



## IV

# *M*arkets for Atlantic Canada's Seafood Products: Characteristics and Prospects

Changes in export markets for producers in eastern Canada's fisheries are driven first by concerns about resource cycles and the economic climate in importing countries. Afterwards, other factors increasingly come into play, such as international supply and demand, customs tariffs, the relative value of the Canadian dollar, and the degree of industry and trade organization and networking.

The United States, as we have seen, is by far Atlantic Canada's most important market for its seafood products, a market that has continued to grow in recent years. As an indication of its dominance, the percentage of regional exports to the US rose from 52.7 percent in 1995 to 69.1 percent in 1999, and in only four years, those same exports increased in value by \$800 million (73 percent). The strong economic recovery in the United States and the financial crisis in Japan largely explain the growth of the US market. In contrast, the value of Japanese imports of seafood products from Atlantic Canada plummeted from \$559 million to \$306 million between 1995 and 1999, while at the same time the percentage of exports from eastern Canada to Japan decreased from 26.9 to 11.2 percent (see table 19). Exports to the European market have held steady and even increased despite the sagging French market, one of the primary outlets in Europe. Exports to mainland China also increased appreciably, from \$39.6 million to \$75.6 million, as did exports to Thailand, from \$15.8 million to \$23.3 million. Shipments to newly industrialized countries (NIC) in Asia (Taiwan, South Korea, Singapore, and Hong Kong) decreased slightly from \$42.1 million to \$35.4 million, while the value of exports to Central America increased from \$49.2 million to \$64.2 million.

Canada benefits from preferred access to United States markets under the North American Free Trade Agreement (NAFTA), which provides for and coordinates the gradual elimination of all customs duties between the two countries. US inspection practices at the border, considered by Canada to be somewhat arbitrary, are still a

**Table 19**  
**Exports from Eastern Canada, the Fisheries (SIC 0310)**  
**and the Fish Products Industry (SIC 1020),**  
**1995 and 1999**

Trading Bloc	Exports			
	(in thousands of Can.\$)		(%)	
	1995	1999	1995	1999
United States	1,093,769	1,893,763	52.7	69.1
Japan	555,214	306,368	26.9	11.2
European Union	227,392	294,5765	11.0	10.8
Central America, except Mexico	49,249	64,212	2.4	2.3
Southeast Asia, NIC (Total)	42,115	35,395	2.0	1.3
Western Europe, except European Union	28,738	25,450	1.4	0.9
South America	2,897	2,658	0.1	0.2
Eastern Europe	2,191	2,658	0.1	0.1
<b>Subtotal</b>	<b>2,005,565</b>	<b>2,626,753</b>	<b>96.6</b>	<b>96.0</b>
Other	70,282	112,101	3.4	4.1
<b>Total (all countries)</b>	<b>2,075,847</b>	<b>2,738,854</b>	<b>100.0</b>	<b>100.0</b>

Source: STRATEGIS, Industry Canada; compiled by the author.

barrier to the marketing of seafood products shipped to the United States, particularly exports of fresh fish, and create obstacles to distribution. Discussions are currently under way to resolve this situation, and a group has been created to provide cross-border training for inspection staff. A system is also being established to link electronic inspection databases with the aim of determining equivalencies for the fresh, frozen, and canned product sectors.

In Canada, all federally regulated establishments have implemented the Quality Management Program (QMP), based on the HACCP, which provides an additional guarantee that Canadian exports will meet regulatory requirements for access to the United States market.<sup>63</sup> Customs duties have already been eliminated for a

63. National Sea Products (now High Liner Foods Inc.) in Lunenburg, Nova Scotia, was one of the first companies in Atlantic Canada to incorporate this system's standards specifically to facilitate trade with the United States. On the ideas and concepts of the Quality Management

number of species, particularly Atlantic salmon, Pacific salmon, crab, hake, herring, mackerel, haddock, and smoked and dried fish. For some products, it is more difficult to eliminate customs duties under NAFTA; this is the case for lobster, scallops, mussels, oysters, halibut, and prepared and processed fish. The case of frozen fish fillets is still far from being resolved; however, Mexican licences to import lobster from Canada are no longer necessary. In addition, World Trade Organization agreements (January 1995) have improved Canada's access to markets in many countries, particularly Japan, which has reduced customs tariffs by 30 percent for some categories of seafood products. South Korea lowered its customs tariffs by 45 percent; (they currently range from 10 to 20 percent). The European Union has rolled back customs tariffs to between 7.5 and 12 percent on numerous groundfish products, a decision that has been applauded by Canadian exporters. However, tariffs on most processed products, particularly seafood, remain high at 20 percent.

Nevertheless, Canadian fish-processing companies have benefited from greater access to European Union markets since 1993, when the equivalency of the Canadian fish inspection system based on the QMP was recognized. In fact, since the mid-1990s, member countries of the European Union have greatly reduced their inspections. Still, there are some live molluscs and live farmed products that do not currently benefit from this change because of concerns about fish health and communicable diseases. And import tariffs on seafood products from other countries, including Canadian import duties, remain prohibitive, i.e., approximately 20 percent on processed products. In the case of shrimp, for example, tariffs were reduced from 20 to 6 percent, but the reduction applies only to the first 4,000 tonnes. In addition, because the "exemption" is open to everyone, Canada benefits only marginally. The same logic applies to cod.

We will now look at the characteristics of the principal markets for producers in eastern Canada and the opportunities they present.

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Program (QMP), see K. Sophonphong and C. dos Santos, *Fish Inspection and HACCP: An Overview*, FAO, AGR/FI(98)10 or the *ISO 9000* series of the Standards Council of Canada, Industry Canada.

### ■ The United States: A Fragmented Market<sup>64</sup>

The “fish and seafood” category is not only the top performer in Canadian agri-food production; it is also far and away the number one food product group exported to the United States. Besides being the world's largest market, the United States is also the most complex market for product distribution because of its marked geographic and cultural differences, which translate into major differences among markets.

Consumption of seafood products in the United States is not all that high (approximately 7.5 kg per capita annually). This is the net weight of fish meat consumed. If we use the live weight, as the FAO does, the figure rises to 21 kg per capita. Given population growth in the United States, however, the slightest increase in the consumption of seafood products means significant market expansion. Thus, from 1980 to 2000, per capita consumption of seafood products only rose from 12.5 to 15 lb, but the population increased by 45 million, which generated additional consumption of 62.5 million lb of fish and seafood. Apart from the population factor, the market is stimulated by the arrival of new products, such as surimi, catfish, tilapia, and prepared, precooked foods that have a healthy, natural image. At the same time, meat consumption is decreasing. Some species make up the bulk of the market, i.e., lobster, shrimp, cod, salmon, tuna, and shellfish. The restaurant industry accounts for two-thirds of consumption, and consumers buy mainly from speciality stores. Nevertheless, the trend is towards a balance between restaurant and home consumption. In the final analysis, the industry and production are not highly structured and, overall, not very active.

As we have already pointed out, the United States is the world's third-ranked trading bloc for imports of seafood products, after Japan and the European Union. The US market annually takes in approximately 7 million tonnes of fish products, 83 percent of which are intended for human consumption. Domestic production reached 5.4 million tonnes in 1997, of which 1.5 million tonnes was exported, resulting in a shortfall of approximately 3.9 million tonnes to be

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64. This analysis of US markets is based in part on information collected from export-import databases (STRATEGIS for Canada and the United States) and the Seafood Market Analyst, *U.S. Seafood Trade Report*, 4<sup>th</sup> ed. (Narragansett, RI, 1999). The analysis also draws on reports prepared by the Market Research Centre and the Canadian Trade Commissioners Service of the Canadian Department of Foreign Affairs and International Trade. See the bibliography for a list of documents on regional markets in the United States.

made up by imports.<sup>65</sup> Import volume is 44 percent of total national production, lower than in Japan (51 percent), Canada (87 percent), and the European Union (113 percent).

Although the United States is one of the world's top fish producers, it has to import enormous quantities of seafood products to satisfy domestic demand, especially since demand increased by 26 percent between 1992 and 1997.<sup>66</sup> The consumption of seafood products in the United States amounts to nearly \$50 billion, according to the National Fisheries Institute. Approximately one-third (\$17 billion worth) of those products are sold through numerous retail supermarket chains and fish markets; however, the lion's share goes to the food services industry, which reports sales of \$32 billion. We are presently seeing sustained growth in this sector, and according to the National Restaurant Association,<sup>67</sup> it should increase its share of sales from the current 44 to 53 percent in 2007. The institutional sector (schools, hospitals, universities, etc.) and the restaurant sector are the main distribution channels for seafood products in the food services sector.<sup>68</sup>

Internationally, the United States is one of the largest importers (second after Japan) and a major exporter (third after Norway and China). It goes without saying, therefore, that the US market is a trading hub for fish and seafood. Over seven hundred different products are listed by trade agencies, evidence of the great diversity of this market.<sup>69</sup>

As a major fish-producing country with a small population, Canada is well-placed to serve the US market, particularly with fresh and chilled fish and seafood. Canada is also a signatory of NAFTA, which, together with its proximity to the largest consumer market in the world, has served to strengthen its trade position. At present, the US market absorbs most of Canada's fish and seafood production, and in eastern Canada the percentage value of the region's exports to the United States has increased significantly in recent years, growing from 53 percent in 1995 to 69 percent in 1999. As well, the lengthy period of economic expansion in the United States has fostered demand for Canadian food products, especially since the US dollar has

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65. According to data from *ibid.*

66. According to "Seafood Marketing," *Frozen Food Age* (April 1997).

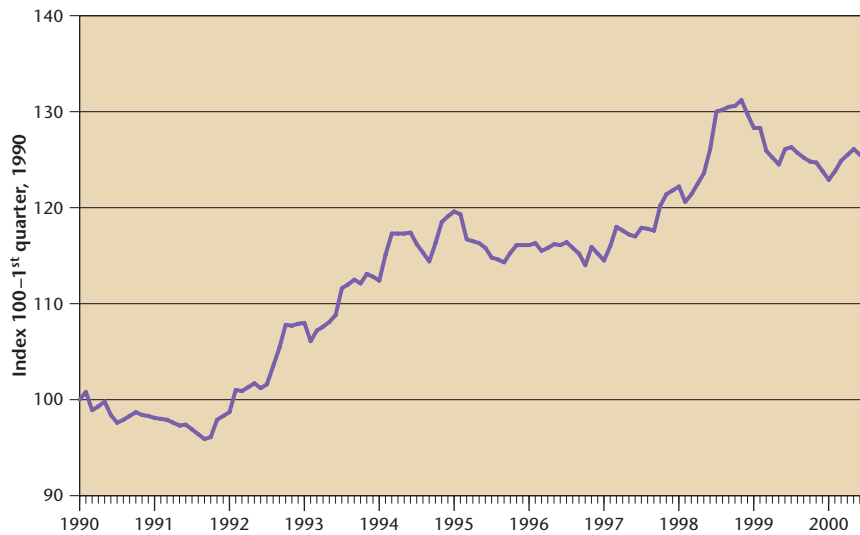
67. According to the National Restaurant Association, *Seafood News* (July 2000).

68. The National Fisheries Institute, *About Our Industry* (February 2000); [www.nfi.org](http://www.nfi.org).

69. See Barry's Seafood Price Current and the National Marine Fisheries Service, the official agency for the fishing and fish-processing sector in the United States.

appreciated by 20 to 30 percent over the last decade. Without doubt, the relative weakness of the Canadian dollar constitutes a comparative advantage for producers in eastern Canada and a major incentive for US wholesalers and purchasing pools to import seafood products from Atlantic Canada. Figure 11 shows the marked increase in the value of the US over the Canadian dollar during the 1990s.

**Figure 11**  
**Comparative Change in Value of the US and Canadian Dollars,**  
**1990–2000**



Source: Bank of Canada, Financial Markets Department, monthly average exchange rates; compiled by the author.

Canada, particularly eastern Canada, is the primary source of US imports of low value-added fresh and frozen products. The main export products are crustaceans, groundfish, and, recently, high-end value-added products (farmed salmon and lobster in particular), which are shipped to consumer markets in New York and Boston. In recent years, however, Canada has only had a 17 or 18 percent share of the US market. Although it has long been the primary supplier for the US market, it is closely followed by Thailand, with exports of US\$1.39 billion in 1998 compared to US\$1.41 billion for Canada. Ecuador and Chile together shipped US\$1.1 billion in seafood products to the United States, while exports by China, including Taiwan, were valued at US\$533 million. The US market is not only huge, but

it is also extremely varied, and approximately seven hundred internationally traded seafood products are listed there.<sup>70</sup>

Table 20 shows the 1998 market shares, in volume and value, of the main suppliers of three major product groups to the United States. Frozen products (including products that are dried, smoked, and pickled) dominate imports with a volume of over 1 million tonnes and a value of US\$5.75 billion. In this category, frozen fish, which comprises 151 products, accounts for 528,000 tonnes (US\$1.5 billion), and seafood (37 products) accounts for 459,000 tonnes (US\$4.1 billion).

With 10.9 percent of imports in this category, Canada is the United States' second-largest supplier of frozen products, after mainland China (11.1 percent) and ahead of Taiwan (10.7 percent). Thailand supplies 10.1 percent of frozen products imported by the US. In terms of value, Thailand ranks first (because of imports of giant tiger prawns), with 19.6 percent of imports, followed by Canada (10.6 percent) and Ecuador (10.1 percent). Ecuador is also one of the major suppliers of shrimp to the US market. Canada ranks fourth in frozen seafood (8.6 percent of the value) and first in frozen fish (14.6 percent).

Fresh and chilled seafood products, the second major category, include 104 products (both species and products). Because of its proximity, Canada, of course, is the primary supplier to the United States, particularly on the seafood market, with 81.4 percent of value and 78.5 percent of volume. Its share of the fresh and chilled fish market is 44.4 percent of volume and 39.5 percent of value. Overall, Canada has nearly half (49 percent of volume and 48 percent of value) of the US market for fresh and chilled seafood products.

The third seafood category comprises canned and processed products. The United States imports 289,000 tonnes of seafood in this category, with a value of US\$1.35 billion. Half of this volume but only 29 percent of its value is represented by canned tuna. Canada has virtually no share of this market, which is dominated mainly by a few Asian countries (Thailand, the Philippines, and Indonesia) and Ecuador; they supply 92 percent of US imports of canned tuna. Overall, Canada ranks third in volume among the United States' suppliers of canned products, with shipments of nearly 30,000 tonnes (10.2 percent of the market), valued at US\$202 million. That makes Canada the second-largest US supplier (15.0 percent) in terms of value, after Thailand (45.9 percent).

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70. According to Seafood Market Analyst, *U.S. Seafood Trade Report*.

**Table 20**  
**Share of US Import Market for Seafood Products,**  
**by Country and by Major Product Group, 1998**

Exporting Country	Volume of Imports (in tonnes)	Market Share (%)	Value of Imports (in millions of US\$)	Market Share (%)
<b>Processed and Canned Products (98 products)</b>				
Thailand	108,467	37.5	619	45.9
Philippines	40,195	13.9	98	7.3
Canada	29,709	10.3	202	15.0
Ecuador	23,167	8.0	56	4.1
Indonesia	17,402	6.0	70	5.2
Chile	10,760	3.7	16	1.2
South Korea	9,272	3.2	34	2.5
Mexico	7,793	2.7	26	1.9
Mainland China	5,952	2.1	27	2.0
Other	36,430	12.6	202	15.0
<b>Total</b>	<b>289,146</b>	<b>100.0</b>	<b>1,350</b>	<b>100.0</b>
<b>Fresh and Chilled Products (104 products)</b>				
Canada	153,048	49.2	713	48.4
Chile	56,016	18.0	301	20.4
Mexico	15,319	4.9	52	3.5



Ecuador	14,687	4.7	60	4.1
Costa Rica	7,975	2.6	44	3.0
Panama	6,293	2.0	22	1.5
Trinidad	6,279	2.0	37	2.5
Iceland	5,572	1.8	33	2.2
United Kingdom	4,591	1.5	21	1.4
Other	41,103	13.2	188	12.8
<b>Total</b>	<b>320,883</b>	<b>100.0</b>	<b>1,472</b>	<b>100.0</b>
<b>Frozen, Smoked, and Pickled Products (215 products)</b>				
Mainland China	113,233	11.1	299	5.2
Canada	110,784	10.9	611	10.6
Taiwan	108,576	10.7	195	3.4
Thailand	102,873	10.1	1,125	19.6
Ecuador	68,705	6.8	583	10.1
Russia	50,533	5.0	241	4.2
Japan	44,664	4.4	149	2.6
Mexico	40,311	4.0	400	7.0
India	32,189	3.2	175	3.0
Other	345,577	34.0	1,969	34.3
<b>Total</b>	<b>1,017,445</b>	<b>100.0</b>	<b>5,747</b>	<b>100.0</b>

Source: Seafood Market Analyst, US Seafood Trade Report, 1999; compiled by the author.

Note: This list of 417 products is not necessarily comprehensive, as several products are counted within major product groups.

These figures help clarify Canada's position on the US market for seafood products and show that although Canada is still a leading supplier, other producing countries, particularly countries that practise intensive aquaculture, are making inroads into the huge American market for fish, shellfish, and fish-based products (for human and animal consumption). Competition is lively between traditional suppliers of groundfish such as Canada and new producers of medium-quality fish products, which may more effectively meet processors' needs (harmonization and lower cost of basic products) and mass consumption criteria.

US imports of seafood products are distributed as follows: 5 percent to fishery companies, 76 percent to wholesalers, and 19 percent to processors. Although overall industrial production is sufficient to meet most of the demand, the United States must import to satisfy its domestic needs. Distribution chains play a major role in import growth, but wholesale clubs and retailers appear to be gaining ground in the industry. In recent years, wholesale clubs have accounted for sales of over \$15 billion, making them the number one buyers from processors in Atlantic Canada. The percentage of seafood products sold by distribution giants in the United States went from 4 percent in the mid-1980s to 6 percent in 1996, which is remarkable for this less-popular sector. There are 9,700 seafood departments in US supermarkets that sell seafood products fresh (98 percent), frozen (86 percent), smoked (23 percent), and canned (18 percent).<sup>71</sup> It is worth noting that many fresh products are in fact previously frozen. The products most in demand are shrimp (42 percent), fresh fillets (26 percent), salmon (13 percent), and catfish (7 percent).

### ■ Distribution Networks in the United States<sup>72</sup>

In the United States, food products are generally sold by food brokers, who resell to supermarkets. Brokers provide after-sales service; wholesalers coordinate storage, handle distribution and shipping, and deliver the goods. There are exceptions to the rule, however. For example, some medium-sized and most large food retailers have their own warehouses and buy directly from brokers and, at times, manufacturers. As a general rule, exporters of processed food can market

71. Figures for 1997 are based on data from Canadian consular services.

72. Much of the information in this section comes from analyses prepared by the Canadian Trade Commissioners Service, Team Canada Market Research Centre, Department of Foreign Affairs, and discussions with trade and industry representatives and wholesalers; see also GLOBEFISH, "Metropolitan Market Series," *Greater Miami*, vol. 8; *New York*, vol. 5; *Los Angeles*, vol. 4.

their products through the following three distribution channels: brokers, wholesalers, and retailers. Profit margins in the distribution system vary by product; however, on average, broker commissions are 7 percent, while wholesaler margins are 10 percent and retailer margins are 35 percent.

Geographically, there is a huge disparity in the US market between distribution networks and regional variations in consumption habits. New England is the main port of entry and the largest market for Canadian seafood products, with the city of Boston alone accounting for approximately 50 to 60 percent of the regional market. Certain trends can be seen in the Boston market, including a marked increase in aquaculture products and a greater consumer preference for Alaska pollock and pelagic fish from South America, which are generally less expensive.

In New England as a whole, farmed species such as shrimp, freshwater brook trout, and crayfish have a share of the market, which nevertheless remains generally tied to the traditional fisheries. Consequently, production has increased and marketing systems have been improved for established products such as oysters and mussels. These trends reflect the more sophisticated tastes of regional consumers and a public demand for greater variety. The demand for lobster is currently firm on the regional market, according to Atlantic Canada exporters. On the other hand, inventories of cod blocks in refrigerated warehouses are falling, as is demand. The block price varied between US\$1.60 and US\$2.10 in 1998, rising slightly as a result of the shortage, which is becoming a concern. In the shrimp sector, demand is high, but the market is loaded with the product, and that has led to lower prices. The market is looking mainly for quantity rather than quality, according to processors' associations in New Brunswick and Nova Scotia. In the New York region, market preferences have changed recently; for one thing, the recession in the early 1990s went some way towards modifying consumer habits, and for another, fierce competition in the market has obliged Canadian exporters to develop their marketing techniques and focus on competitive pricing.

The northeastern United States (the New England states) absorbs 85 to 90 percent of Atlantic Canada's exports of seafood products. In 1999, for example, Massachusetts imported \$1.1 billion worth of the region's seafood products or 39.5 percent of all shipments to the United States (see table 21). Next was Maine (\$192 million or 7.0 percent) and then New Hampshire (\$98 million or 3.6 percent) and New York State (\$96 million or 3.5 percent). Exports from Atlantic

**Table 21**  
**United States' Export Markets for Seafood Products**  
**from Eastern Canada, 1995 and 1999**

Destination/state	Export Value			
	(in thousands of Can.\$)		(%)	
	1995	1999	1995	1999
Massachusetts	689,420	1,081,709	63.0	57.1
Maine	136,317	191,675	12.5	10.1
New Hampshire	22,230	98,286	2.0	5.2
New York	63,855	96,116	5.8	5.1
Florida	14,185	60,381	1.3	3.2
California	24,434	55,170	2.2	2.9
New Jersey	18,065	54,756	1.7	2.9
Rhode Island	24,182	41,056	2.2	2.2
Washington	14,827	34,504	1.4	1.8
Connecticut	12,264	21,096	1.1	1.1
<b>Subtotal (10 states)</b>	<b>1,019,780</b>	<b>1,734,750</b>	<b>92.2</b>	<b>91.6</b>
Other	73,989	159,013	6.8	8.4
<b>Total (United States)</b>	<b>1,093,769</b>	<b>1,893,763</b>	<b>100.0</b>	<b>100.0</b>
<b>Destination/region</b>				
Northeast	978,480	1,622,262	89.5	85.7
Southeast	24,118	96,076	2.2	5.1
Southwest	26,254	64,596	2.4	3.4
Midwest	22,396	53,869	2.0	2.8
Northwest	16,922	42,993	1.5	2.3
Other Regions	25,660	13,967	2.3	0.7
<b>Total (United States)</b>	<b>1,093,770</b>	<b>1,893,763</b>	<b>100.0</b>	<b>100.0</b>

Source: STRATEGIS, Industry Canada; compiled by the author.

Canada to the ten main buyers in the northeastern states increased by 70 percent in five years (from \$1.02 billion to \$1.74 billion between 1995 and 1999), proof of the vitality of this large consumer market, which has the best segments of the national and international seafood products brokerage and distribution network.

The northeastern United States is home to large wholesaler-producer-distributors, such as Stavis Seafoods of Boston (12,000 tonnes of products traded annually, with lists of six hundred products and suppliers in twenty-five countries), StarKist Seafood Co. of Newport, Kentucky (sales of \$1.25 billion, with nearly half the canned tuna market in the United States), and Gorton's Seafood of Gloucester, Massachusetts (with \$350 million in sales and control of 20 percent of the sales of fillets and frozen fish products to supermarkets). The Fulton Fish Market is the largest wholesale fish market in the New York region with seventy dealers. These giants attest to the region's dynamic market for seafood products. That does not mean, however, that other regions of the United States are of no consequence. In fact, seven of the ten-largest producer-distributors of fish products in the United States are located outside New England,<sup>73</sup> which partially explains the gradual expansion of markets for seafood products in various subregions. For example, exports of fish and seafood from Atlantic Canada to Florida increased from \$14 million to \$60 million between 1995 and 1999, while exports to California increased from \$24 million to \$55 million. Overall, the value of exports to the southeastern United States has tripled since 1995, rising by 154 percent in the northwest and by 146 percent in the southwest.

There are several reasons why the northeastern United States is a major export market for seafood products from eastern Canada. First, New England has a shortage of some species of fish and has to obtain supplies outside the region. In addition, the price of processed products is higher there than elsewhere, and high-end and ready-to-serve products are certain to find buyers if presented attractively and as part of the current shift to "healthy" products.

A review of the products found on this regional market reveals some interesting trends that are of particular interest to manufacturers and exporters in eastern Canada. Beginning with cod, which has been replaced by pollock or hake because of its high price, it continues to be a highly popular fish, but the market should remain static. Alaskan and Pacific species (products also processed in Atlantic Canada for the New York market) are increasingly common on the New England

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73. Including Sysco Corp. of Houston (\$1.06 billion in sales — serves over 300,000 restaurants, hotels, schools, etc.); Bumble Bee Seafoods Inc. of San Diego (\$750 million in sales — a leader in sales of canned goods and surimi); Trident Seafoods Corp. of Seattle (\$600 million in sales — a major producer on the West Coast, with a fleet of thirty vessels and nine processing plants); ConAgra Seafood Co. of Tampa (\$410 million in sales of processed fish products, especially seafood). Information from "The Big Get Bigger," *SeaFood Business* (February 2000).

market, which is very encouraging because stocks are abundant and prices advantageous. Sales of Alaska cod, also sold on this market, increase when quantities of Canadian cod are limited. The main crab products consumed by the US market are whole crab (distributed on a wide scale as “combo” cans) and assortments. Shelled crabmeat is the hardest to obtain. Consumption of surimi (crab-flavoured fish paste) has increased at the expense of crabmeat, but the authentic product will always be valued. The future of crab from eastern Canada seems promising on this market, particularly, according to Canadian producer associations, if producers focus on value-added processing. Flatfish species are declining in the region, and the industry is concerned about the future of this product. Finally, the scallop market is strong, but Canadian products appear to have lost ground. Scallop catches seem to be satisfactory on the US side (76,600 tonnes landed in 1997), and the US product appears to be less expensive: however, the difference can often be up to 75¢ a pound. The quality of the scallops is not the same, however, and many US suppliers are suspected of adding sodium tripolyphosphate to the product to increase weight, although apparently such reports are not deterring consumers.

The central US eastern seaboard includes Pennsylvania, Delaware, Maryland, Virginia, and the District of Columbia (Washington). This region has three main markets: the Delaware Valley (Philadelphia-Wilmington), the Baltimore-Washington corridor, and the Richmond-Norfolk corridor. It is a wealthy, developed region — with 6 percent of the US population and 9 percent of national income, i.e., \$350 billion — and a major target for producers in eastern Canada.

Producers in eastern Canada know that consumer trends in this market indicate that fresh and deep-frozen products, including prepared dishes, are growing in popularity, while canned goods are in decline. They maintain that the strong consumer trend toward a nutritious diet will continue in the long term and is likely to favour products prepared in Atlantic Canada. Products in the region with some of the highest levels of consumption are shrimp and salmon. Although Boston and New York are still the largest distribution centres for seafood products destined for the central states on the eastern seaboard, markets in Philadelphia and Baltimore-Washington, because of their proximity, offer considerable potential for export businesses in Nova Scotia and New Brunswick. Some New Brunswick manufacturers are developing market niches in the Baltimore region.

The southeastern United States, with Atlanta at its centre, has a population of 43 million, over 16 percent of the national population and a rate of growth in the past decade that is almost double the national rate. The market for this region is estimated at \$73.4 billion or 21 percent of the entire US market and includes 53,000 food stores and 7,990 supermarkets. According to producers in Quebec and Newfoundland, consumption of seafood products is much higher in this region than in the rest of the country because of easy access to fresh catches and a healthy tourism industry. The region is also the main market for fresh products, particularly seafood (lobster)<sup>74</sup> from some Nova Scotia producers.

Although a large part of the fish and seafood (both domestic and imported) sold on this consumer market comes from Boston and New York, local processing plants and other buyers have recently begun dealing directly with source suppliers in Nova Scotia, Newfoundland, and New Brunswick. Apart from hake, the market is open to all species of fish. Producers in Atlantic Canada and Canadian retailers have found outlets in the region for fresh fish, especially wild and farmed salmon (deep-frozen by the unit, whole, with head on and eviscerated) from New Brunswick. There is also a market for halibut. As well, redfish (in cellophane and packed in layers), mainly large pieces, is in great demand as a replacement for redfish caught in the Gulf of Mexico, which is subject to quotas. Quality is the determining factor on this market, whatever the species.

In the Midwest, which has a population of twenty-three million, target markets are Illinois, Missouri, and Wisconsin. Chicago is the most populous centre with twenty million people, and perhaps because it has the highest ethnic diversity in the region it ranks third among US cities in sales of seafood products. According to Nova Scotia producers, this metropolitan centre offers a favourable climate for new, competitively priced products, particularly products that focus on quality, convenience, and nutrition. The city's importance as a distribution centre with rapid access to the entire world via a vast transportation infrastructure strengthens its position as a trade hub. In fact, Chicago has one of the best trade infrastructures in the United States, particularly its system of highway, maritime, and air transportation. Another of its strengths is food services market, which is estimated at approximately \$50 billion. According to producers in

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74. For example, Clearwater Fine Foods Inc., a company that ships various products, including lobster, to this region.

eastern Canada, deep-frozen products and other ready-to-serve dishes have the best prospects in this area. Although consumption of seafood products was limited a few years ago to species native to the region, Canadian producer associations are now saying that Chicago is fast becoming the seafood capital of the United States.

Until recently, sales of Canadian products in the Chicago market were hindered mainly by inadequate supply, not demand or price. That is the opinion of US intermediaries (distributors of ready-to-serve dishes and fresh and deep-frozen fish brokers), who are quick to add that this market still has a great deal of potential. This is confirmed by exporters in eastern Canada, who report that their sales to the region are increasing by nearly 5 percent each year. It should be noted that food services (hotels, restaurants, schools, and hospitals) have an increasing need for high-quality products, not just health-conscious products. The Chicago Fish House company alone ships 35 million pounds of fish and seafood to these establishments in thirty-eight US states. The most sought-after products in this market are cod, shrimp, salmon, and surimi.

The Cleveland region is also considered fairly important by producers in eastern Canada. Cleveland is located at the centre of the US industrial and financial belt, which includes Ohio, Pennsylvania, Kentucky, and West Virginia, an area approximately one-third the size of Ontario and with a population of over twenty million. The region has six main distribution centres, i.e., the six metropolitan areas, and its numerous dealers service wholesalers in addition to their usual clients. Canada exports a wide variety of seafood products to the area, particularly fresh and deep-frozen fish and shellfish, which are shipped to wholesalers directly or indirectly. And although those exports have been modest up to now, approximately thirty wholesalers there do business with producers in New Brunswick, Nova Scotia, and Newfoundland, many of them buying salmon, cod, farmed mussels, and crustaceans (95 percent lobster). Regional consumer preference for seafood products is significant and appears well established. Today, the majority of the seafood products consumed in Cleveland are purchased in Boston or Detroit; however, local wholesalers repeatedly express their interest in products from eastern Canada and in trading directly with producers. The species currently most in demand are salmon, lobster, pollock, clams, mussels, scallops, and crab.

The Detroit market has fifteen million consumers. In recent years, Canadian exports of fish and crustaceans to the city have reached \$200 million annually. Prospects in this region are excellent, particu-



larly for value-added prepared dishes, including ready-to-serve products prepared in portions. Food distribution is most active in urban population centres in northern and west-central Michigan, where there are four wholesale distributors, three of which are among the ten largest in the United States. The market for seafood products in the region is estimated at over \$800 million. Some processors say that the area's practices are similar to those in Canada; others report that it has highly developed marketing techniques, quality control, and sales. In fact, 60 percent of seafood products are sold retail and 40 percent to food services. The retail-sales sector should increase considerably in this area, particularly for fish-based products.

Another attractive market for Canadian producers is California, which has some of the largest metropolitan population centres in the United States, in particular Los Angeles and San Francisco. The market for food products exceeds \$40 billion in those two cities alone, where there are more than ten thousand food stores and fourteen hundred supermarkets. Given the boundless opportunities presented by such a huge market, competition among Canadian producers is fierce. The business potential it represents is considerable, because a number of factors have conspired to cause the region's consumers to develop a keen interest in nutrition and health. Their habits have changed accordingly, and as a result fish sales have shot up, while the consumption of red meat has declined.

Northern California is one of the major regions in the seafood product trade because it has an immense distribution centre with over one hundred brokers dealing in these products. It is also the number two export destination, after the northeastern United States, for some Nova Scotia producers.

The Pacific Northwest is also an attractive market for producers in Atlantic Canada. Seattle, in particular, offers a market with numerous opportunities because of the active and varied lifestyles of its inhabitants. In addition, their high incomes foster a taste for luxury imported and ready-to-serve food products. The penchant of the region's consumers for imported products is reflected in purchases of imported food products of around \$532 million in 1996, \$305 million of that from Canada. Although the region is a major fish producer, the Pacific Northwest annually imports \$198 million in seafood products, with 48 percent of that being supplied by Canada. This market is mainly interested in fresh and deep-frozen products, but smoked fish, farmed salmon, shrimp, scallops, lobster, and mussels also have a share of the market. Lobster is especially in demand, particularly Atlantic

lobster, which is lighter than Australian lobster. New Brunswick and Newfoundland are increasing their penetration of this market. Distribution is handled by processing plants that also sell wholesale as well as through brokers (mainly for canned goods) and wholesalers. We should point out that the demand for salmon from institutional food services and retail trade has increased since the drop in the price of farmed products. Canadian businesses have also succeeded in penetrating this market because of the excellent quality of their products, their competitive prices, and Canada's strict sanitary regulations.

Overall, the consumer market in the United States remains crucial for seafood products processed and prepared in eastern Canada. There as elsewhere, however, numerous competitors are trying to get a piece of the pie. The advantage Canadian products have is that they are in demand, they enjoy a reputation for quality, and they benefit from trade liberalization under NAFTA. The US consumer market for seafood products, including high-end products, continues to grow and looks certain to long remain as the principal market for exporters in eastern Canada. Although some regions are traditional markets (New York, Boston, and Detroit), others warrant further investigation. Producers in Atlantic Canada could look at developing new markets in the coming years in the central and south-central United States, for example, while continuing to deal actively with purchasing pools and wholesalers. There is every reason to believe that they can add to their share of the vast US market with increased presence and visibility. The success of some businesses in Nova Scotia — the province with the best connections in the US market — proves that well-developed strategies that target market niches for value-added products can be very profitable. To sum up then, it is clear that the US consumer market, although fragmented, must remain the primary trade target of producers in eastern Canada.

### ■ The European Market for Seafood Products

Almost all of the industrialized European countries have some type of fish-processing industry, i.e., canning, smoking, freezing, and other processing plants. Production of ready-to-serve dishes is the fastest-growing sector, and major distributors in the market are actively involved in introducing new products.

In several European countries, annual average per capita fish consumption (equivalent to live weight) is relatively high: 29 kg in France, 25 kg in Greece, 40 kg in Spain, 28 kg in Sweden, 32 kg in

Finland, and 48 kg in Norway. In others, however, it is more moderate: 20 kg in the United Kingdom, 20 kg in Belgium and Luxembourg, 15 kg in the Netherlands, and 13 kg in Germany. Fish consumption in Italy is comparable to that in North America — an average of 22 kg per person per year.<sup>75</sup> Anglo-Saxon countries register a lower average consumption, but their high population density and purchasing power make them potentially lucrative markets for fish products, particularly for seafood.

The European Union is a huge market for seafood products — the second-largest trading bloc, after Japan, for fish and seafood imports. Its member countries consume over 12 million tonnes of seafood products annually, and the volume of these imports is twice as high as domestic production (i.e., within the EU). This market is distinctive in that it encompasses a dozen countries, some of which are relatively heavily populated (Germany, France, England, Spain, and Italy), while others are less so. Per capita fish consumption varies greatly from one country to another, but it is generally above the North American average. These countries are also major tourist destinations — over one hundred million tourists visit France, Italy, and Spain combined every year — which drives up restaurant sales of high-end food products.

In 1996 the European Union imported seafood products valued at US\$19.3 billion, i.e., 34 percent of world imports. However, a substantial percentage of those imports were arranged between member countries of the EU itself. Nevertheless, each year it also imports between \$300 million and \$350 million worth of seafood products from Canada, 75 to 80 percent of which come from eastern Canadian provinces (see table 22). For several years France was the principal destination for these products. Since then it has been overtaken by the United Kingdom, Denmark, and Germany. In these three countries, the value of imports from eastern Canada almost doubled between 1995 and 1999. Exports to Belgium and Sweden have also increased substantially.

Europeans show a clear preference for fresh products. In France, for example, fresh fish and seafood still represent more than half the value of all seafood products consumed. In France, as in several other EU countries, the arrival of major wholesale and retail distribution chains has fostered greater access to seafood products at competitive prices. This is true for both consumers and processors. As elsewhere,

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75. FAO, annual consumption of fish, molluscs, and crustaceans per capita — average for the years 1995–97.

**Table 22**  
**Value of Seafood Product Exports from Eastern Canada to the European Union, by Country, 1995, 1997, and 1999**

Country	Export Value (in millions of Can.\$)		
	1995	1997	1999
United Kingdom	35.8	36.6	62.5
Denmark (including the Faroe Islands)	34.5	60.2	60.3
Germany	27.7	23.7	45.8
France	53.6	34.3	34.8
Belgium	24.1	25.5	32.5
Sweden	15.9	12.3	20.6
Netherlands	17.2	14.9	11.9
Italy	11.8	11.5	10.4
Portugal	1.6	1.7	6.6
Spain	2.4	2.2	6.6
Other European Union countries	28.0	16.0	26.0
<b>Total (European Union)</b>	<b>227.4</b>	<b>224.5</b>	<b>294.6</b>

Source: STRATEGIS, Industry Canada; compiled by the author.

there is increasing integration within the retail distribution sector. In fact, the percentage of seafood products shipped and sold by supermarkets increased from 35 percent in 1988 to 51 percent in 1993.<sup>76</sup>

The concentration of points of sale and the elimination of trade barriers within the European Union have resulted in downward pressure on the prices of local raw materials, the elimination of a number of intermediaries in sales and distribution channels, and a concentration of wholesalers. It should also be noted that many first-class restaurants have recently been offering their patrons new, high-end seafood products such as Canadian lobster, and several New Brunswick producers have penetrated the restaurant market in France with a product called "new lobster."

The European Union is seen by lobster producers from Canada and elsewhere as having great potential, a view based on the EU's annual imports of \$200 million in lobster and lobster products,

76. FAO, Department of Fisheries, FISHERY COUNTRY PROFILE (France, 1996) and GLOBEFISH, Metropolitan Market Series, *The Market for Seafood in Paris and Île de France*, vol. 1.

mainly from Canada (\$100 million in 1996) but also from the United States (\$85 million in 1997) and a few other suppliers. Imports of live Canadian lobster hover at around 4,000 tonnes, which is in addition to 3,000 tonnes of frozen lobster (cold pack). In total, approximately 8,000 tonnes of Canadian lobster products enter the European market each year. US producers and exporters supply an increasing percentage of the volume of live lobster shipped to this market, with exports climbing from 3,400 tonnes in 1990 to 5,400 tonnes in 1996, an increase of 60 percent.

The main markets for Canadian lobster in Europe are France (\$25 million in 1998) and Belgium (\$23 million). There are also secondary markets in the United Kingdom (\$13 million), Germany (\$11 million), the Netherlands (\$9 million), and Italy (\$4 million). Overall, lobster imports to the European Union, all products combined, amount to approximately 20,000 tonnes, a volume that has remained fairly stable since 1990. From a value standpoint, however, imports rose from \$149 million in 1993 to \$210 million in 1995, levelling off at around \$200 million. Live lobster, of course, is the most in demand, representing between 75 and 80 percent of the total value of imports. In recent years (1995–98), demand for frozen lobster from Canada dropped significantly on the French market (from \$26.4 million to \$14.1 million) and on the Belgian market (from \$7.5 million to \$4.2 million). Europeans are increasingly turning to fresh or live lobster, particularly in Belgium, where imports of fresh Canadian lobster increased from \$11.0 million to \$18.5 million between 1994 and 1998; in the United Kingdom the increase was from \$9.2 million to \$11.5 million, in the Netherlands from \$7.9 million to \$8.6 million, in Germany from \$6.8 million to \$7.6 million, and in Sweden from \$0.5 million to \$2.4 million.

Canada also exports groundfish products to the European market, which saw the value of fillets and frozen blocks fall from \$61 million to \$20 million between 1990 and 1998 (see table 23). There was also a sharp drop in exports of salted and dried fish, two product groups particularly affected by the groundfish crisis. In addition to higher lobster exports, Northern shrimp exports to the European Union are also gaining, increasing from \$28.6 million in 1990 to \$74.3 million in 1998.

To summarize, Europe offers real opportunities to producers from eastern Canada, particularly in the ready-to-serve segment and in natural prepared products. Lobster and Northern shrimp are the most in demand, but there are still market niches for frozen fish fillets,

**Table 23**  
**Exports of Canadian Seafood Products, to the European Union,**  
**by Product Category, 1990, 1996, and 1998**

Product Category	Volume (in tonnes)			Value (in thousands of dollars)		
	1990	1996	1998	1990	1996	1998
<b>Frozen fillets</b>	<b>16,392</b>	<b>12,066</b>	<b>10,118</b>	<b>47,591</b>	<b>22,220</b>	<b>18,037</b>
• Herring	8,911	10,328	8,744	8,125	11,189	8,756
• Cod	4,810	98	29	21,083	768	219
• Cod fillets, block	0	9	90	0	62	730
• Freshwater fish	1,870	1,079	893	13,733	7,662	6,760
• Other forms	801	552	362	4,650	2,539	1,572
<b>Frozen blocks</b>	<b>4,145</b>	<b>513</b>	<b>825</b>	<b>13,202</b>	<b>1,587</b>	<b>2,278</b>
• Cod	3,378	0	9	10,547	0	22
• Freshwater fish	564	494	563	1,953	1,545	1,671
• Other forms	203	19	253	702	42	585
<b>Fish, salted, dried, pickled</b>	<b>25,085</b>	<b>825</b>	<b>1,682</b>	<b>111,516</b>	<b>6,000</b>	<b>12,590</b>
• Cod	23,468	641	1,554	108,845	5,290	12,224
• Other	1,617	184	128	2,671	710	366
<b>Lobster</b>	<b>7,650</b>	<b>7,580</b>	<b>8,006</b>	<b>81,763</b>	<b>100,861</b>	<b>95,173</b>
• Live	4,067	4,236	3,969	45,924	66,760	63,732
• Cold pack	2,788	2,031	2,974	27,289	21,125	22,326
• Other, frozen	422	987	811	2,726	8,961	5,461
• Extracted meat, frozen	314	226	184	5,189	3,209	3,240
• Other forms	59	100	68	635	806	414
<b>Shrimp</b>	<b>6,754</b>	<b>5,388</b>	<b>15,000</b>	<b>28,571</b>	<b>30,189</b>	<b>74,349</b>
• Frozen	6,336	4,146	13,087	24,894	23,328	56,666
• Cooked, peeled	418	899	1,913	3,677	4,930	17,683
• Other forms	–	343	–	–	1,931	–
<b>Crab</b>	<b>511</b>	<b>1,184</b>	<b>254</b>	<b>7,661</b>	<b>16,504</b>	<b>3,706</b>
• Frozen (sect. and meat)	428	1,180	254	6,149	16,453	3,706
• Other forms	83	4	–	1,512	51	–
<b>Salmon, canned</b>	<b>15,075</b>	<b>11,474</b>	<b>6,053</b>	<b>115,817</b>	<b>80,346</b>	<b>51,287</b>
<b>Other prod. categ.</b>	<b>23,483</b>	<b>12,440</b>	<b>12,018</b>	<b>103,743</b>	<b>54,512</b>	<b>59,287</b>
<b>Total</b>	<b>99,095</b>	<b>51,470</b>	<b>53,956</b>	<b>509,864</b>	<b>312,219</b>	<b>316,707</b>

Source: Canadian Fisheries Council, with the cooperation of Industry Canada.

salmon, and some herring products. The main stumbling block is proving to be overly high customs tariffs on imports of seafood products that have undergone secondary and tertiary processing.

### ■ Japanese and Asian Markets for Seafood Products<sup>77</sup>

Japan is one of the largest markets in the world for products from the sea, a consequence of the population's high consumption of seafood products, particularly fresh seafood. Average per capita consumption exceeds 70 kg per year. It is also very high in other Asian countries with high population densities, such as Thailand (31 kg), Malaysia (55 kg), Taiwan (36 kg), Singapore (31 kg), Hong Kong (57 kg), and South Korea (52 kg). Among major industrialized countries, however, Japan is by far the leader in this area.<sup>78</sup>

Japanese consumers are not only fond of fish, but they also appear to be among the most discriminating and demanding with respect to product quality, safety, appearance, size, packaging, and sensory appeal. To their credit, though, many are also willing to pay a high price to satisfy their exacting tastes. However, Japan's lengthy economic recession in the 1990s combined with an aging population and the different consumer habits of young people have changed the profile of Japanese consumers. As a result, many are adopting the North American approach to food buying, i.e., looking for convenient food products that are healthy and competitively priced. Nevertheless, the Japanese market remains lucrative for seafood processors and exporters in Atlantic Canada, many of whom have been active in Japan for years with products such as snow crab (Japan imports 120,000 tonnes annually) and herring roe.

The Japanese market annually takes in approximately 13 million tonnes of seafood products, double the volume consumed by the American market, which is twice the size. In 1997, Japan imported seafood products worth US\$15.6 billion, making it the top importing country and far ahead of the United States (\$8.1 billion). Unlike the United States and Europe, however, Japan consumes almost all of its domestic catch, with barely 5 percent going to outside markets. Although Canada supplies only 3.5 to 4 percent of the seafood

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77. This section on Japanese and Asian markets is based on several reports including one report prepared by the Canadian Trade Commissioners Service, *The Agri-Food Market in Japan*. Other sources were FAO, FISHERY COUNTRY PROFILE on Japan, Korea, Viet Nam, Thailand, India, and Indonesia.

78. Information was obtained from the FAO; this is an average for the period 1994–96.

products sold on the Japanese market, Canadian producers are in a strong position in three sectors: snow crab, herring roe, and coldwater shrimp. It should also be noted that there is a growing interest in Japan in farmed salmon, a market supplied mostly by producers in British Columbia.

Snow crab from Canada's East Coast has carved out a choice position for itself on the Japanese market. The snow crab market in Japan relies heavily on hotels, inns, restaurants, and souvenir shops located in tourist areas in regions where Japanese snow crab is caught, i.e., Hokuriku, Tohoku, and Kinki on the Sea of Japan. And because of the superior quality of snow crab from the Gulf of St. Lawrence compared to what is available from other parts of the world as well as its greater similarity to the Japanese product, snow crab from eastern Canada is highly favoured. Action is being taken to expand the market for gulf snow crab to other tourist regions and to major urban centres such as Osaka. However, because snow crab consumption depends on the tourist trade, the volume of sales dropped with the decline in the number of tourists as a result of the economic slowdown.

It was in 1995 that Japan first imported large volumes of snow crab from Newfoundland, mainly to replace Alaska snow crab. Since then, Newfoundland snow crab has been holding its own against Alaska snow crab, which was very abundant in 1998. A large percentage of Newfoundland snow crab is also sent to China, where the product is processed and re-exported to the Japanese market. As a result, these products are thought of as being Chinese rather than Canadian. Russia has also become a major competitor on this market, which makes the emphasis on a quality product all the more important in order to maintain the competitiveness of Canadian snow crab.<sup>79</sup>

The Japanese market is also an attractive and lucrative outlet for processors in Atlantic Canada. Canadian exports of salted and frozen herring roe dominate Japanese imports of this product. Salted herring roe is usually sold in expensive gift boxes, which are presented by the Japanese at the end of the year. However, the recent recession has also had an impact on this market; exports of all types of herring roe have decreased in recent years. In 1998, very competitively priced imports of Russian herring roe processed into spiced roe created some competition for spiced herring products manufactured from frozen roe imported from Canada and Ireland. To maintain the Japanese

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79. See Department of Foreign Affairs and International Trade, *The Agri-Food Market in Japan* (August 1999).



market for frozen herring roe, it has become essential to offer the product at reasonably stable prices.

Shrimp is one of the few seafood products exported by Canada to Japan for which sales have risen in recent years. In fact, Canadian shrimp exports have enjoyed a steady increase (6,244 tonnes in 1993 compared to 10,278 tonnes in 1998). Canada is now the largest exporter of shrimp to Japan, ahead of Greenland and Iceland. Shrimp imported from Canada is used mainly to make sashimi and is sold in take-out sushi bars. And although the recent economic recession meant that fewer Japanese ate out in restaurants, shrimp sales in less expensive restaurants, bars, and stores increased. Given the supply of Canadian shrimp, exports of this product, particularly large shrimp, should continue to rise.

Apart from snow crab, shrimp, and herring roe, the Japanese are particularly fond of farmed salmon, lobster, and sea urchin roe. That invests these products in eastern Canada with a definite trade potential. Beginning in 1992, after the moratorium, Newfoundland's Pioneer Seafoods of Trinity Bay was one of the first companies to export sea urchins (roe) to Japan.

The live and frozen lobster market in Japan has fallen off substantially because of the economic recession. Lobster was traditionally served at weddings, receptions, birthdays, and other social gatherings. Not only has the number of such gatherings decreased in recent years, but also the amount of money spent on them has dropped to the point where lobster no longer even appears on the menu. On the Japanese market, lobster competes with the very popular spiny or rock lobster and is used mainly as an ingredient in French cuisine in extremely expensive restaurants. In 1998, Canada exported 1,593 tonnes of live and frozen Atlantic lobster to the Japanese market. The United States was the only other supplier of this product.

Of the 15,000 to 17,000 tonnes of lobster Japan imports each year, approximately 3,500 tonnes is the *americanus* species that comes mainly from Canada (60 percent in 1994 and 1995) but also from the United States. While the value of Japanese lobster imports ranges between \$450 million and \$500 million, Atlantic Canada's exports of lobster to Japan are valued at between \$20 million and \$25 million (in Canadian funds). New Brunswick producers export only frozen lobster to Japan; the total export value has fluctuated between \$5 million and \$8 million in recent years.

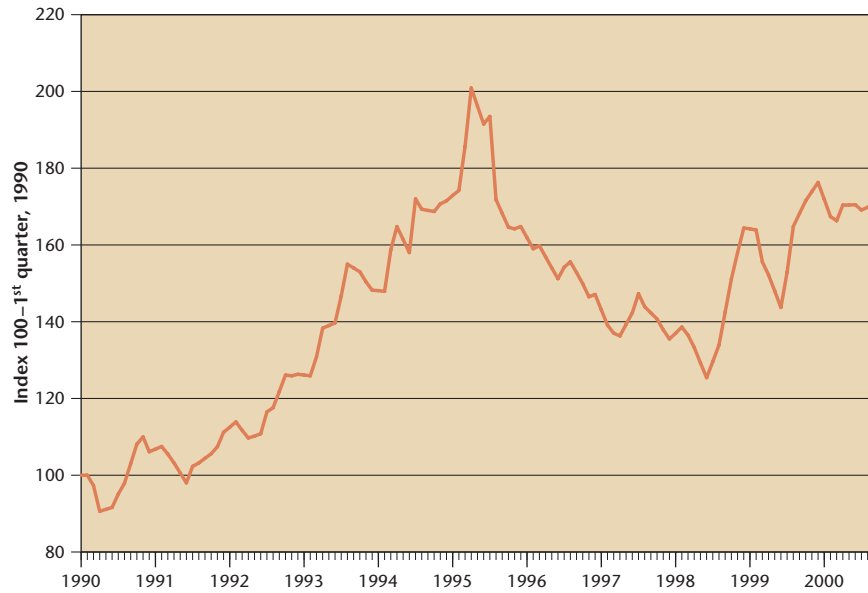
In Japan, there is a firm demand for sea urchin roe from Canadian producers, who shipped 478 tonnes (\$29 million) of the product to Japan in 1998. Because sea urchin stocks have been seriously depleted in the United States, US producers buy large quantities of live sea urchins from Canada, which they then process into products for re-export to Japan. This situation should provide Canadian producers with attractive export opportunities to Japan and the United States.

To conclude this description of the prospects of fish and seafood products on the Japanese market, let us simply say that Canadian producers must continue to offer quality products that suit the various segments of the market. It should be noted that Japan is not a homogeneous consumer market. In fact, the country is marked by regional differences — differences that are especially characterized by food preferences, which vary according to the regional availability of fish products. For producers in Atlantic Canada to increase their share of the Japanese market, they must be able to count on selected companies to manufacture quality products adapted to the Japanese market. In addition, more Canadian businesses must get involved in the export market and begin offering a greater variety of value-added products to enhance Canada's reputation as an agri-food supplier. Canada enjoys a good reputation with dealers and consumers; however, Japanese observers report that Canadian industry is falling short of satisfying local requirements in the areas of products, pricing, and client relations.

Increased production of fish products by suppliers other than Canada and price resistance to high-end fish and seafood are the most significant issues currently facing Canadian exporters in this sector. If Canadian exporters expect to maintain and increase their share of the Japanese market, they must deal with the competition from Norwegian, Chilean, and Russian exporters by effectively managing Canadian fisheries to ensure a stable, high-quality supply of seafood.

Until 1995, Canadian exports of lobster and other seafood to Japan were greatly stimulated by the strong rise in the value of the yen. In fact, from 1990 to 1995 Japanese currency rose by 100 percent in relation to the Canadian dollar (see figure 12). In other words, in 1995 Japanese importers could buy twice the quantity of a product that was imported in 1990 for roughly the same amount. Soon afterwards, however, the economic situation rapidly deteriorated, and the crisis in the financial markets and the ensuing sharp drop in the yen became a significant constraint for lobster exporters to Japan.

**Figure 12**  
**Change in Value of the Yen Compared to the Canadian Dollar,**  
**1990–2000**



Source: Bank of Canada, Financial Markets Department, monthly average exchange rates; compiled by the author.

In addition to the Japanese market, some Asian countries offer attractive trade prospects for Atlantic Canada producers (see table 24). Mainland China and Taiwan are promising markets, with imports of more than \$90 million in 1999, i.e., nearly double 1995 imports. Thailand, Hong Kong, and South Korea also imported fresh and chilled products such as lobster and shrimp.

### ■ The Canadian Market

Although Canada is recognized primarily as a major producer-exporter of seafood products, its domestic market consumes nearly a million tonnes of these products, i.e., almost as much as its domestic production. Canadian fish and seafood imports came to \$2.02 billion in 1999, compared to \$3.76 billion in exports, while according to the Canadian Fisheries Council,<sup>80</sup> apparent consumption of fish

80. Canadian Fisheries Council, *Canada's Trade Objectives for Seafood in World Trade Organizations*, submission to the Standing Committee on Foreign Affairs and International Trade, House of Commons (22 April 1999).

**Table 24**  
**Asian Markets for Eastern Canadian Seafood Products,**  
**by Country, 1995 and 1999**

Country	Imports (in millions of Can.\$)		Exports (in millions of Can.\$)	
	1995	1999	1995	1999
Japan	2.5	6.7	559.2	306.4
Mainland China	18.4	37.1	39.6	75.6
Thailand	45.8	47.9	15.8	23.3
Taiwan	0.2	3.8	11.1	15.8
Hong Kong	0.2	1.3	17.9	10.1
South Korea	2.9	3.5	12.3	7.9
Singapore	0.3	–	0.1	1.6

*Source:* STRATEGIS, Industry Canada; compiled by the author.

and seafood amounted to approximately \$3.5 billion. Canada, like its neighbour to the south, is thus both a major producer-exporter and importer. The difference, of course, is in the volumes traded, which naturally are more modest on the Canadian side, and also in the relative volume of basic products imported for further processing.

In the 1980s, numerous businesses in Canada's agri-food industry developed extensive trade and distribution networks, knowing, however, that the Canadian market was a secondary market. When the situation changed and these networks no longer met the needs of processors, it was clear that other solutions had to be found. Competitive pressure on prices, the concentration of business, the emergence of distribution as a full player in the industry, and massive work-force reductions, all in a context of consumer habits that were changing significantly, were (and still are) some of the problems. To a large extent, this situation explains the serious efforts that have been made to promote brand and quality images. What the industry has to do now is clearly identify and secure the upstream industry (producers for supply and the just-in-time production chain), intermediaries (transportation-distribution), and end users (individual or semi-industrial consumers).

Since the early 1970s, food consumption (i.e., at home, not counting eating in restaurants and fast-food outlets) in Canada has been growing at a rate of 1.6 percent per year. That growth is considered moderate and has been accompanied by major changes in eating

habits and consumer behaviour. In twenty years, Canadian households have in fact modified the structure of their food spending, turning to animal-protein-based products at the expense of high-energy foods and abandoning traditional products that require a certain amount of work to prepare in favour of prepared products with significant postprocessing value added. Despite an overall drop in the percentage of the household budget spent on food, these behaviours have stimulated relative growth in some food categories such as dairy products (cheese and yoghurt).

Just as fresh vegetables are often replaced by canned goods and deep-frozen ready-to-serve products, so fresh seafood products are losing ground to prepared products and deep-frozen and frozen seafood dishes. This change in behaviour is due in part to the profound change in the pace of life, the economic climate, and a clear consumer trend toward comparing prices. That does not mean that households have limited the amount of food they eat, but that they buy more basic food products and top-price products sold by discount stores. That is the other result of the change in the sector's pattern of food consumption. At the end of the 1970s, when some Canadian distribution groups introduced the now-famous no-name products (products without a brand name), they started a minor revolution among product manufacturers.<sup>81</sup> Of course, brand names associated with a distributor already existed, but never had anyone explicitly used the lack of a brand name to promote price and quality criteria. Since then, given the success of that venture, numerous distributors have joined the trend.

In addition to demand that is now based on price, there are two new factors at play: the growing pressure of wide-scale distribution, which serves a highly competitive market, and the improved quality of products sold under the distributor's brand name. Such products, which have often carved out a majority share of markets for minimally prepared products, are increasingly directed toward the midrange segment. Value-added processing of individual brands of seafood products may thus prove more difficult, because their innovative character, in many cases, does not go beyond simply changing the packaging. In this context, large groups (High Liner Foods, Fishery Products International, Connors Brothers, and Sogelco International) must review the factors that enabled them to improve or maintain

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81. For example, no-name product lines sold under the President's Choice brand by Atlantic Superstores.

their profit margins in the 1980s. In fact, for a decade, the industrial sector has been sustained by three elements:

- ▶ Relatively strong growth, at times double-digit growth, in volumes, based on the development of highly buoyant new segments (quick preparation, precooked foods, and new fresh products such as mousse and pâté)
- ▶ An increase in value added, mainly attributable to the introduction of new preparation methods such as microwave cooking, sophisticated deep-frozen products, and light cuisine
- ▶ A decrease in production costs (raw materials, labour costs, site concentration, and delocalization) not built into the selling price but used to support an increase in promotional and advertising costs

Despite changes in eating habits and purchasing power, the market for seafood products in Canada has been more than holding its own up to now. In addition to quality and marketing efforts, the evidence indicating the superior nutritional value of seafood products, which are rich in trace elements and lower in fat than meat, has helped to sustain demand on the Canadian market. Apparent consumption of all types of seafood products in Canada amounts to nearly 10 kg per capita per year (see table 25) and shows major growth in some centres (Montreal and Toronto) and in some provinces (British Columbia), largely because of Asian immigration. Overall, consumers are developing a growing taste for seafood.

### ■ **The Market in Eastern Canada: Realities, Problems, and Potential**

With just under three million inhabitants, the geographic area of eastern Canada does not look as though it would constitute a major market for the seafood industry. And yet it does offer attractive prospects to producers, and because of its proximity it is being tapped by more and more of them at the same time as they move into exporting. In spite of what one might think, it is not just lobster, mussels, and oysters that are sold locally. In fact, a whole range of products is available to consumers and tourists in the region.

Outside the distribution network of fresh-product retailers (approximately fifty individual fish markets in eastern Canada), the main market for seafood products is structured around purchasing-pool networks of major Canadian distributors, such as Sobey's and Atlantic

**Table 25**  
**Apparent Consumption of Seafood Products in Canada,**  
**by Product Category, 1988–98**

Product Category	1988	1990	1992	1994	1996	1998
<b>Total Consumption (in tonnes)</b>						
Sea fish, fresh and frozen	114,528	118,588	137,399	175,712	131,875	137,103
Sea fish, processed	79,474	81,823	53,826	64,370	91,571	83,230
Seafood	35,054	43,123	45,611	42,043	48,601	68,400
Freshwater fish	5,352	5,805	6,233	5,509	5,631	5,750
<b>All products</b>	<b>234,408</b>	<b>249,339</b>	<b>243,069</b>	<b>287,634</b>	<b>277,677</b>	<b>294,484</b>
<b>Per Capita Consumption (in kilograms)</b>						
Sea fish, fresh and frozen	4.28	4.29	4.85	6.06	4.45	4.53
Sea fish, processed	2.97	2.96	1.90	2.22	3.09	2.75
Seafood	1.31	1.56	1.61	1.45	1.64	2.26
Freshwater fish	0.20	0.21	0.22	0.19	0.19	0.19
<b>All products</b>	<b>8.76</b>	<b>9.02</b>	<b>8.58</b>	<b>9.92</b>	<b>9.37</b>	<b>9.73</b>

Source: Department of Fisheries and Oceans Canada, annual statistics on commercial fisheries and aquaculture.

Superstore. In recent years, they have developed large spaces in their supermarkets entirely devoted to fish and seafood products.<sup>82</sup> The increase in sales of fresh products, like sales of processed products (stimulated by innovations in flavour, packaging, and preparation), has encouraged distributors to maintain fairly wide product lines. Although these types of products are certainly more expensive for the final consumer (because of multiple industry requirements), in absolute terms they earn the highest profit margins.

That is also one of the reasons that more attention is being given to developing the fish departments in grocery stores. The only real problem is stock turnover and the capacity of supply centres, which are always complaining about product variations in composition, nature, and quantity, to provide just-in-time supply. Fluidity of supply has interfered with distributors' plans to promote a domestic fish

82. Various Canadian media campaigns on the nutritional value and taste of fish and the gradual consumer shift away from meat, beef in particular.

and seafood market. In fact as we will see later, the rules of the new economy require consistency at all distribution levels. To ignore that is to risk failure or major marketing problems. Specifically, that is why the policy of wide-scale distribution in eastern Canada (e.g., the Atlantic Superstore group) and the policy of subsidiaries have always revolved around maintaining a basic supply of clearly defined product lines that are fully guaranteed by suppliers.

Given current conditions, the only viable market that can ensure a return on investment from marketing a line of processed products is the Toronto and Montreal area. The distributors' policy, which is perfectly consistent, is understandable. Even if profit ratios in the seafood industry are good, supply management (quantitative and qualitative controls, supply flow, lack of product visibility, are modest size of markets) requires a marketing policy based on a three-year cycle, the same as was used in the past for such products as yoghurt and precooked, meat-based dishes.

For the same reasons, the role of institutional food services (e.g., Marriott) is particularly limited, because they manage a continuous-cycle manufacturing process. To date, practically none of the players in this industry segment in eastern Canada have wanted or been able to get involved in promoting seafood products, an attitude that will prevail among industry groups in the institutional food services until the situation proves otherwise. Moreover, a large percentage of the processed products marketed in major eastern Canadian distribution networks come from establishments in the Toronto and Montreal area.

Another factor we should point out that increases marketing problems is the prevailing lack of interest in seafood products among the population of eastern Canada. Furthermore, markets in eastern Canada have no distinctive character because the standardization of product lines has caused them to slavishly follow trends in other parts of Canada and the US. Nonetheless, the urbanization of the region, combined with some ambitious promotional campaigns, has transformed the market in a number of centres. In addition, the effect of the new US-influenced marketing approach, which involves selling the products of various manufacturers under the distributor's trademark, has often been to establish buyer loyalty either to a product line (commonly the case for various types of fish cakes) or to a specific product (salmon loaf and various fish pies). In Quebec, for example, several techniques have facilitated market improvement: increased



visibility of Quebec products outside metropolitan areas (mainly in the Lower St. Lawrence and Gaspé Peninsula and involving new pickled products), campaigns that convey a positive image, and innovative foods (mousse and pâté, convenient packaging, and the appeal of ethnic seafood dishes).

In the Atlantic provinces, distributors are betting on the success of (1) expanding commercial store space (stimulated by a slight increase in urban population) in the Halifax-Dartmouth, Saint John, and Moncton areas and (2) a strategy of rediscovering local products. In both cases, say distributors, the result has been a noticeable increase in sales of seafood products, although it has been sporadic and confined to specific product lines. As a consumer market, the Atlantic provinces offer only four or five population centres large enough for manufacturers to earn a return on their investments: the urban areas of Halifax-Dartmouth, Saint John, Fredericton, Moncton, and St. John's. In total, this target market amounts to 1.6 million people at most, making it a narrow market segment, especially given that processed and value-added seafood products are not part of the eating habits of residents of the region.

For processors in eastern Canada, the Atlantic market serves more as a testing ground for marketing new product lines. In the best-case scenario and for specific products, the Atlantic provinces represent a maximum of 8 percent of overall sales for established regional distributors with longstanding networks. It is a support market, fairly steady and easy to control from a marketing standpoint, and with fairly predictable market behaviour. Furthermore, this market has benefited greatly from modern management and distribution techniques used in central Canada, which was not the case even ten years ago.

The Quebec market, of course, is the top internal market in eastern Canada. On average, deep-frozen seafood products represent nearly 60 percent of purchases, fish and seafood 20 percent, canned goods 20 percent, and salted, smoked, and pickled products nearly 1 percent.<sup>83</sup> Successive promotional campaigns in Quebec and improvements in packaging and products (taste, smell, and special mixtures) appear to have stimulated sales of seafood products. In fact, as in the Atlantic provinces, some Quebec distributors are earning healthy returns on fresh and seafood delicatessen products (mousse, pâté, and spreads).

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83. Estimates based on import flow.

In recent years, retail sales of seafood products and revenue from institutional food services in Quebec are estimated at over \$1.5 billion. Seafood products supplied to the Quebec market have a wholesale value of over \$500 million per year. Nearly a quarter (24 percent) of that demand is filled by Quebec production as a whole, only 10 percent of which is attributable to the maritime area. According to recent studies, retail food-sector sales of seafood products amount to approximately \$430 million, while institutional food services within businesses report revenues of \$970 million. In 1995, sales of seafood products accounted for 18 percent of the revenue of institutional food services. In fact, seafood products play an active part in Quebec's industrial food services network, which accounts for just under half the fish and seafood meals consumed by Quebecers. Some surveys conducted by the government of Quebec revealed that on the whole, Quebec products represent a very small part of the institutional market (hotels, institutions, and restaurants).<sup>84</sup>

On the retail market in Quebec, seafood products are sold mainly to fish markets, grocery stores, warehouse stores, and supermarkets. In urban centres, because of the more diversified clientele, there is a greater demand for fresh seafood products (met by purchases from other provinces and imports) and precooked fish and seafood dishes. Quebec secondary and tertiary processing companies have profited from this segment of the market by expending considerable effort on marketing prepared products such as seafood mousse, crêpes, and pizza. A very small percentage of the production of processing companies (approximately 1 percent) is sold directly to consumers, generally by fish markets and factory outlets.

Quebec companies supply the provincial market through a network of brokers, wholesaler-distributors, and retailers. There is also a group of several companies (Gastro-Mer) dedicated to marketing secondary- and tertiary-processed products. As well, the Aristo-crabe group actively promotes snow crab in Quebec. There is also a trend toward product lines with moderate value added, such as canned products. Most canned products only experienced real growth in the 1980s because of new canning techniques. Improvements led to the creation of varied product lines that performed well. Canned products have also benefited from recent changes in consumer habits brought

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84. See *Le diagnostic des pêches maritimes du Québec* [Quebec marine fisheries analysis], discussion paper from the marine fisheries forum secretariat of Quebec's ministère de l'Agriculture, des Pêcheries et de l'Alimentation (December 1994).

on by the drop in real purchasing power. Under these conditions, quality canned herring may prove an attractive product, because it is rich in protein and the price is highly competitive. Two solid markets for the time being are precooked canned foods (special sauces, sardines, and herring), salmon blocks, and canned tuna.

To summarize, the consumption of processed seafood products in Canada falls into two major market categories: consumption at home and outside the home. In recent years, the restaurant industry has accounted for approximately 27 percent of the total consumption of seafood products and over 30 percent of the consumption of processed seafood products. This market category comprises two segments: the restaurant industry (40 percent) and the immense institutional food services sector (governments, hospitals, universities, businesses, etc.). The restaurant industry exhibits a preference for whole fresh fish, while institutional food services buy mainly fresh and deep-frozen fillets. Experts predict an increase in the consumption of seafood products in Canada, with a preference for foods that are processed and prepared over those that are raw or fresh. From a qualitative standpoint, we also note that marketing strategies for seafood products will no longer be based on consumer characteristics (social and occupational categories, etc.) but on the circumstances surrounding their consumption (in the workplace, etc.). There also appears to be a shift toward hypernatural products, i.e., products that are "reconstituted" to taste as much as possible like natural products.

