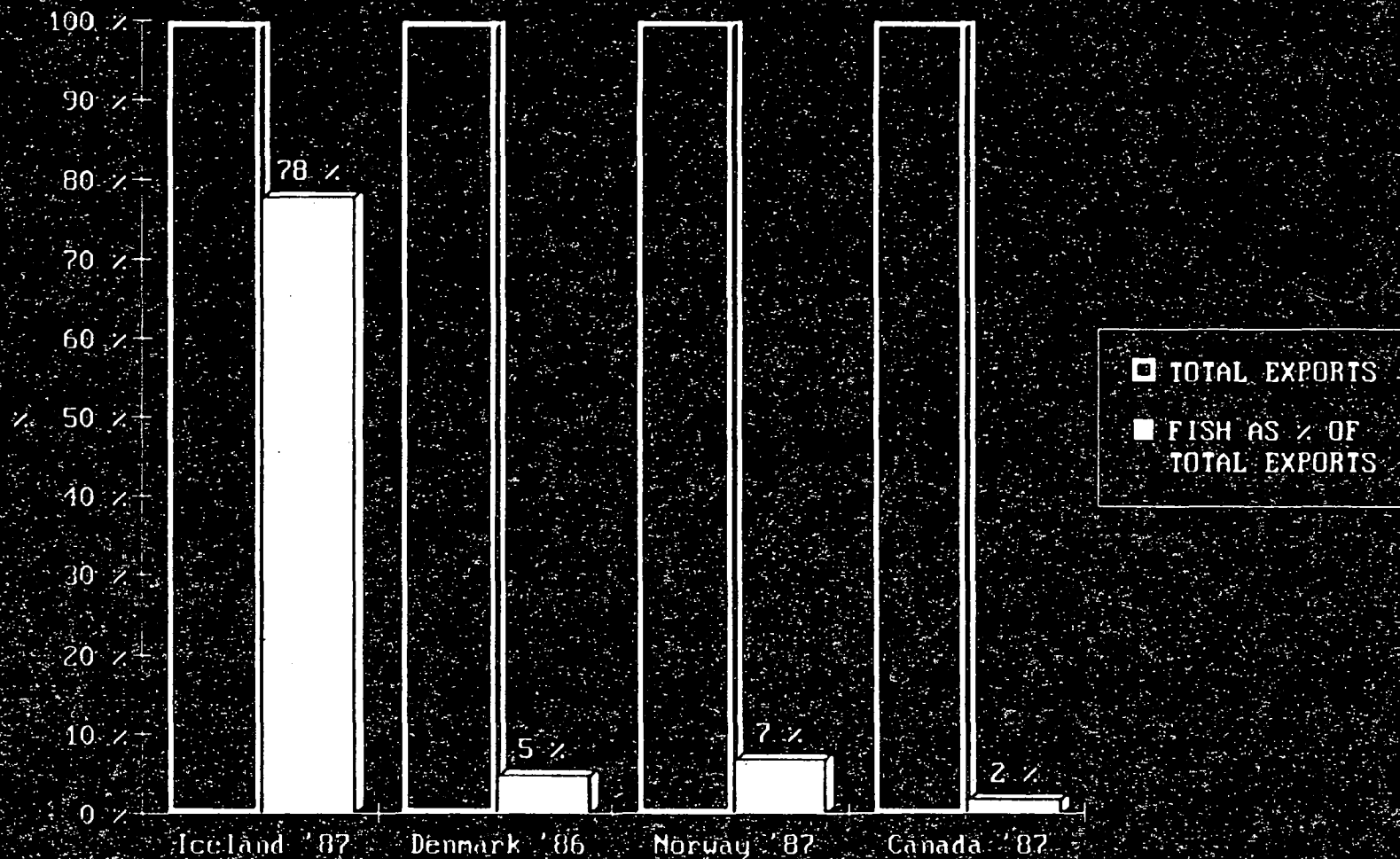
Presented by:
Olaf Gunnarsson
Icelandic Export
Development Council

EXPORTS OF FISH AND TOTAL EXPORTS From Iceland, Denmark, Norway and Canada

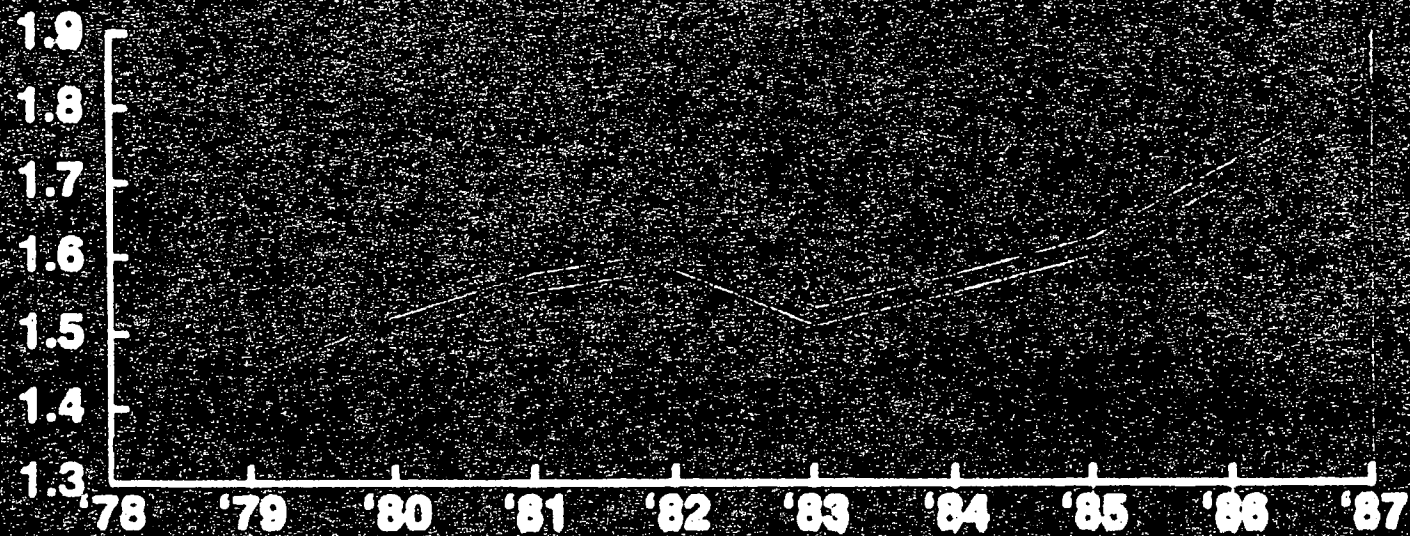
Billion USD:

	<i>Iceland 1987</i>	<i>Denmark 1986</i>	<i>Norway 1987</i>	<i>Canada 1987</i>
Total Exports	1.37	24	22	104
Exports of fish products	1.08	1.12	1.43	2.3
Fish as % of total exports	78	4.7	6.5	2.2

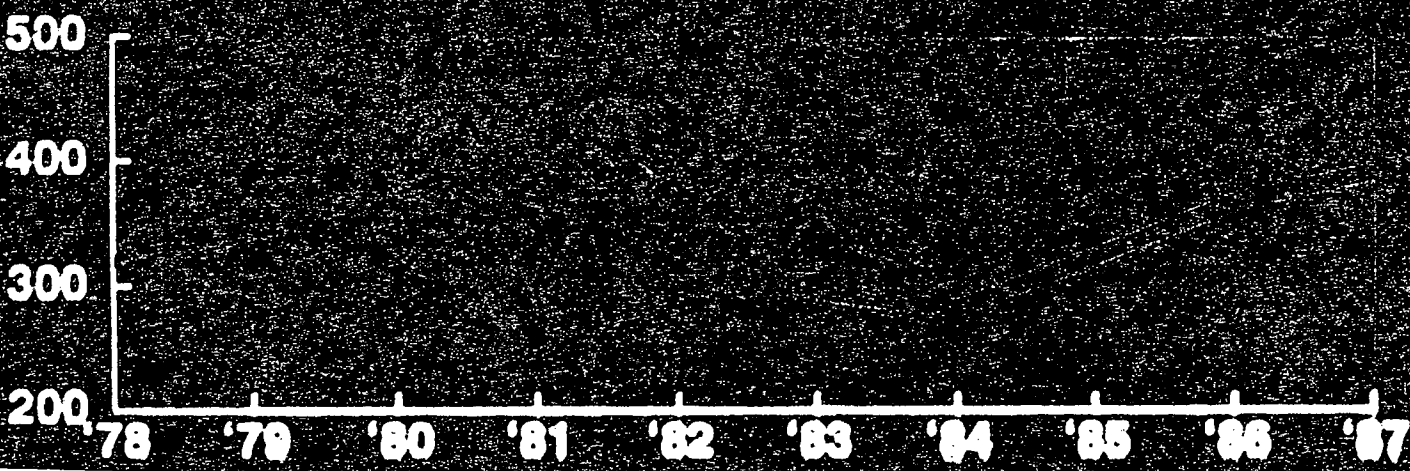
TOTAL EXPORTS AND FISH AS A PERCENTAGE OF TOTAL EXPORTS



FLUCTUATIONS IN COD FISHERIES AND GNP 1978-1987



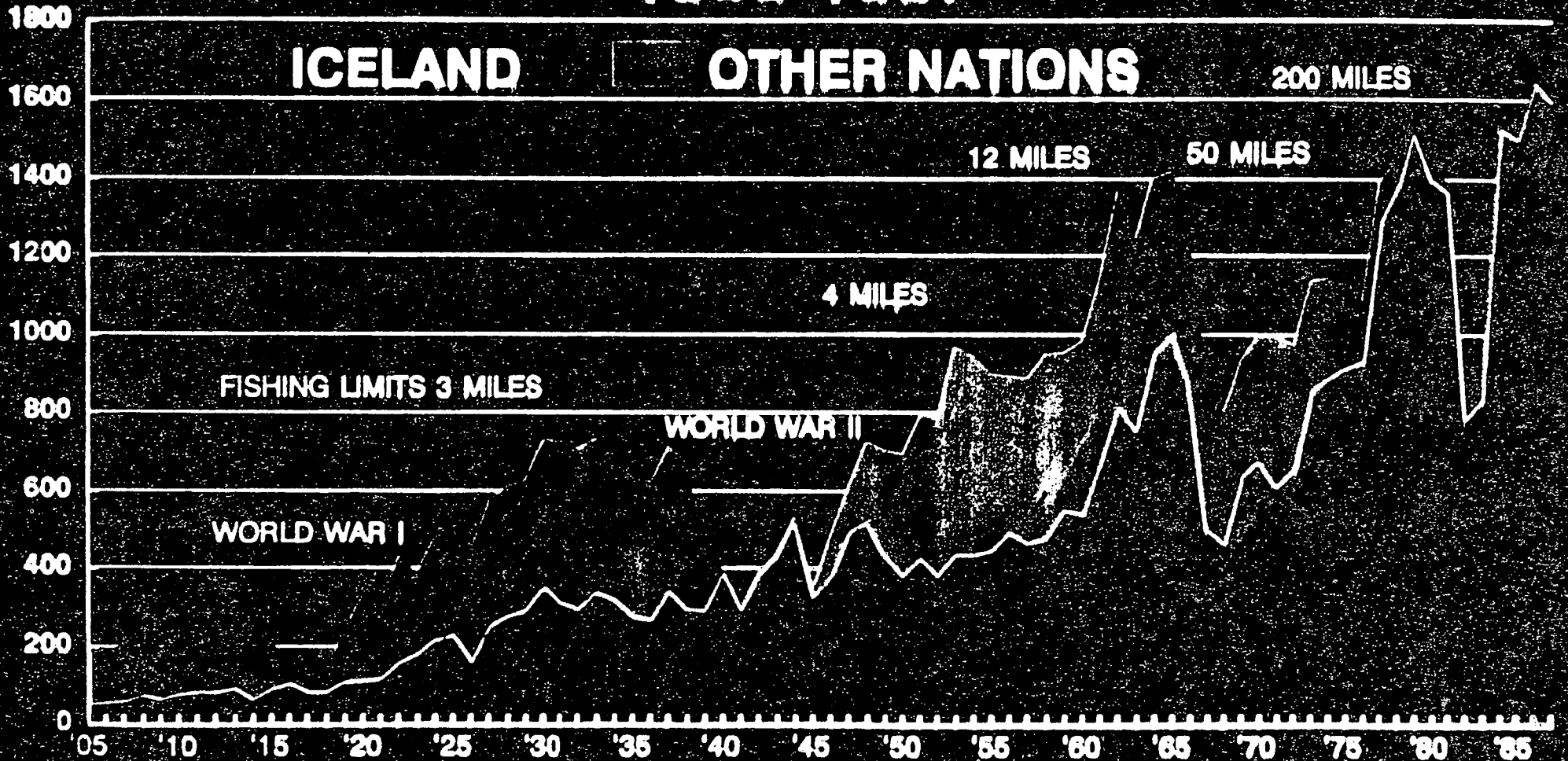
GNP



COD FISHERIES

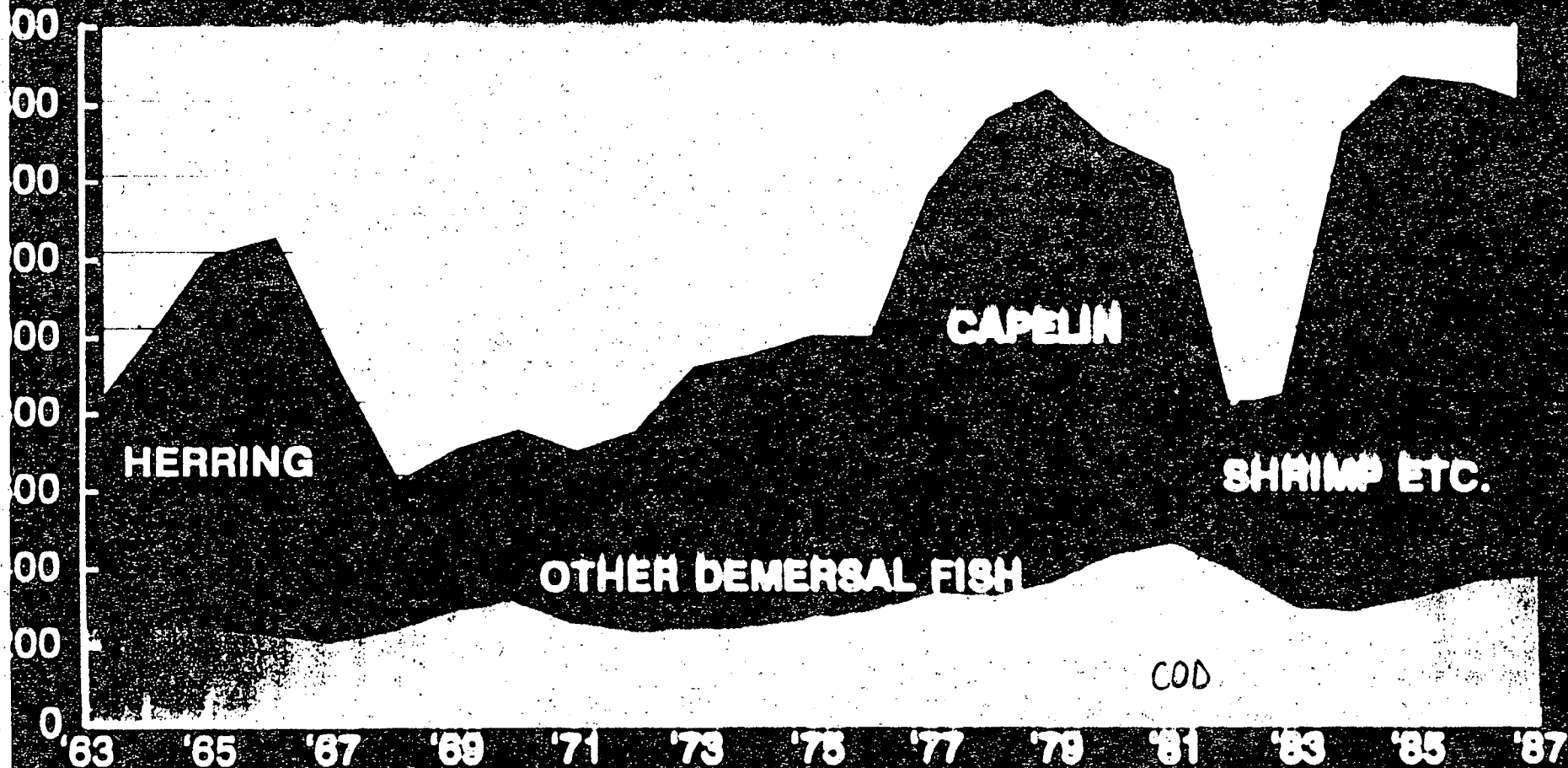
FISH CATCH IN ICELANDIC WATERS 1905-1987

THOUSANDS OF TONS



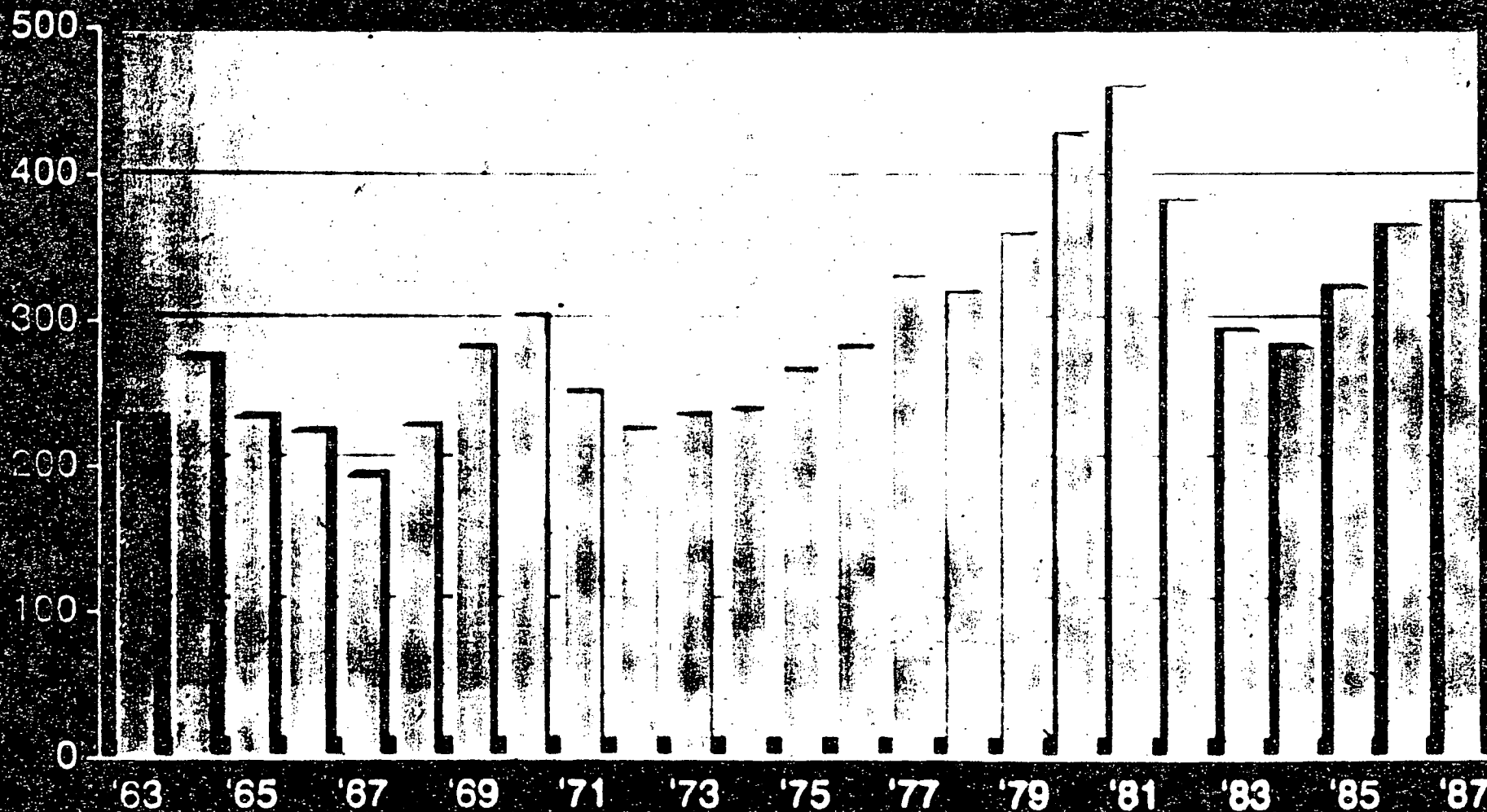
TOTAL FISH CATCH 1983-1987

THOUSANDS OF TONS



COD CATCH 1963-1987

THOUSANDS OF TONS



MAIN OBJECTIVES OF CURRENT FISHING POLICY

- Fisheries Act passed in the Parliament / Alping on Jan. 8. 1988
- Legal framework for the regulation of fisheries for the next 3 years
- Extension of quota system which has been in effect since 1984

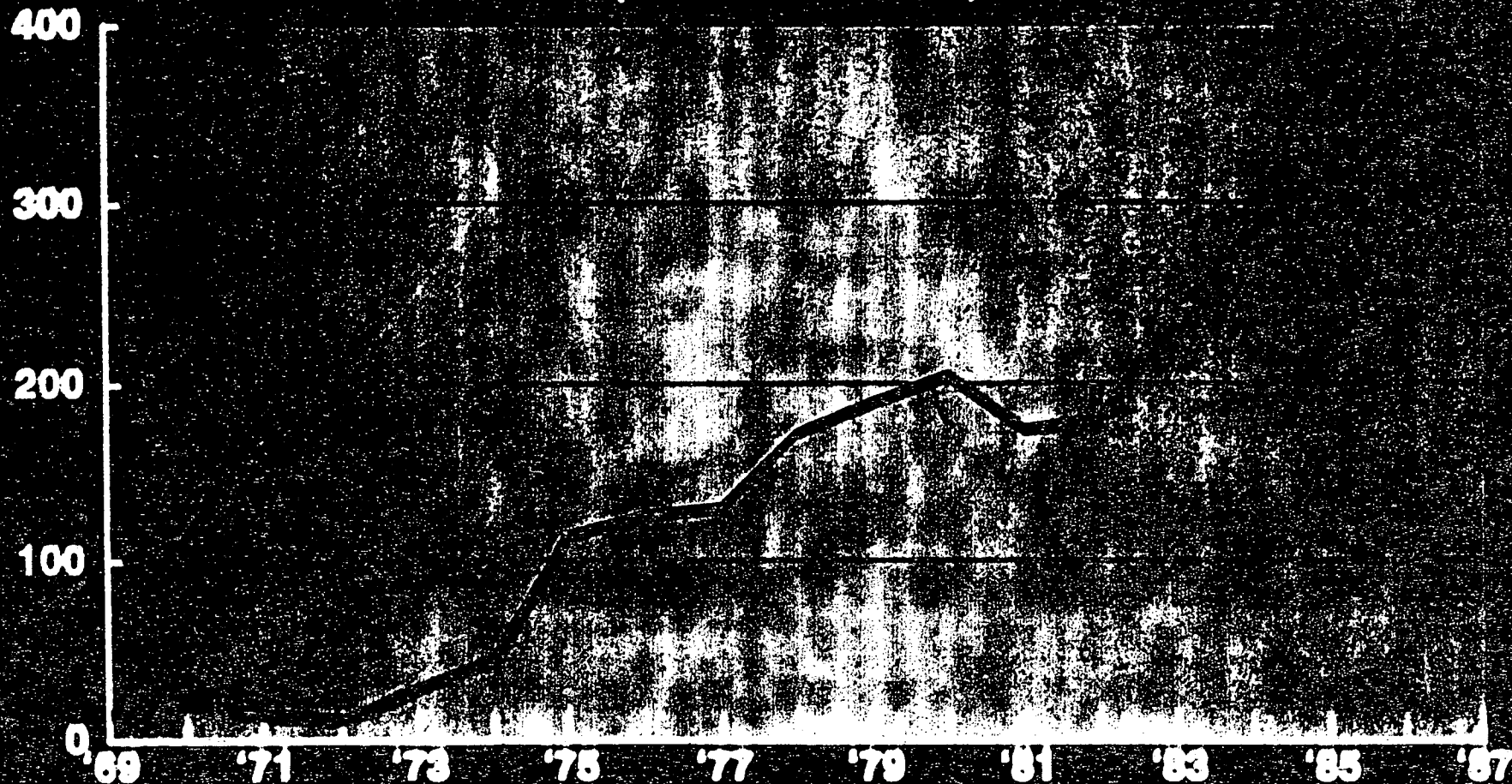
MAIN OBJECTIVES CONT'D

- Policy aims at attaining maximum sustainable yield of most important fish stocks and improved economic performance of the fishing industry
- Regional equity
- Two kinds of permits: a) total catch (tonnage)
b) fishing effort (effort quota)

HERRING: SIZE OF SPAWNING STOCK

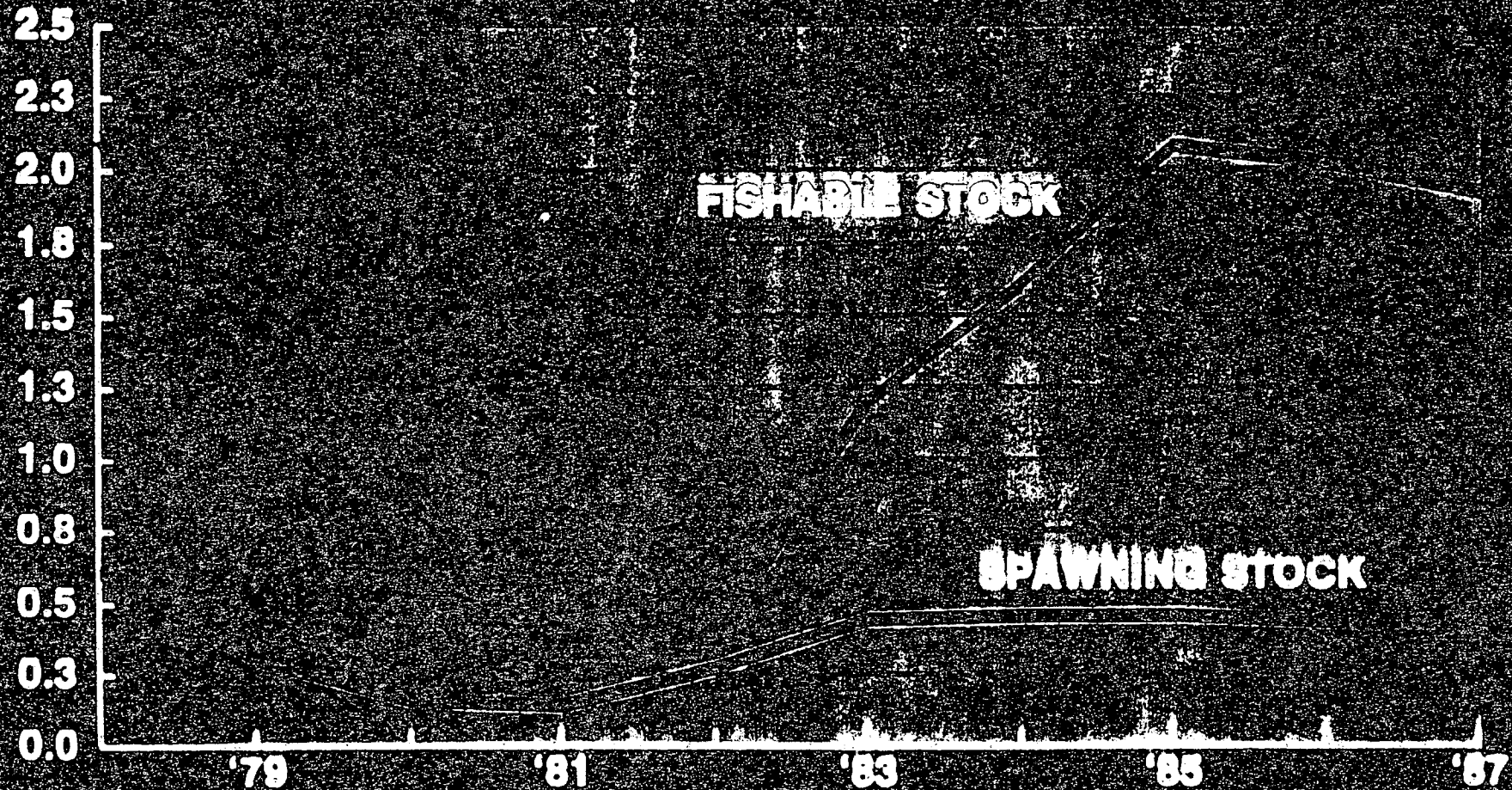
1969-1987

(THOUSAND TONS)



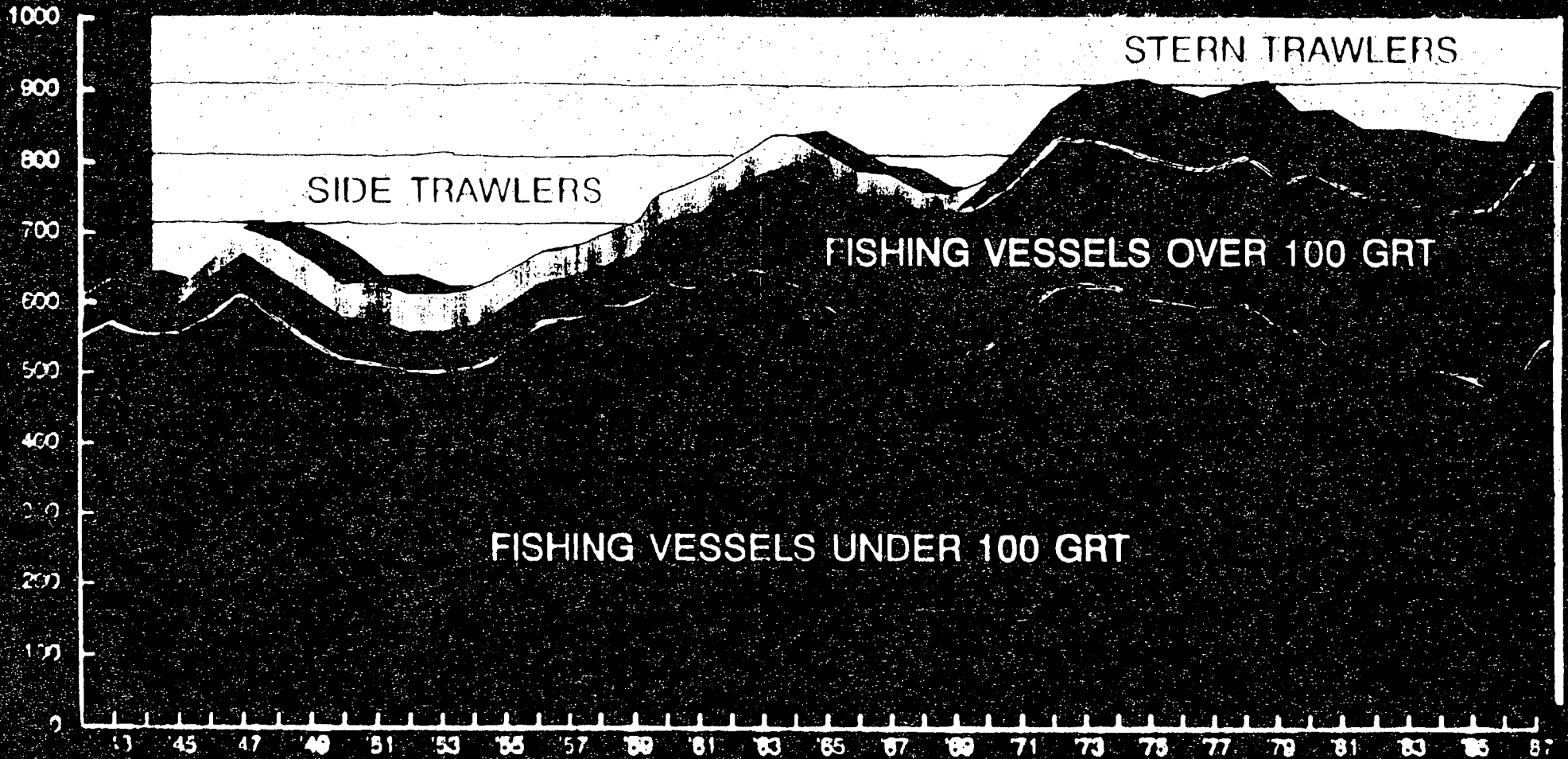
CAPELIN: SIZE OF FISHABLE- AND SPAWNING STOCK 1978-1987

(MILLIONS TONS)



FISHING VESSELS TOTAL 1942-1987

NUMBER OF
BOATS



-198-

REGISTERED VESSELS BY SIZE 1942-1987

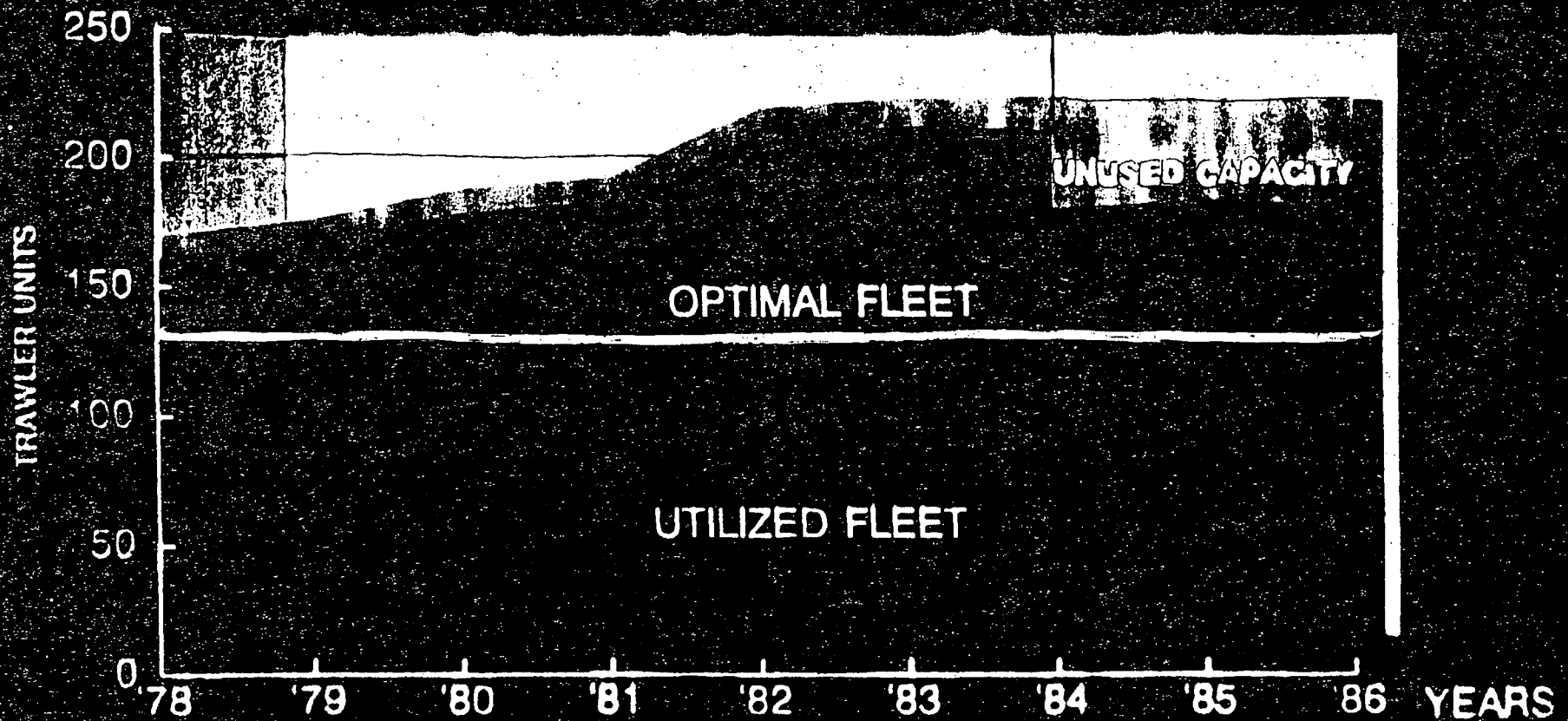
GROSS REGISTER TONNAGE



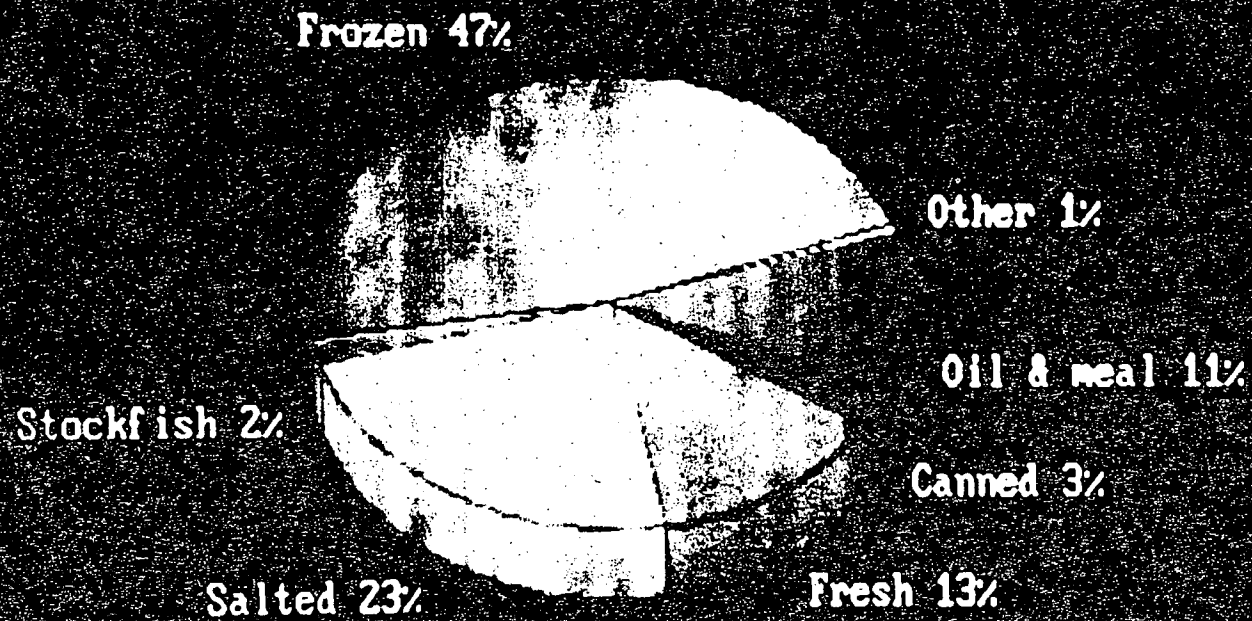
ICELANDIC DEMERSAL FISHING FLEET 1978-1986

(UNUSED CAPACITY 1978-83 IS ESTIMATED OPTIMAL FLEET SIZE IS APPROXIMATE)

INTROD. OF QUOTA SYSTEM



EXPORT OF MARINE PRODUCTS 1988

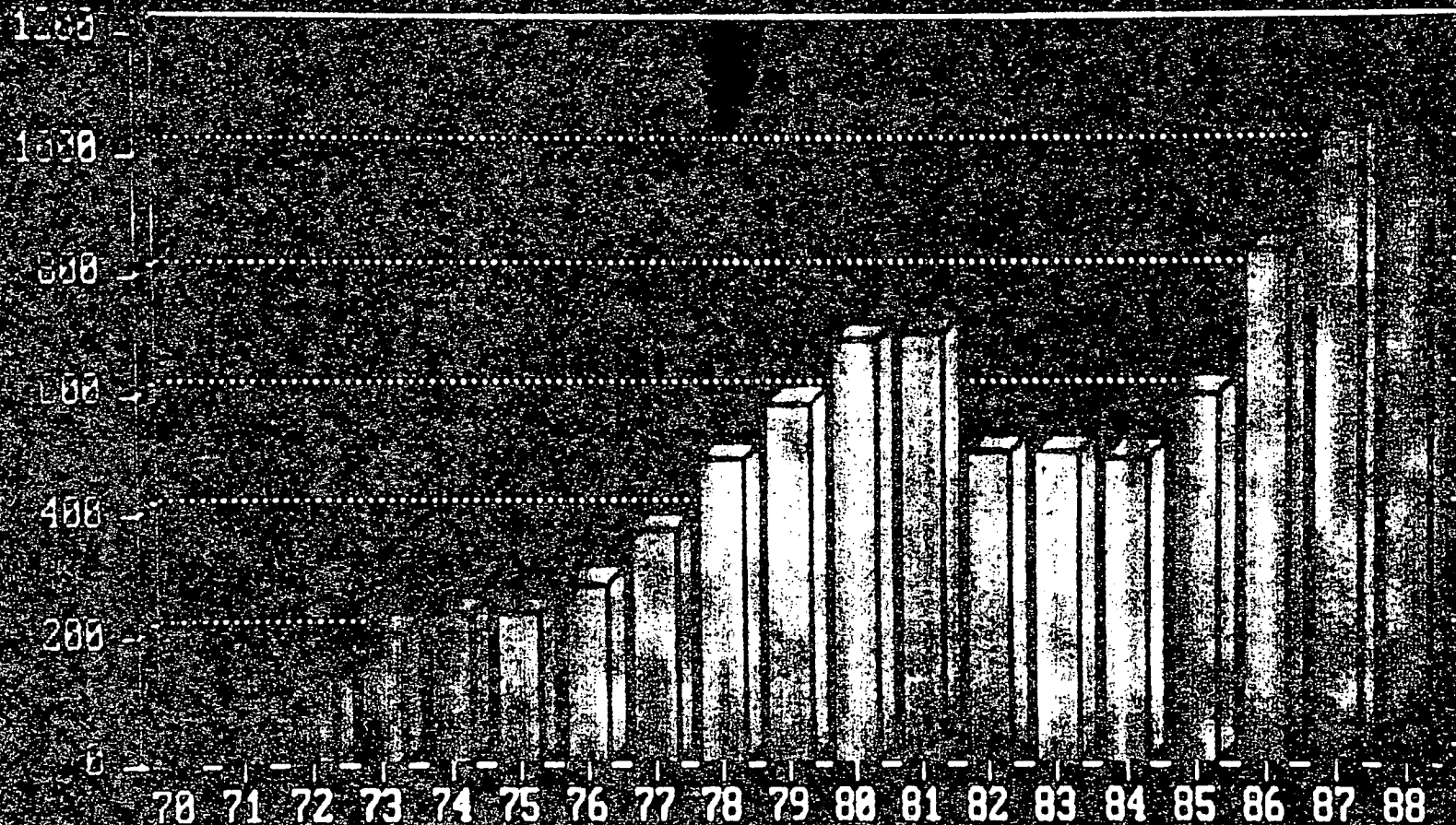


EXPORT COUNCIL OF IRELAND

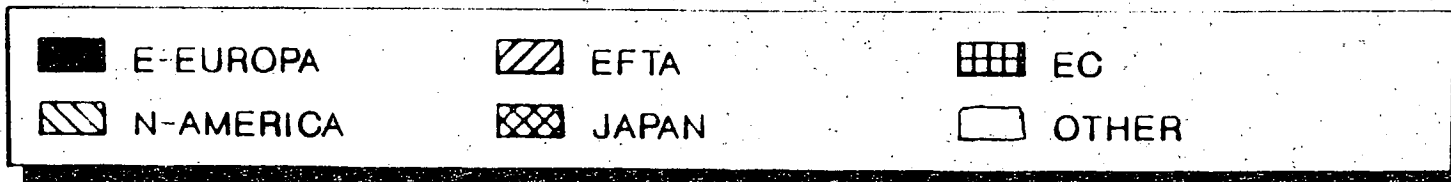
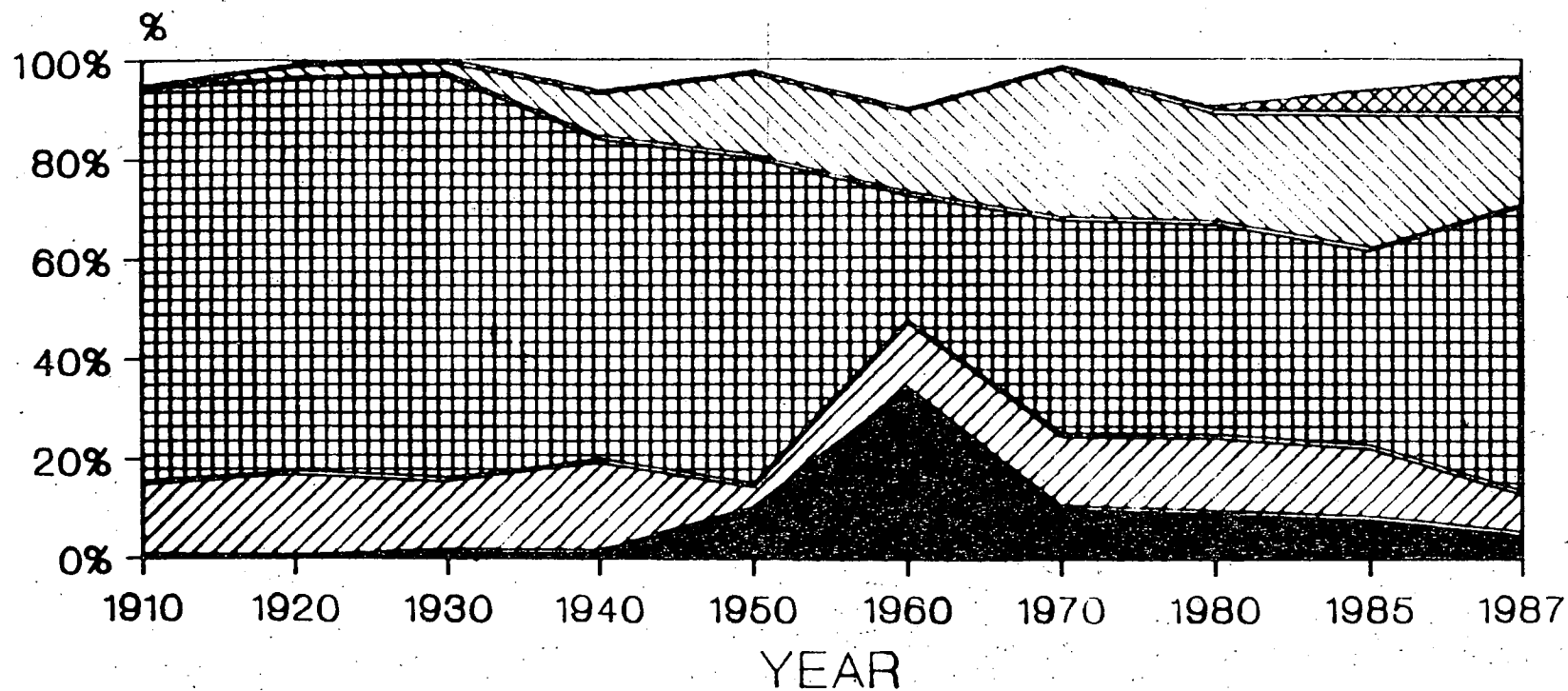
EXPORTS OF MARINE PRODUCTS

1970 - 1988

F.O.B. Millions of USD

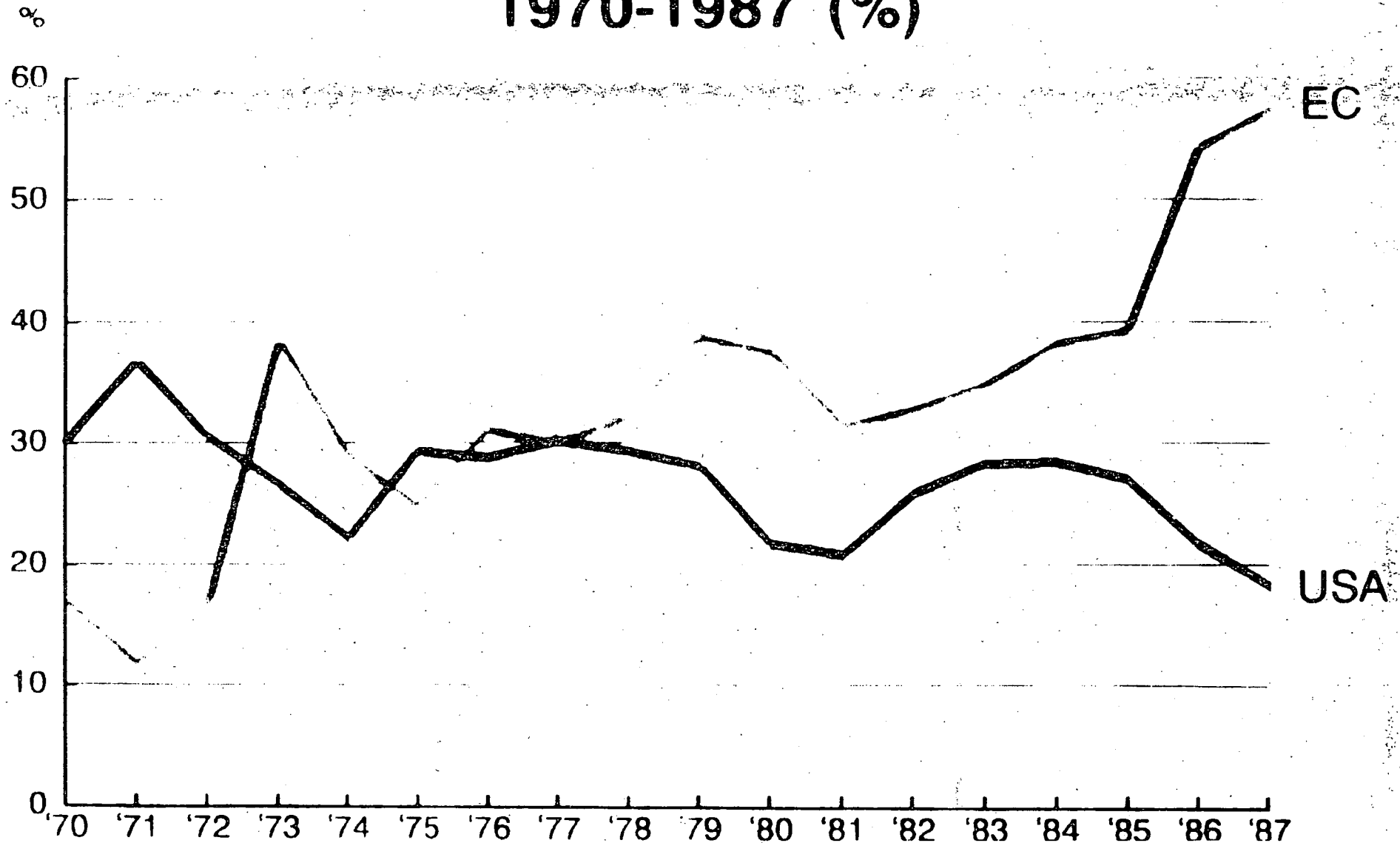


TOTAL EXPORT, CLASSIFIED BY MARKET AREAS 1910-1987

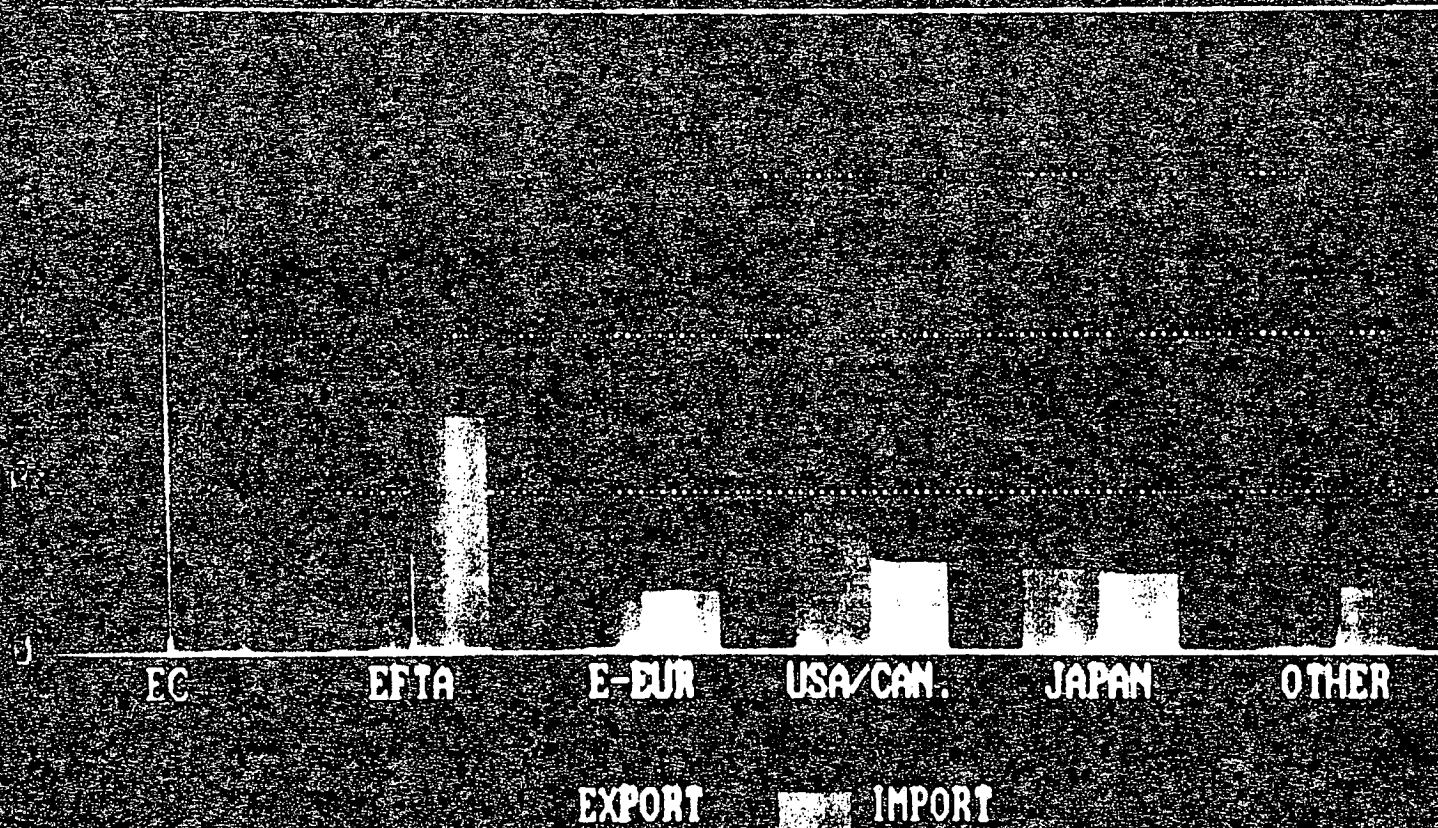


Export Council of Iceland 1988

EXPORTS TO USA AND EC 1970-1987 (%)



EXPORT AND IMPORT BY AREAS 1988



PROSPECTS

- Current recession due to price fall of important fish exports
- Prospects for severe cut-back in cod fisheries
- Single export economy in the foreseeable future
- Persistent overcapacity in fishing fleet

PROSPECTS CONT'D

- **Fisheries products is Iceland's basic industry, comparable in importance to manufacturing industries in continental Europe**

International Trade Centre Locations

VANCOUVER

INTERNATIONAL TRADE CENTRE
Scotia Tower
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Telex: 04-51191

Contact

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Contact

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