

**Pacific Urchin Harvesters Association
Pacific Sea Cucumber Harvesters Association
West Coast Green Urchin Association**

**Trip Report for the
November 2013
Marketing Mission to China**





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October 29 - November 11, 2013

**Report by:
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Executive Summary

The Pacific Urchin Harvesters Association (PUHA) and the Pacific Sea Cucumber Harvesters Association jointed exhibited at a booth at the 2013 China Fisheries and Seafood Exposition as a key part of their respective international programs. The show took place in Dalian China November 5, 6 and 7, 2013 and was attended by a delegation comprising sea urchin and sea cucumber executives, fishermen, processors and exporters and the project consultant.

To characterize the show, it is one of the largest such shows in the world and this was our 5th year exhibiting at it. There are more consumers attending the CFSE than the Asian Seafood Expo which we attended in September in Hong Kong but it is hard to rate the importance of the two because in this instance we are a smallish (and newish) “fish” in a much larger pond and it is just that much harder to get noticed. We did get lots of visitors and we all thought things went smoothly- processors from both fisheries were present and therefore able to satisfy requests to talk turkey and we managed to stage a couple of feeding frenzies as we put out some smoked salmon with uni.

Additional events and meetings prior to and following the show were part of the program. These included a meeting with the owners of a high-end restaurant chain in Shenzhen and a showcase dinner in Guangzhou sponsored by the Canadian consulate in BC government International Trade and Investment offices in that city the week before the show. We also had some meetings in Beijing with Beijing Pacific Boye Trading Co. Ltd, a firm working with top chefs and other food service professionals in Beijing to identify and source high quality ingredients for use by the local food service sector . They are interested in working with us to develop appropriate dishes using sea urchin, sea cucumber, lingcod, halibut as well as possibly various other species including Dungeness crab, sablefish, tuna, salmon and other groundfish and shellfish. This could develop into a very exciting opportunity with tremendous upside potential.

This report is a summary of the events and findings developed over the course of this trip. The opinions and interpretations expressed within are those of the author, Geoff Krause.

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The Province of British Columbia again deserves special mention for providing an outstanding booth, for coordinating much of the activity there and for providing assistance and services including sponsoring Mr. Nathan Fong, a very accomplished and creative chef well known to all of us, and providing the many other friendly, knowledgeable and helpful staff. This booth provides a central focus and meeting area for people, customers and clients interested in companies from BC.

The author also extends his thanks to the Agri- Marketing Program, the Associations and their respective association presidents, Mr. Mike Featherstone, Mr. Ken Ridgway and Mr. Michael Callow, their executive teams and members for their continuing support, advice and confidence.

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1.0 A Visit to Shenzhen

Mike Featherstone, Dave McRae and Geoff Krause set off on October 29, arriving in Hong Kong on the 30th and carrying on to Shenzhen the following day to meet with Phenix Everlie and tour



Dave McRae, Phenix Everlie and Mike Featherstone in restaurant lobby.

one of his family's restaurants. His family owns and operates the Chunmanyuan Restaurant Chain, currently comprising 8 restaurants, with another one under construction. Each of these averages about 8,500 sq. metres with multiple rooms including private VIP rooms. The restaurant we toured has 13 kitchens- one each for dim sum, western bakery, sushi, seafood, vegetables, salad, fish, shellfish etc- all distinct and isolated from each other to eliminate or reduce as much as possible any probability of cross contamination etc. as per HACCP (Hazard Analysis Critical Control Points) principles.





On our first night in Shenzhen we sampled (off-site) a couple of sea cucumber dishes prepared by the restaurant. The first sells in the restaurant for 88 RMB (~\$C 15) for between $\frac{1}{3}$ - $\frac{1}{2}$ pound of re-hydrated sea cucumber (skin) while the second went for about 100 RMB (~\$C 18) for the same amount of cucumber because it uses an abalone sauce which is an expensive add-on. Re-hydrating the skins is a very involved process that, if done properly, increases the weight by a factor of 4 - 4.5 to produce a product with the texture resembling a perfect mushroom. The dehydrated skins are placed in specially prepared water, presumably temperature and salinity controlled and then rinsed and placed in freshened water every 12 hours for 4 days. Some hydrate the product too much, increasing the weight by a factor of 6 or more, or too fast however both of these result in an inferior product. It is also important to only warm the skin in preparation as actually cooking it turns it into a leather-like product that is only marginally edible.



We had some discussion on the price increases as the product moves up through the value chain. We used urchins as an example, where their price, as documented in the ASE 2013 report, increases from about \$C 16 per kilogram ex-vessel to \$C~ 70 FOB Vancouver to \$C 375 retail in a supermarket and close to \$C 800 as sushi in a Hong Kong Japanese restaurant. The jumps at each stage after the fishermen are paid (ex-vessel) strike some as a bit excessive but similar jumps are seen in other foods (eg. beef, pork, chicken, fruit, etc) and this is just accepted as a more or less expected standard in the food distribution system and affiliated markets.



The equivalent prices for sea cucumber are more difficult to figure out in part because two products are involved: the dried and frozen skins and the frozen meats, which complicates things a bit, particularly the ex-vessel calculation(s) as the primary processing (splitting and scraping of the muscle which is then separated from the skins) is undertaken on the vessel;

and because the skins are dried to between about 17-50% of their wet weight, depending on the processor and particulars of the orders they are filling. Paddy Wong for instance estimates that the recovery for the meat is about 25%, the skin ~ 17% for a total recovery about equal to 42% to maybe 50% in some cases. He also estimates that 1 lb dry skin re-hydrates to ~ 2.5 lbs (equivalent to 40% drying). This contrasts with the 1:4 ratio put forward by Mr. Everlie as an idea.

At any rate, these sorts of differences affect the average wholesale price but such details are not explicitly referenced in the published price data. The ex-vessel and wholesale prices derived from government data, based presumably on the full round weight of the catch, has ranged from about \$C 1.50 - 2.00/lb and \$C 2.25- 3.25 respectively over the past few years while the prices posted by the processors at the shows are about \$C 30 and \$C 15 per pound FOB Vancouver for the dehydrated skins and frozen meat respectively.

As mentioned, there are a number of variables involved in tracking the cucumber prices that are hard to account for and add uncertainty to the result. It is however also evident that we can only work with the info that we are given or otherwise have at hand. Plugging in the numbers from the Chunmanyuan Restaurant (1:4), and basing our calculations on the first dish, the retail price of the cucumber in the restaurant works out to between \$31.00 - 46.50 /lb for the hydrated product, which is approximately equivalent to \$C 123 - \$C 186 per pound in the dehydrated state. This seems like a fairly large range for a business which is generally characterized as being critically dependent on controlling costs, but the implied margin of between 310% (i.e.: $(\$123-\$30)/\$30 * 100\%$) to almost 520% (i.e.: $(\$186-\$30)/\$30 * 100\%$) between the FOB Vancouver price and the retail restaurant price seems credible given what we have seen with the urchins where the same interval witnesses a margin of about 914%

The meats apparently used to be a bit of a tough sell as buyers in Asia used to grudgingly place offers to buy the meats if they could get a break on the skin price. This has changed around dramatically since the PSCHA started their marketing efforts with the PUHA in 2009 and that the meats are now fully committed before the fishery even gets underway each year. Logically this would seem to indicate that there is room for the meat prices to move up.

There remain other mysteries to the market and pieces of contradictory information that are still not fitting together. This includes, for example, a discourse on the impacts on Chinese buyers of an unjustified price rise of about \$C 20 per kg for the Canadian skins over the past couple of years. Documented evidence to that effect on this side of the Pacific has so far been elusive but your trusted consultant is still trying to work out the intricacies of the pricing schedule and expects to have more to report as the year goes on.

At any rate, Mr. Everlie considers those sorts of arguments irrelevant and quite beside the point. He feels fishermen must continue to work together ever more closely to realize more of the industry's benefits. This stated need for continuing coordinated solidarity is independently substantiated by the logic that it appears any price increases to the fishermen will come at some cost to other parties further up the value chain because consumers in China, and no doubt in most other markets, can be expected to increasingly resist further price increases.

The situation in China is now also complicated by the current government crackdown on extravagance as part of its drive against corruption. The former is strongly impacting businesses

such as theirs as lavish banquets are, or have been, a substantial part of their trade and their culture. The government has been a major participant and contributor to these ‘events’ simply because of its paramount role in virtually all aspects of Chinese life and celebration over at least the past half century or so and its withdrawal from the field is being felt throughout the industry. It is especially painful for luxury, high end items such as geoduck. He was not sure about sea urchin but it too is very expensive.

We also heard estimates that upwards of 90% of the seafood imported into Hong Kong moves onwards into China via grey or even black channels with a good proportion of that going into Shenzhen. There have been well publicized moves against smugglers moving product into China over the past few years. The Chinese, like virtually all human societies, have centuries-long traditions of alternative, informal and undocumented participation in areas where trade and commerce has a long history, and the control exerted by the resulting competing groups is often very hard to break. Some claim that government action against such ‘criminal’ groups is ineffective, often bordering on futile, but as a claim in this case, it might be a bit premature. Experience in other jurisdictions suggests that their influence is likely to decline over the medium to longer term as activities and interests grow into established firms which increasingly demand, support and benefit more from a more ‘predictable’ environment. This tide of legitimization is likely to continue and even accelerate, at least in the absence of a major upheaval, especially given the deployment of ever more sophisticated monitoring, tracking and enforcement technologies by the Chinese and other government authorities.

1.1 Tour of Wholesale Market in Shenzhen



There are at least two wholesale markets serving the Shenzhen area, one which is apparently very large but which was about an hour away by taxi, and a smaller market used mainly by local restaurants, supermarkets and consumers which was closer. Even the smaller market though probably covers an area of at least 5 by 5 blocks and is comprised of a series of privately-held booths ranging in size from about 200 -800 square feet. These booths specialize in selling certain products but the market carries a variety of goods, ranging from crafts, rice, vegies, fresh and live seafood (including freshwater fish), meat, hardware, stationary etc- basically everything you could want and more in a large supermarket. We did hear something about how Chinese consumers are moving away from their dependence on these so-called wet markets, which are a bit of a holdover from those times prior to the adoption and acceptance of refrigeration in China but where the seafood is kept in live tanks so people can be assured of

its quality. Chinese consumers are increasingly buying more at supermarkets and similar outlets with modern refrigeration, freezing, lighting and quality guarantees.



This market however was crowded and busy and the shopping “style” still appears to be a fairly strong and very likely resilient tradition. At any rate, we saw whelks of various sizes, scallops and clams, all sorts of fish, the ubiquitous freshwater “mitten crab” along with various other crabs (including Dungeness in cold water tanks), prawns and shrimp, goose barnacles and even geoduck in various types of live tanks/setups. There were also some fresh seafood stations where the product is kept, perhaps more simply, on ice.



There were no posted prices as the markets here are highly variable and the traders very adept at extracting the best price possible from buyers. This is common in China and in general any posted price can be considered a starting point for the inevitable and generally highly anticipated negotiation that will ensue once interest in the product is expressed. This is of course almost alien from the Canadian perspective but it is a fundamental part of the shopping culture in China. If, by some naive coincidence, one accepts the price as presented without negotiating, obvious signs of disappointment are immediately apparent on the sellers face and body language- it is just something you do not do there. It is much better to just come back with a counter-offer of no more than 10% and go from there. It is a game and they are very good (even ruthless) at it but it is kind of fun once you get into it. Until the money and goods have actually been exchanged though you have to be on your toes- they are relentless.



We did see some nesting crates that might be useful for on-board holding of product, probably more for geoducks, cukes and green sea urchin rather than red sea urchin. They look similar to, though smaller than, the ones we saw a number of years ago in Nemuro where they are used for the Russian urchins (*Strongylocentrotus intermedius*) which are quite similar to our greens (*S. droebachiensis*). These were about the size of a blue recycling box whereas the ones in Nemuro were more like a laundry basket. It would be nice to find a manufacturer of said baskets as having a number of sizes might make them more useful for Canadian diver fisheries.



2.0 Showcase Dinner in Guangzhou

Once we had finished our day of tours and meetings in Shenzhen we had a driver take us to Guangzhou, a distance of apparently 98 km., but a trip that nevertheless took about 2.5 hours because of congestion on the freeway. It struck this observer that the whole area from Hong Kong to Guangzhou generally along the eastern side of the Pearl River is pretty much one single metropolitan area with only minor “natural” interludes. This was noticed despite the “excitement” of riding as a passenger in a vehicle on this freeway which resembles more of a road rally with traffic weaving through lanes which are themselves moving at different speeds ranging from about 60 kph up to 120 kph.



I had to wonder about the marked distances on the freeway on a number of occasions as it often seemed that we were taking an awfully long time between points even when maintaining an average speed in excess of 100 kph. There was at least one 10 km stretch that took almost 20 measured minutes at that speed.

At any rate, we got to Guangzhou in one piece, albeit later than anticipated (and promised) and immediately attended a showcase dinner at the Deluxe Restaurant and jointly hosted and arranged by the Canadian Consulate in Guangzhou, the BC Ministry of International Trade and Investment in Guangzhou and the Guangdong Fisheries Association in collaboration with a BC seafood industry group headed by Paddy Wong. The food and wine were contributed by industry groups from BC while the Canadian and BC governments (I believe) shared the cost of the venue and catering. There were about 120 invited guests at the event including local seafood buyers, prominent restauranteurs and media representatives writing about seafood.



We had, as mentioned, been delayed by the traffic so arrived at the dinner late and did not catch the first round of introductions, exchange of cards, speeches etc. We apologized for our transgression and settled in to enjoy the event. Mike gave a presentation on BC sea urchins and our other dive fisheries, but everyone was ready to eat so he kept it very short. Various seafoods from BC were featured including salmon, rockfish, sablefish, uni, sea cucumber skins and meat, as well as oysters and other shellfish.



I gained some insight into the Hong Kong economy in a discussion over dinner. It seems opportunities for young people especially are currently limited in Hong Kong because of the land constraints that make it very difficult to start building a personal asset base comprising housing etc. onwards. This is causing more young professionals to look elsewhere to build their careers and a growing shortage of these sorts of employees is hurting the economy and jeopardizing continuing economic diversification and development of high end services in Hong Kong. A new bridge is being constructed to open land on the other side of Macau to open up more affordable housing so the situation is projected to improve significantly in about 3 years or so. The emergence of this new community should also provide new opportunities to service new restaurants and food service establishments etc. so it might be worth reconnoitring.



I also detected some sympathy for the Chinese government in some of my discussions. It is widely understood by Chinese that the government allows considerable freedoms to pursue business as long as politics are avoided. The government also understands that many Chinese aspire for the freedoms we enjoy but are forced to do what they have to simply to avoid a descent into anarchy. They have so many people comprising so many diverse groups, many of which are nursing grievances and/or rivalries, some of which are recent and some more historical reaching back centuries, that finding a working balance is very tough. Consider the rivalries between departments within the government itself, including between a myriad of powerful and entrenched State Owned Enterprises (SOE's), a politically powerful and influential armed forces and a multitude of political cliques comprising various regional and ideological factions - all of which are focussed on preserving or extending their privileges, powers and independence, and you get an idea of the problems of governance in China. That on-going political manoeuvres spill over into the international sphere, including perhaps as an example nationalist factions aligning with the military as authors of the territorial ambitions of China in the South and East China Seas during a major political leadership and policy transition in China, is no surprise. Politics is never a game for the faint of heart, but the game in China is played on whole other level.





China has brought hundreds of millions of people out of poverty in an incredibly short period and continues to develop at an almost breakneck speed but there is only so much they can do or allow before the risks of things spinning wildly off the tracks becomes too great. If that were to happen in this country of 1.3 billion people, the consequences could be tragic on an epic scale, so, from at least the government's perspective- it must simply be avoided. Managing expectations and competing agendas on the rate and direction of change is key to the process.

It is true that conditions are more severe in the hinterlands but even here the government is trying to build more opportunity to support and sustain continuing improvements in the lives of those involved. Part of this involves an ongoing urbanization policy that will see another 150-250 million people move into cities that have, for the most part, to be built over the next 15 - 20 years. The scale of this endeavour is almost unfathomable, especially from the confines of our comforts here in North America, but whether they succeed or fail will, in the opinion of many analysts, be a major factor affecting what happens to our civilization and our world over the next century and beyond.

3.0 Seafood Market Summary in China

Last year China's international seafood trade reached USD 27B, USD 5B more than the US which is the second largest seafood trader in the world. China remains the world's top seafood exporter, and is making significant capital investments in processing equipment to ensure it retains that position.

China's seafood market is already the largest seafood market in the world and it is projected to grow even faster as disposable income continues to rise and consumers there can spend more on what is claimed to be their favourite protein. Sales of processed seafood rose at a compound rate of 8.8% between 2006 - 11 a rate that is projected to increase to 10.5 % from 2011 - 16, mainly because of the rapid urbanization occurring all through China. There are currently about 600 million living in Chinese cities and this is expected to rise by 50% , or 300 million people (almost equal to the entire US population) to 900 million by 2030.

Current statistics across 47 wholesale markets show sales of about 2.2 Million Metric Tones (MMT) with an aggregate worth of ~USD 7 B. It is a big market but there is no one-size-fits-all solution that will find general acceptance as the eating, culture and taste preference profiles vary dramatically throughout the country. Each region, and oftentimes every city must be approached as a single unique market. Even with this there are three general strata of consumers: traditionalists who prefer and consider live as the most fresh option; middle income value conscious consumers who are looking for deals and like frozen fillets and high income consumers who are looking for more variety but are much more focussed on food safety including traceability if not sustainability. Success comes from clearly identifying the target customers and offering an appropriate products with corresponding specifications, packaging and price profiles.



4.0 Sustainable Seafood Forum

The World Wildlife Fund (WWF) and the China Aquatic Products Processing and Marketing Alliance (CAPPMA) organized a forum on sustainable seafood in collaboration with the Marine Stewardship Council (MSC) and its affiliate the Aquaculture Stewardship Council (ASC) that was held in meeting rooms at the Dalian Conference Centre the day prior to the commencement of the 2013 China Fisheries and Seafood Expo (CFSE). Geoff Krause accompanied Chris Sorenson from the Underwater Harvesters Association. It is interesting to note that the MSC appears to be making a sizable push in China and Asia in general as evidenced by the presentation of an introductory seminar at the Asia Seafood Expo in September.



It is undeniable that the reach and impacts of our fishing fleets and aquaculture and other economic activities is forcing sustainable use to the forefront of concerns. However, the primary backers of the largest and most successful initiative thus far are corporate and their motivation(s) and agenda remain open to question. At issue from the producers side is the distribution of costs and benefits—distributors and retailers are realizing economic benefits as they are receiving a premium for the certified products from consumers but they are not apparently passing these back to the producers,

despite allusions in their communications that fishermen are getting more. Nor, possibly even more importantly, are they sharing in the certification costs which are substantial and on-going. Apparently the most significant benefit for producers (fishermen) thus far is market access as

retailers are increasingly requiring fisheries obtain certification before they will sell their production. This is apparently now largely the case in the EU, increasingly so in North America and perhaps Australia and New Zealand and is on the horizon in Asia, including Japan, China, Hong Kong, Taiwan, Singapore, Malaysia, etc.

The sharpening focus on certified production is a serious concern for independent fishermen especially as larger corporate entities are generally able to more easily accommodate the costs involved and more likely to benefit from the trend over the longer term. As we have witnessed on the West Coast, as independents are forced out of their fishery because they can no longer operate economically, licences are aggregated and accumulated by larger companies with the result that fishermen then end up as employees and the benefits flow primarily to shareholders. Maybe this is the way of the future but the MSC and other proponents of sustainability programs have been reluctant to discuss it or the implications of losing fishing as a lifestyle.

That being said, there were some interesting points that came up over the course of the day. The forum was structured around presentations from sponsoring groups, including the leader of the China Ministry of Aquaculture, WWF China, CAPPMA, MSC and ASC and followup presentations by various industry representatives on Sustainable Seafood Development in Asia, industry's view(s) on Sustainable Practices and Market Demand for Sustainable Seafood, primarily in China.

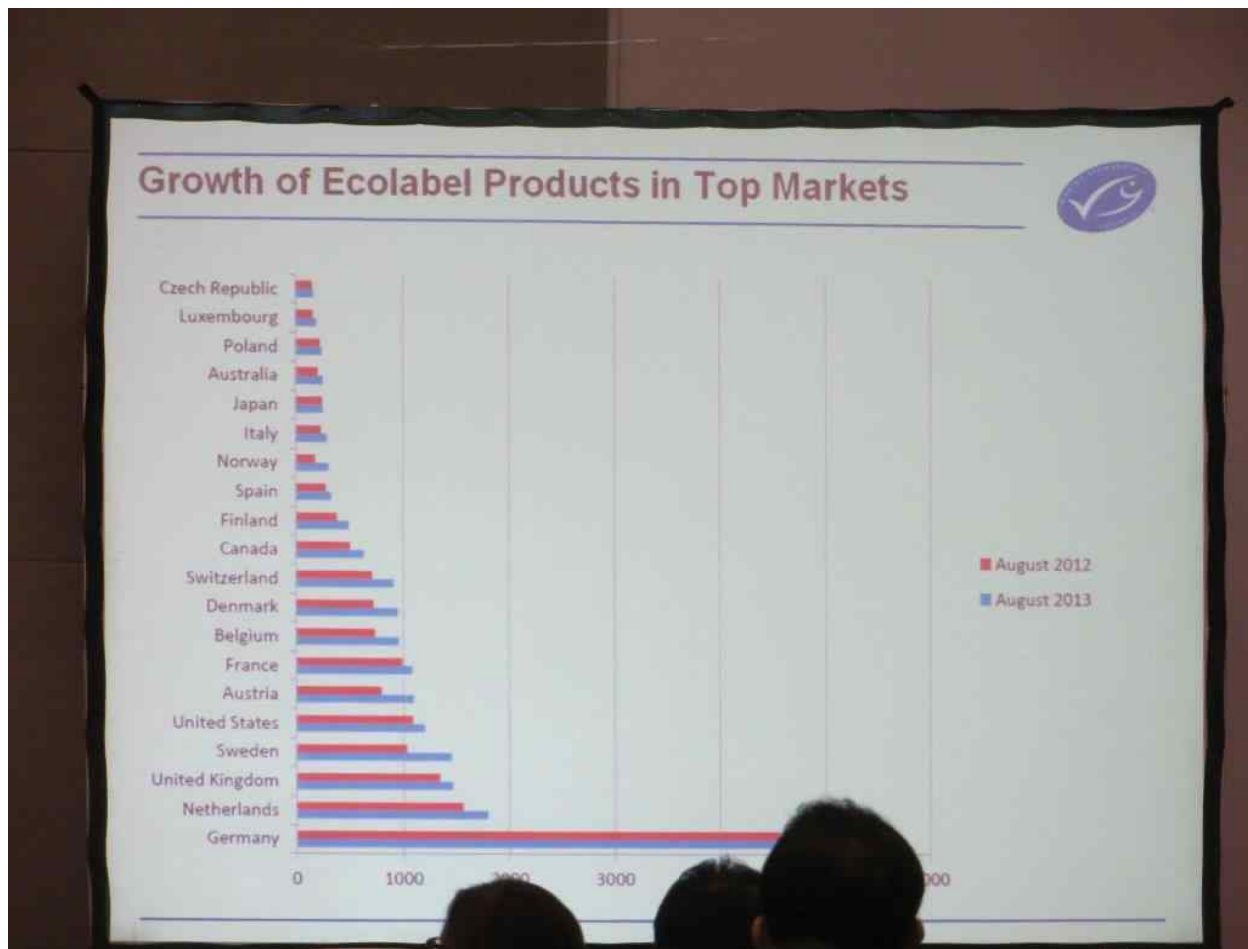
Aquaculture first developed in China back in about 1100 BC and China remains the world's largest seafood (including freshwater species) producer and consumer. In 2012, China's culture production came in at about 43 Million Metric Tonnes (MMT) including 16.5 MMT marine and 26.5 MMT freshwater. Culture practices in China are fundamentally different than those pursued in the developed world in that ecotype polyculture is generally the rule whereas developed world operations tend to focus on monoculture of predatory fish or shellfish in isolation from other operations. This includes such practices as raising fish with other fish, crab or shellfish so that the wastes from one are used by another species as feed. Rice paddies often grow crab or crayfish in the field at the same time and provide about 40% of the earnings from the field. Chinese operations also tend to focus on lower trophic levels, including filter feeding cyprinid fish and shellfish and photosynthetic algae as opposed to salmon.

On the processing side, China has about 7,000 processing plants with about 600 of these considered large (production value > 100 M RMB/yr) and comprehensive utilization so nothing goes to waste is the rule. Challenges being faced in China's fisheries are familiar to many other parts of the world and include fishery management as they have over 1 million fishing boats, environmental pollution and a growing reluctance of young people to take up fishing/aquaculture careers.

4.1 Marine Stewardship Council

The Marine Stewardship Council (MSC), probably the primary driver for this forum, has a strong Canadian connection as it was initially formed in the mid- 1980's as a direct consequence of the collapse of that most prolific of fisheries- the Grand Banks cod fishery. This remains a bit of a dubious distinction for Canada but the same sorts of problems with overfishing, unrecognized

habitat and biodiversity impacts and deficient management practices still plague many of the world's fisheries. The WWF still updates its list of critical fisheries every year. Things are improving- approximately 11% of wild global fish production comprising 207 fisheries, is MSC certified and 103 are under full assessment. In addition their Chain of Custody Program comprises 2,503 certificates covering about 32,000 sites. They have been seeing fast growth in China in this regard and they now have some 21,000 products displaying their label worldwide.



Mr. Kelvin Ng, the MSC's Asia Pacific Director, outlined plans for the expansion of the MSC program in Asia, and especially in China, between 2012- 17. Their vision for China will see Chinese fisheries being well managed and sustainable, Chinese consumers choosing sustainable (certified) seafood and China having a credible and traceable seafood supply chain. He argued that sustainable fish goes to the highest bidder, now generally centred in the EU and North America, and claimed there is a price premium at the retail level for certified products over the same species which is not certified. As mentioned earlier though, there is no evidence that this premium is making it back to the harvest sector even though it is they who are paying for it.

4.2 Aquaculture Stewardship Council (ASC)

Mr. Chris Ninnes, CEO of the Aquaculture Stewardship Council (ASC), sister organization of the MSC, talked about the activities and advances being made by the ASC. It is, like the MSC, an

independent and not-for profit organization that was established in 2010 by the WWF to transform seafood markets towards sustainability, recognize and reward responsible fish farming and support the purchasing of certified farmed seafood. They have standards based on Best Management Practices which address environmental and social impacts, science-based performance metrics and continuous improvement. Like the MSC it uses a third party certification process and has a transparent audit process where auditors are contracted directly by the producers to avoid even perceptions of conflict(s) of interest. They have been growing quite strongly with at least salmon growers, possibly in response to a rising chorus of criticism recently, so that as of August 2013 some 70% of salmon production is committed to be ASC certified by 2020. At this point there is no evidence of a price premium associated with ASC certification and it remains more an exercise at this point to build awareness.

A couple of interesting comments that arose during the question period. One was that there is no celebrity chef culture in China as yet, nor would one likely be allowed. This is a rising phenomenon in many other countries, including Canada, the US, Europe, Japan etc. that is being increasingly scrutinized and used for marketing. More profound perhaps was the comment from Chris and agreed to by Kelvin, that sustainability at this point remains an undefined concept in Mandarin which suggests it is going to be a very hard sell for some time yet in Chinese markets. Chris Sorenson joked that claiming a product for sale is the second to last before the critter goes extinct is a much stronger selling feature for at least some consumers in China.

4.3 Sustainable Seafood in China

The Executive President of Zangzi Island Fishery Group, Mr. Feng Yuming, gave a presentation on their activities on a group of 4 islands and surrounding waters comprising about 2,000 km² about 40 km ESE of Dalian where the company has exclusive fishing and ranching rights. They claim to be the largest scallop producer in China. His presentation included a video of divers working underwater with what looked very much like Red Sea Urchins from BC etc. A representative of that company stopped by our booth at the 2013 ASE in Hong Kong and maintained that our urchins are about 3x the size of theirs. This did not appear to be the case in the video but the evidence in the video was not sufficient to be considered definitive. We also toured and reported on their plant operations on our visit to Dalian in 2010. It sounds like things are still going strongly there and, because they are presenting at this sustainability forum, it would seem that they are perhaps pursuing MSC and/or ASC certification as part of their strategic plan.

4.4 North American Sustainability Focus by Clearwater

Clearwater Seafoods, a large vertically integrated seafood production firm from Canada with operations in China (Qingdao) had their regional marketing director for China, Ms. Diane Hu, present a synopsis of their global operations and sustainability strategy. They claim to have the widest selection of MSC-certified species of any seafood harvester worldwide and their target customers are prosperous consumers willing to pay a premium for certified seafood. About 50% of Clearwater's sales are to food service sector, while 38% are to retail and 13% to 'other'. There may be more than meets the eye going on with Clearwater these days as she blew through her

presentation very quickly, seemed evasive with some of her statements and totally bailed on answering any further questions.

4.5 Scottish Sustainability Success

Anton Immink, the Aquaculture Director of the Sustainable Fisheries Partnership Foundation, discussed the success of Scottish salmon, again primarily a cultured product. He stated that most of the quality labels used by the industry apply to only a proportion of the production but that they nonetheless help build and support perceptions of quality, health (of fish), and responsible practices. The industry in Scotland has a Code of Good Practice that comprises minimum performance requirements that all member companies are required to sign on to. Benefits to this code include operational cost savings when they are properly implemented. They are considered so effective that they may soon be applied to wild fishermen and processors. Establishing a mechanism to ensure area cooperation between different operators and companies is very tough but critical. The primary issue is the need for cooperative and sometimes drastic coordinated response(s) needed to prevent and/or combat the emergence and spread of disease in aquatic environments. This can be a very contentious subject for farmers and even the Scots have a long way to go on it.

4.6 Retail Environment in China

Dr. Peiliang, Secretary-general of the China Chain Store and Franchise Association, provided a candid assessment of the retail environment in China. He is worried about a period of upcoming challenges the country will face as China's 4 Trillion RMB stimulus plays out and regularity returns. This is of course the same concern expressed by many in the West as the stimulus packages in many developed countries are similarly wound down over the next 2 to 5 years.

Dr. Peiliang reported that there are currently about 3,000 malls under construction in China but that in many cases stores are not moving in as they are completed. The construction boom is continuing because the access fees are very attractive to municipal governments. This is supposedly a source of much concern when it comes to the quality of loans on the books of many banks but the issue has still to be effectively addressed. However, developers generally have had a stronger voice with government so the resulting retail policies have not favoured the retail sector. This reflects the excessive dependence of the sector on the government and continuing dominance of State Owned Enterprises which has limited private sector independence. As another consequence of this, he noted that even with all the surplus space on the market, rents and lease costs are still increasing.

He also observed that while western retailers earn profits off margins, in China they rely more on channel or listing fees. In this sense, retailers in China are like gate-keepers and often restrict supply to simply increase the price they get, in this case (I suppose it is) from the distributor and/or supplier as opposed directly from the consumer.

Note 1: China does not have a nationwide network of trucks, highways and cold storage warehouses that can efficiently deliver supplies from the manufacturer or importer to the store

shelf. With some notable exceptions, distribution is handled on a store-by-store or city-by-city basis, with stores receiving most imports through a local distributor, often even when alternatives exist. Because of their relative size, stores are able to negotiate highly favourable terms that include free return of unsold products, high listing fees for new products (uncertain at the moment, as according to the new regulation, all such fees are illegal), and credit terms, effectively passing all market risk onto the distributor. This gives store managers a powerful incentive to favour the local distributor over alternatives that offer less generous terms. (Sourced from USDA Global Agricultural Information Network (GAIN) Report #12806. June 15, 2012 <http://www.pma.com/system/files/China%20Retail%20Report%20Shanghai%20ATO%20China%20-%20Peoples%20Republic%20of%206-15-2012.pdf>)

Note 2: Listing fees are used in western stores as well. Many large grocery store chains charge listing fees that cover their costs in rearranging the store shelves and the warehouse, plus the administration costs associated with adding a new product. They can determine whether an item gets placed on a middle shelf or down at the bottom where it's harder to find. An end of the aisle or "end cap" display costs more money because products get higher visibility. The fee depends on many variables, including potential sales volume, trade allowances, product promotion offered (e.g. samples, in-store demos, promotional pricing, co-op advertising), product category, and company size but generally range from a few hundred to tens of thousands of dollars per year per store for each product. This can translate to upwards of \$3 million per year to get a single product into a larger national chain of stores. Some category leaders don't have to pay them because retailers know they simply must stock popular products like Coke and Tide or other products for which there is high consumer demand. Retailers never want to lose business and know their customers will go elsewhere to buy a product if they don't stock it. (Sourced from: Marketing Magic- Listing fees can decide a food product's fate Written by Shirley Lichti for The Record, December 17, 2003 <http://www.marketingmagic.ca/articles/ListingFees.htm>)

This may be subject to change in the not too distant future as under new regulations implemented as of June 2012, retailers have been allowed to charge only a promotion fee while others such as delivery fee, slotting fee, holiday fee, new store opening fee, sales check and new account opening fee etc. were made illegal. It sounds like many retailers in particular have refused to comply because it is such a drastic departure from their traditional practice but it may herald another round of change coming to the Chinese market.

4.6.1 On-line retailing in China

Dr. Peiliang also reported that on-line stores are suffering heavy losses. There are 3 types of on-line stores: Taobao (~e-Bay) equivalents, virtual on-line stores and brick and mortar stores with an on-line presence. The primary problem derives from the newness of the channel- consumers simply have not developed trust in them in part because there is zero to very limited recourse to return the goods if they are not up to expectations. Compounding this problem are high distribution costs, inadequate infrastructure for holding inventory (chilled and/or cold storage) and low to non-existent coordination between in-store and online prices.

Note 3: Given Dr. Peiliang's position in the traditional bricks and mortar side of the retail business, his perspective may be a bit of a reaction to the ambitious growth plans and trajectories of on-line retail. A recent report in the Globe and Mail (Nov. 30, 2013. P. B1) tallies on-line

sales in China at USD 190 B for 2012 and projects this will increase to USD 650 B by 2020 based on observed growth of 40% per annum over the past few years. Highly automated warehousing infrastructure is coming on line throughout the country and on-line retailers are expecting to account for 30% of total Chinese retail trade within 5 - 10 years. In many second tier cities the selection available in regular stores is often either very limited or very expensive so already upwards of 27% of disposable income in these is spent on-line.

There are currently more than 50 million products for sale through the on-line outlets, and including fresh flowers, fresh poultry and meat, fruit and vegetables and seafood. Many of the larger companies involved (including on-line grocers such as Yihaodian (~50% owned by Walmart), SFExpress, TooToo etc.) concede they are still losing money but insist this is because they are fighting for market share in a very competitive market and are still concentrating on growth. Their quality control measures are very stringent as they understand success depends on consistently supplying customers with superior products at lower prices. The on-line giants in the country, Taobao and Alibaba, subsidize their actual sales with advertising, much as internet giants in the west. Many of these companies are targeting international growth and are already setting up international stores while one in particular, Jingdong, is already selling over 400,000 items to 33 countries including Canada. The future of this business model in China is apparently very bright.

4.7 Aeon Supermarkets

Mr. Toshifumi Takahashi, the Manager of Marine Products for Aeon Global Merchandising Co, Ltd. was next up with a presentation on Innovation and development of Aeon for sustainable seafood. Aeon is the largest retailer in Japan and has some 16,375 stores and 200 subsidiary companies in their domestic and international stable. They subscribe to the need to adopt more sustainable practices and have reduced their carbon footprint by some 1.5 MMT of CO₂ over the past decade or so. They have also put in place a traceability program for all the seafood they sell and are committed to excluding IUU products from their supply chain.

However, according to Mr. Takahashi, MSC is not well known in Japan and awareness remains far behind that in other parts of the developed world. The program and quite possibly the issues involved are not well publicized in Japan and required efforts must include further integration into the school curricula for children.

4.8 International High-Quality Ingredients Tasting Club

The last speaker of the day for the forum was Shi Wei General secretary of the International High-quality Ingredients Tasting Club on understanding the China seafood market. I did not witness this talk but am extracting information from his powerpoint presentation because he is affiliated with a company that we met in Beijing after the show. The High Quality Tasting Club presents itself as a link between suppliers and the catering industry which assesses ingredients and develops appropriate dishes and uses for products that can succeed in the catering and food service sectors.

The catering industry in China is currently worth about RMB 2,000 Billion (RMB 2 Trillion or CAD 352 B) and it is expected to continue growing at about 10% annually even when considering the limits imposed by the current anti-corruption drive in China. Food costs come in at about 40% of which seafood accounts for 20 - 30% ($.4 \times .2$ (or $.3$) = $.08$ ($.12$) = 8% to 12%). As we first heard in Shenzhen, the government directive(s) on banquets has hit the demand for high end ingredients quite hard. This includes geoduck, shark fin and abalone but does not include sea cucumber and, as a result, low to mid-range cost materials now account for the most market share. Food safety is the most important consideration and is an absolute requirement for any product being offered. The catering sector not only purchases a lot of seafood but is also a new outlet which produces novel and complex dishes using seafoods in combination with a variety of ingredients. With regard to pricing, high end catering is currently generally targeting a gross profit in excess of 70% for their premium dishes with 55-60% and 45-50% for mid-range dishes and snacks respectively. However increases are anticipated in room rental and labour costs among other things so profits are expected to decline. In the future chain restaurants and characteristic restaurants will come to dominate and public catering will become mainstream, - I think that means it will become more like what is already happening here with fewer dedicated caterers with more restaurants offering said service(s). [Forward return](#)

5.0 Show Report: CFSE 2013

The 2013 China Fisheries and Seafood Exposition was again held in the same venue in Dalian on the eastern margin of the Yellow Sea. The show organizers again added a temporary hall this year but they were still unable to accommodate all the demand for space and the show was sold out. More than 1,000 companies from 39 countries had exhibits in almost 2,500 booths and somewhere in the neighbourhood of 20,000 visitors were expected over the three days of the show. Almost 400 of these exhibitors are from overseas and the show was segregated so overseas firms, enterprises and pavilions were located in a different area from domestic companies etc. The organizer claimed that they could not accommodate all the exhibit space requested, and there was a distinct implication that this extended to overseas exhibitors, but despite, a quick survey of the overseas display area during the show suggested about 25% of the companies exhibiting there were actually domestic. This may indicate that a bit of jiggery-pokery was going on here somewhere so I would suggest a more formal and quantitative survey be undertaken next year in Qingdao.



The show is undoubtedly large and had exhibitors covering all aspects of the fishing, aquaculture and seafood processing business with the vast majority of exhibitors being domestic firms from China. The show was spread over the 3 floors of the Dalian exhibition centre and into a temporary structure set up behind the main venue. Some of the larger Chinese companies had the most ostentatious booths, larger even than many of the national pavilions, but this is kind of expected as it seems to be a bit of a contest amongst them every year.



We were again part of the Canadian Pavilion which was about the same size as last year and in the same location within the exhibition hall. The BC booth was again quite prominently situated on the western corner of the Pavilion and so was right there immediately on entering the hall through the second set of doors. Also this year representative companies and associations etc. from BC were more grouped as opposed to previous years where they were more scattered throughout the Pavilion.



We were again located adjacent to the Underwater Harvesters Association and in a booth shared between the sea urchins and sea cucumber associations. This of course again meant that the three most prominent dive fisheries in BC were in the same area of the show. In our booth this year the delegation consisted of Mike Featherstone, Ken Ridgway, David McRae and Geoff Krause representing the associations per se, and Paddy Wong (Paladin), Pat Fantillo (RBS), Jinfa Hu (RBS), Franco Chen (Sung Fish) and Goono Kim (Sung Fish). A new aquaculture company from BC, Wen Lian Aquaculture, is increasingly active in the BC sea cucumber fishery and is marketing a new product which comprises a simply split and dried sea cucumber intended specifically for North China markets also had representatives in the booth. The owner of the company, Mr. Qiu, generously hosted us at dinner on a couple of different evenings in some very nice restaurants. Francis Cheung also put in a couple of appearances and provided us with some samples of premium frozen product from Grand Hale Marine Products (Richmond) Ltd.





There was a pretty dramatic problem on the first day of the show as the China customs did not clear the shipment of frozen seafood from BC intended for the show. There were a number of other exhibitors from BC who had aggregated product for display and sampling with the BC shipment so there were some pretty worried folks for a while. It appeared that the Customs folks took issue with a caviar substitute as they felt it was not fairly valued despite the fact that product used for display and sampling at the show cannot be sold and therefore has no commercial value. This shipment did not actually appear on the scene until mid- to late afternoon on the first day of



the show. Luckily for the BC Booth and their celebrity chef, Mr. Nathan Fong from Vancouver, others from BC, including ourselves, had some products that could be shared and used to prepare samples.

Our display freezer was again split between an urchin/uni display and a collection of sea cucumber skins and vacuum packed frozen sea cucumber meat. We had a more enthusiastic response from the sea cucumber producers for this show this year and fully half of the freezer was dedicated to the sea cucumber products.



The models we had produced over the past couple of years again proved to be a big hit. The urchins were particularly popular with many people commenting on the large size of the urchin and asking if they might pick them up or otherwise touch them as they took pictures. There were even a few visitors who offered to buy the models. The crowds were often dense enough that a close eye had to be kept on the models whenever the display freezer top was opened for closer viewing, as it often was.



The UHA brought along their own celebrity chef, Mr. Stephen Wong, also from Vancouver because of his extensive experience with preparing delicious dishes featuring geoduck clam. These guys too had their own problems with product as their shipment had been delivered through an agent of theirs in Beijing and they had felt it necessary to unpack and re-pack the shipment before sending it on to Dalian from Beijing. Unfortunately almost half the clams (9 of 20) were broken in the process which of course compromised their live display.



These troubles with getting shipments through customs and/or past their own agents in a timely fashion were identified as the biggest issue by a number of exhibitors who were affected by delays. China claims it is open for business and that it wants to increase the amount of seafood it imports so it is a bit incongruent when they so rigorously inspect even shipments strictly for use in the seafood show. Similarly for the agents looking after the UHA product: one would expect they would handle the product with a bit more care to preserve their ongoing business relationship with this very lucrative and high value fishery.

The first day of the show felt very hectic as we took some time to get everything set up just right. We explained to everyone in the booth the importance of getting copies of the contact information as a key metric for our success at the show. Everyone got the message and collected either two cards from visitors if they wanted to

hang on to a copy themselves or simply let Geoff know that they preferred to keep the single card in some cases but allowed a picture to be taken of the card before putting it away.

Mike brought along a card scanner that allowed immediate scanning of the business cards we collected. The scanner also comes with some software that recognizes and transcribes various bits from the business card including first and last name, company name, position, phone numbers and email. This information was later uploaded onto a thumb drive so it could be better catalogued for sharing with the associations but the image of the card itself was not included in the exported information. It is important to review the scanned information to make sure it is all

correct for this reason. The cards were then stapled to our contact sheet, itself a new design over previous years, and additional comments added as necessary. The new contact sheet accommodates 4 cards per page, as opposed to a single card as in previous years, to reduce the space and weight requirements of the collection and, secondarily, to ease the labour of manually scanning the cards once back in the office.

We spoke with one fellow from Spain who is a shrimp producer/processor with interests in Chile and Ecuador who claims the RSU tastes much different than the Mediterranean varieties. This may be a distinction worth investigating and highlighting as a differentiating feature for RSU in European markets if exporters dealing in those markets are interested in collaborating.

The processors this year took charge of chatting up visitors to a much greater degree than they have in the past. This is in fact what we have been trying to stimulate in previous years so it is gratifying to see that they are being so much more active. There was a near constant stream of visitors throughout the show and while the association representatives did interact with a good number themselves, we were also able to stand back a bit and make sure everything was kept in order as far as the booth amenities were concerned.

One thing about the China show, as opposed to the Hong Kong show, is that a much greater proportion of the visitors do not speak English, which is of course a significant disadvantage we uni-lingual English speakers must contend with. We again had a translator on hand, Caroline, but she was not nearly so rushed as our translators in previous years because Paddy, Mr. Qiu's representative and Jacob were all fluent and we had her just monitoring the tone of what was being said by them as much as she was chatting up visitors herself. The tenor of the dialogue between our processors was reported throughout as generally cordial with none reported to be misrepresenting any of the others or their products in front of customers.



We again sampled the uni at our booth at various intervals throughout the show, although this was kind of delayed until the second day for the most part because we were waiting for a late arrival to bring about half of our planned sampling/exhibit product. As it turned out, the BC booth was in dire need of product to sample and show so was very grateful when we were able to offer not bad amounts for them to prepare and distribute on the first day.

One of the items prepared by the BC booth was uni on a cracker and with a little spray of orange juice. The sweet taste from the uni was the first sensation but it was quickly followed by the bitter-ish after-taste that comes with a lot of processed uni. This latter taste was brought out and emphasized I believe by the orange so this preparation would not be something that I would enthusiastically pass around if trying to gain additional favour for the product. It might be interesting to see if this aftertaste persists in product that is not brined.



I cannot remember from where but we did hear that most Chinese do not like smoked products, including smoked fish, and it may be a tough sell in this market. Still, given the reaction to our samples I think this is worthy of further investigation. Combining the uni with smoked salmon produces a very tasty treat as both favourably complement the other. The judgement of the crowd, as indicated by their enthusiasm on sampling, again seemed to bear this out and they consumed, with great gusto, the smoked salmon with uni combination whenever it was offered. We tried garnishing this

combination with a caper on this outing and it struck me as a very interesting and worthy embellishment. The crowd apparently agreed as we witnessed a small feeding frenzy whenever we brought the product out, and that would be with or without the capers.

Paladin International Food Sales reported getting new sea urchin product sales through this show, particularly to Beijing and Shanghai, and that this show and these markets (China cities) are becoming increasingly important as Japan's seafood show is shrinking in importance and Japan's need for seafood imports is apparently subsiding. He is however going to continue supplying any new customers through his agents in Guangzhou. Problems with new customers include that they are not always adequately known or set up for new customers with regard to the customs paperwork and import regulations meaning an increased chance of shipments getting caught and held over by inspection because of very minor paperwork errors. Having an agent in China also ensures fairer treatment in case of non-payment. In those instances where product is shipped first to Guangzhou, there are direct flights to/from Vancouver daily and the customs inspectors are apparently not as exacting as those on the job in Beijing, for whatever reason.

Wen Lian Aquaculture Ltd., another company with interests in the BC sea cucumber fishery which had in-country representatives helping out at the booth, similarly reports that the show was very helpful and that they have been generating a lot of interest in their new sea cucumber product. The meat from BC sea cucumber are generally separated from the skins and the two products sold separately but Wen Lian Aquaculture introduced a new whole split sea cucumber, most particularly for the Northern China market. The sales representatives are encouraged by the enthusiastic response to the product and intend to participate next year.

The traffic at the show was fairly steady over the first two days but, as expected, dropped on the third day of the show. A couple of the more objective metrics used to track visitors use the number of contacts we got information on each day and the number of brochures handed out. The former is in some ways easier to compile than the latter because we end up with a collection, of business cards mainly but also including some brochures and some contacts who simply transcribe the information because they have run out of cards.

The contact information is put into a standardized format for inclusion into our database which of all the contacts we have collected information on since we started exhibiting in 2009. This

composite database, covering both the Asian Seafood Expo and the China Fisheries and Seafood Expo since 2010 for sea urchin, sea cucumber and 'both' and including the approximately 100 entries from this show, now comprises 669 records. They are being aggregated in an excel spreadsheet which can be used to search, sort, track and compare contacts between the different shows and different years. Each record is linked to a jpeg of the business card so the information can be verified to some degree or, because translation is not always possible at the time, used (by those who are competent) to draw out new information from the traditional or simplified script used in Chinese writing. An abbreviated version of each show's data is included as a table in each respective trip report along with a table which tracks the distribution of materials from the booth to visitors.

To summarize the contacts at this year's show, we collected business contact information on a total of 98 visitors. This number includes 30 interested solely in sea urchin, 33 solely in sea cucumber and 25 in both. The total number continues the steady rise we have witnessed since first exhibiting at this show in 2010. The first two years at this show we saw the most traffic on the first day with less traffic on the second and much less on the third. In 2012 this changed a bit as the traffic remained at about the same level on opening day as in previous years and then increased on Day 2. The doors close early on the final day of the show so it is no surprise that the slowdown seen in previous years on the third day has continued to the present.

Despite the apparent increase in traffic noted using the contact frequency metric, the pattern based on how many brochures we go through each day remained the same this year in comparison to prior years in the busiest day by that metric is still the first day. Only a minority of people picking up brochures are apparently interested in exploring further although, interestingly, even on this we have received 4-5 emails from people/companies purporting to have collected our cards from the booth but which have not left any corresponding contact material or information. At any rate, building a metric based on the ratio of the number of cards collected to the number of brochures handed out and using only the Chinese version brochures (and not including the English versions), the ratios work out to 34 cards for every 182 visitors (18.7%), 48 cards for every 118 visitors (40.7%) and 16 cards for 50 visitors (32%) for days 1 through 3 respectively. From this it would seem reasonable to surmise that while overall traffic and crowding at the show is busiest on the first day, most of these people are probably visiting existing customers and are not as actively seeking new opportunities as visitors on Day 2 which is the best day for meeting new potential buyers etc. This provides a good opportunity to work out any bugs in the booth/exhibit so the A-game is ready on the second day.

Inventory of Brochures and other give-aways CFSE 2013									
Item	Supply #	Day1		Day2		Day3		Beijing #	Total #
		#	% of total	#	% of total	#	% of total		
PUHA DVD #1 (Mandarin + English)	12	2	40%	2	40%	1	20%	0	5
PUHA DVD #1 (Japanese + English)	2	0	n/a	0	n/a	0	n/a	0	0
PUHA DVD #2 (Mandarin)	10	1	50%	1	50%	0	0%	0	2
PUHA DVD #2 (English)	9	3	50%	2	33%	1	17%	0	6
PUHA Brochures: Mandarin (simplified)	400	103	52%	61	31%	28	14%	6	198
PUHA Brochures: English	200	44	36%	60	49%	19	15%	0	123
PUHA Brochures: Japanese	25	1	100%	0	0%	0	0%	0	1
PSCHA Brochures: Mandarin (simplified)	300	82	51%	57	35%	22	14%	0	161
PSCHA Brochures: English	200	53	40%	56	42%	23	17%	0	132
Pens	350	25	28%	25	28%	40	44%	0	90

Contacts from the Sustainability Forum prior to the show and from Day 1 of the 2013 China Fisheries and Seafood Expo (CFSE)

Product	Year	Date	Country	City	Business	First Name	Last Name	Company	Score	Comments
Sustainability Forum										
SU & SC ++	2013	Nov-04	Singapore	Singapore	MSC	Kelvin (Wei Yong)	Ng	Marine Stewardship Council Asia Ltd.	5	Regional director for MSC and lead on regional development initiative
	2013	Nov-04	China	Beijing	consulting	Yang	Han	Chinese Academy of Fishery Sciences	5	
Day #1										
SU	2013	Nov-05	China	Guangzhou	importer	Judy Shredan	Mo		6	imports for Guangzhou and Shenzhen
SU	2013	Nov-05	China	Dalian	restaurant	Yongee	Zhang		4	
SC	2013	Nov-05	China		consulting	Bob	Lee	Consultec Economic and Trade Development Co. Ltd	5	
SU	2013	Nov-05	China					YW	3	
SC	2013	Nov-05	China	South Yongding Ro	consulting	Cheng	Bo	Chinese Academy Fishery Sciences	4	researcher
SU	2013	Nov-05	Spain	Madrid		Juan	Reyes	Empagran Empacaooa Gran Mar S.A.	4	shrimp producer/processor with interests in Chile and Ecuador. Feels something could be d
SU	2013	Nov-05	Scotland	Scotland	producer	Michael	Gu	Highland Smoked Salmon Scotland Ltd	6	sea urchin to go with smoked salmon
SC	2013	Nov-05	China			Lianchun	Zhang	Xiangyu Group Int'l Co. Ltd.	6	
SU +SC	2013	Nov-05				Ding	Yuanjin	Jiamusi Ocean Fishing Co.,Ltd	5	did not speak english and Caroline (translator) was MIA
SU & SC	2013	Nov-05	Canada	Carson	distrib/ex&import	Knox	Richmond	Ci Covic Trading Inc.	5	Exports to Korea and distributes to Vancouver specialty shops
SC	2013	Nov-05	Canada	Montreal	distributor	Gordon	Perlman	Pearlmarkfoods	6	sea cukes
SU & SC	2013	Nov-05	China	Shandong	trading	Lewis	Qu	Rongsense	7	looking for new products
SU & SC	2013	Nov-05	China	Dalian	retail-hotel	Eric	Yu	Nikko hotels international	8	wantsg new items for his hotel
SU & SC	2013	Nov-05	China	Shanghai	e-business	Guang	Tian	JD.com	4	e-business interested in discussing seafood (many challenges, premature)
SU & SC	2013	Nov-05	China	Shanghai	e-business	Cynthia	Yueng	JD.com	4	e-business interested in discussing seafood
SC	2013	Nov-05	China	Beijing	importer	Yujing	Miao	Beijing Organic and Beyond Corp.	5	wants whole cukes from Canada
SU	2013	Nov-05	China	Shang Hai Yixiangc	restaurant			Yixiangchunzhu	6	Wants to talk with GHMP
SU	2013	Nov-05		International	distributor	Juhua	Huang	Beijing International Trading	7	distribts to restaurants- wants price and min order req'ts
SC	2013	Nov-05	China	Beijing	producer	Wenyu	Dong	Huimao Sea Cucumber	5	price quote
SU & SC	2013	Nov-05	China	Dalian	consulting	Jiayin	Du	Dalian Ocean University	4	wants urchins and cukes for research and export
SU & SC	2013	Nov-05				Xinzhan	Shan	Blue Horizon Group	5	
SC	2013	Nov-05				Zhang	Yu	Shangdeng Yan Tia	5	
SU & SC	2013	Nov-05	China	Beijing	trading	Dong Ya	Zhou	Beijing Matsuko International Trade Co., Ltd.	6	restauranteur looking for urchins and cukes
SU	2013	Nov-05	China	Dalian	restaurant	Mr	Hou		4	
SC	2013	Nov-05			importer	Sherry	Gao	Rizhao Rongjin Aquatic Products Co.,Ltd.	6	currently buys from traders but wants direct from Canada
SU	2013	Nov-05			importer	Takayoshi	Nojiri	Nippon Ham Group - JAPAN FOOD CORP	6	looking for P quote into Japan
SU & SC	2013	Nov-05		Street	logistics	James	Lee	Special Containers	5	logistics
SC	2013	Nov-05	China	Guangzhou	producer	Judson	Fei	Guangzhou Xulong Seafood Co. Ltd.	6	sea cukes
SU	2013	Nov-05			importer	YC	Kwan	Surplus Seafood Co. Ltd.	5	looking for urchins- reds and greens and pricing info
Prawns	2013	Nov-05	China	Hong Kong	trading	Peter Tsui Kan	Chiu	New Century Trading	4	prawns
SC	2013	Nov-05			trading	Tim	Chen	Chemocean Qingdao Co. Ltd.	6	Sea cukes
SU & SC	2013	Nov-05	China	Shenzhen	trading	Shirley	Cai	JD Brothers China	6	urchins and cukes
SU & SC	2013	Nov-05	China	Beijing	trading	Dong Ya	Zhou	Beijing Matsuko Trade Co. Ltd.	6	
shrimp	2013	Nov-05	China	Dalian	trading	Joe	Hou	Dalian Sen Mall Int'l trading Co. Ltd.	3	Shrimp
SC	2013	Nov-05	China	Beijing	trading	*Erma	Mu	Wuweizhijing International	4	sea cukes
SC	2013	Nov-05			importer	Ms	Wong		5	wants to import for restaurant use

Contacts from Day 2 of the 2013 CFSE

Product	Year	Date	Country	City	Business	First Name	Last Name	Company	Score	Comments
SC	2013	Nov-06	China	Beijing		Yan	Jin	Yan Jin	6	
SC	2013	Nov-06				Yong jun	Zheng	K H F	6	
SU & SC	2013	Nov-06	China	Dalian	consulting	Xiao	Wei	Dalian Infobank Co., Ltd.	6	in-depth trade data and analysis
SU & SC	2013	Nov-06	China	Dalian	consulting	Vicki	Zhai	Dalian Infobank Co., Ltd.	6	in-depth trade data and analysis
SU	2013	Nov-06	China	Dalian	importer	Junya	Hanzawa	Dalian Global Food Corporation	5	just wanted to talk urchins
SC	2013	Nov-06	China	Beijing	importer	Vicky	Ma	Sunkfa International TradeBeijingCo.,Ltd.	7	
SU	2013	Nov-06	China	Beijing	trading			Beijing Shanhaige Trade Co.,Ltd	6	
SU	2013	Nov-06			trading	Scott	Tseng	Ho-Hui Trading Co., Ltd.	6	
SC	2013	Nov-06	China						5	
SC	2013	Nov-06			trading	Xin	Zhang	Angel Yeast Co., Ltd.	6	sea cukes
SC	2013	Nov-06			trading	Zhao	Bo		4	looking for link to PSCHA website for video
SU & SC	2013	Nov-06	China	Hong Kong	distributor	Andre	Lam	All In International Holding Ltd.	7	Saeafod distributor in Hong Kong
Prawn	2013	Nov-06	China	Jinon	trading	Lydia	Lee	Shandong Jinrong Int'l Economic Trade Co. Ltd.	5	
SU	2013	Nov-06		Distri	trading	Tian Cheng	Feng	Sunny Fresh Food (Dalian) Co. Ltd.	5	looking for infor and contacts
SC	2013	Nov-06	China	Dalian	trading	Ms.	Chen	Dalian Lv Shun Bo Hao Sea Products Ltd.	5	
SC	2013	Nov-06		Corona	trading	Humberto	Uriosteetil	Uvtraders	3	mexican just grabbed a brochure for sea cucumber
SC	2013	Nov-06	China	Dalian	media	Xinxin (Sarah)	Du	Du Xinxin	7	wrote about us in 2010, looking for article next year- sugg Mr Ciu activities in Canada
SU	2013	Nov-06	Korea	Gyeongnam	trading	Changsub	Choi	True Co. Ltd.	6	wants quote for sea urchin into Korea
SU	2013	Nov-06			trading	Cheok	Sou	Agencia Comercial Pacifico	2	
SU	2013	Nov-06			restaurant	Yitong	Deng	Daiwo Investment Management Co.,Ltd.	7	looking for distributor but might also import if needed
SU	2013	Nov-06	China	Dalian	distributor			Julong Foods	6	wants frozewn urchin
SU	2013	Nov-06	China	T4Rtiti1V11-	trading	Hui	Mei		6	distributes to Japanese urchin
SU	2013	Nov-06	China	Shanghai	restaurant	Zhenxing	Wei	Haiku by Hatsune	7	Mr. Wei is the head chef and expressed interest in our products
SU	2013	Nov-06	China	Beijing	trading	Fangqing	Lai	Beijing Seaworld Century Trading Co. Ltd.	6	plans to order sea urchin for use in Chinese cuisine
SU	2013	Nov-06	China	Shandong	trading	Jiang	Dongfeng	WEIHAI HAOLONG FOODSTUFF CO LTD	7	sea urchin for CHinese cuisine
SU & SC	2013	Nov-06	Canada	Vancouver REP	equi supply	Jason		DALIAN ZHONGTONG FOOD MACHINERY CO	4	food equipment manufacture has equipment for cucs etc and is intersting in working toget
SU & SC	2013	Nov-06	Canada	Victoria	gov't	Sean	Cheesman	International Market Development	5	
SU & SC	2013	Nov-06	Canada	Victoria	gov't	Mat	Patterson	International Market Development	5	
SC	2013	Nov-06	China	Dalian	trading	Xu Shao	Bo	Dalian Haokang Trading Co.,Ltd	6	
SC	2013	Nov-06	China	Dalian	producer	Liu Xi	Bo	Dalian Yiyuan Aquatic Product Co.,Ltd.	5	
SC	2013	Nov-06			producer	Li	Jun	Shandong RongXin Marine development CO.,Ltd.	6	
SC		Nov-06	China					Haiwengji	4	
SC		Nov-06	China	Shenyang		Renhao	Feng	Renhao Seafoods Co. Ltd.	5	
SC		Nov-06	China	Laizhou City		Wan	Min	Laizhou Jiejing Food Co. Ltd.	4	
SC	2013	Nov-06	Malaysia	Kuala lampur	AqC	Chew Swee	Kang	Hai Kee Hung	6	sea cuke grower, freind of Paddy, looking for investment
SU & SC ++	2013	Nov-06	China	Shanghai	government	Alvin	Liu	Gov't of BC: Int'l Trade & Investment	6	Introduced JD.com- e-business looking for more products
SU & SC	2013	Nov-06	China	Dalian		Chalin (Sharlene)	Xu		4	seafood distributor
SC	2013	Nov-06				n/a	n/a		4	
SC	2013	Nov-06	China	Guangzhou		Wu Wei	Ye	YedCo	4	
SC	2013	Nov-06	China	Shandong		Zhao	Tiesuo	Shandong Tiandijian Biological Engineering Co.,Ltd.	4	
SU	2013	Nov-06	China	Hong Kong	importer	Artur	Tamag	Cheok Sou	5	specializes in sea urchin
Prawns	2013	Nov-06				Lydia	Lee		3	Spot prawns
SU & SC	2013	Nov-06	China				Li and Hou	Ju Resaurant	4	alt email: ben.j.hou@gmail. Japanese cuisine lookiing for both urchins and cu
SC	2013	Nov-06	China	Group		Stone	Wang	Chang International Qingdao Inc.	5	

Contacts from Day 3 of the 2013 CFSE

Product	Year	Date	Country	City	Business	First Name	Last Name	Company	Score	Comments
SU & SC	2013	Nov-07	China	Dalian	distributor	Chuan xin	Song		5	distributor interested in both sea urchin and sea cuke
SU	2013	Nov-07	China	Guangzhou and Sh	VA.proc	Stephen	Yeung	Guangzhou Prosperous Food Manufacturing Co., Ltd.	6	looking for urchins in Guangzhou
SU	2013	Nov-07	China	Hong Kong	VA.proc	(LiNaWei)Naveed	Shahzad	Agnglobal Limited Processors, Exporters & Importers	6	urchin importer and distributor
SC	2013	Nov-07	China	Beijing	consulting	Fan	Xubing	Seabridge-china	6	Says cuke farms are maturing there is an imminent oversupply in the market that will see p
SU	2013	Nov-07	Russia	Vladivostok	producer	Novoselov	Oleg	Company Group	4	expressed some interest in urchins
SU	2013	Nov-07	China	Dalian	producer	Haixin	Liu	Sinavor Seafoods (Dalian) Ltd.	4	general enquiries about Canadian urchins
SU	2013	Nov-07	China	Dalian	distributor	Pu Jin	Song		4	
SU	2013	Nov-07	China	Beijing	distributor	Chao Yu	Wang		5	wants urchin meats without shell, possibly frozen, possibly 10 boxes
SC	2013	Nov-07	China	Yantai	producer	Yingming	Ma	Yantai Meetall Foods Co. Ltd.	5	sea cukes
SU & SC	2013	Nov-07	China	Shanghai	restaurant	Danny	Gu	Noble House Restaurant	8	large restaurant chain over much of China, tried Paladin and GHMP, preferred GHMP
SU & SC	2013	Nov-07	China	Dalian	entertainment	John		Aliceclub	5	a good venue to network with other seafood professional and locals
SU	2013	Nov-07	Taiwan	Taipei	importer	Kevin	Kang	Sushiexpress	7	Urchins- particualrly frozen. Also prawns
SC	2013	Nov-07	China	Qingdao	proc/distrib	Caroline	Lan	Rongcheng Jiamei Seafood Co. Ltd.	4	value added processor and distributor
Beijing (November 9, 2013)										
SU & SC ++	2013	Nov-09	China	Beijing	Import/distrib	??- Mr.		Beijing Pacific Boye Fisheries Technology Co. Ltd	8	
SU & SC ++	2013	Nov-09	China	Beijing	Import/distrib	Qixing	Ji	Beijing Pacific Boye Fisheries Technology Co. Ltd	9	CEO
SU & SC ++	2013	Nov-09	China	Beijing	Import/distrib	??- Mr.		Beijing Pacific Boye Fisheries Technology Co. Ltd	8	
SU & SC ++	2013	Nov-09	China	Beijing	Import/distrib	??- Mr.		Int'l High Quality Ingredients Tasting Club	8	see notes at end of Sustainability Forum section

Comparison of the four year aggregated results from the CFSE and of the mix of contacts for each association this year.

	Daily Totals				2013 CFSE		
	2010	2011	2012	2013	both	Urchin	Cuke
Day 1	25	34	27	34	12	10	12
Day 2	20	21	32	48	7	13	18
Day 3	10	12	13	16	6	7	3
Total	55	67	72	98			

6.0 Dalian InfoBank (Sinoimex) Presentation

This company provides subscribers with trade data for commodities of interest, in our cases, sea urchins and sea cucumber, and assessing various strengths and weaknesses of each competing supplying country. They are an official government agency providing global trade data, especially China import/export data and they claim the deep import data they provide can help identify Chinese buyers, monitor competitors and know the ongoing Chinese market. The US started publishing its trade data about 200 years ago and was the first country to do so but India, Japan and China are now also doing the same.

The data provided by Sinoimex comes from the China commodities inspection bureau and includes import transaction records from all the 41 customs districts. Monthly updates include details such as the Chinese importer name and foreign exporter name as well as their transaction details. It probably strikes some-many western businessmen as a bit intrusive as they generally prefer such transactional details to be confidential but this is apparently the way it is in this case.

They ran through a few seafood trade statistics in their presentation, eg. China market share of US seafood imports is 16% vs. 14% for Canada, Vietnam, Israel and Ukraine are the fastest growing seafood exporters while Japan, USA and Spain take the largest percentage of imports (14.7%, 14.2% and 7.5%). China is also within the top 5 importers which between them account for about 44% of the global seafood imports while the top 10 account for 63%.

It sounds like an interesting service but they did not reveal or discuss their pricing schedule as part of their presentation. This will no doubt be part of their individualized pitch once more specific criteria for the data requirements wanted by a prospective client are identified. This service may warrant further investigation but such action will only be undertaken if the PUHA and/or the PSCHA are interested.



7.0 Post-show meeting in Beijing

A company from Beijing expressed interest in meeting with a BC delegation in Beijing after the show to discuss possible opportunities for using BC sea urchin and sea cucumber as high quality ingredients in the food service sector in that city. We flew to Beijing on the Friday following the show and met with representatives of Beijing Pacific Boye Fisheries Technology Co. Ltd. This company actively sources products from international suppliers for the International High Quality Ingredients Tasting Club so they can be assessed for use in the high-end catering and food service outlets. A representative of this club gave a presentation at the Seafood Sustainability Forum that is summarized earlier in this document ([Int'l Tasting Club](#)).



We were picked up in the morning at our hotel by the company van and taken to the company offices and met with the founder of the company. Mr. Gig is a youngish gentleman who got his start some years ago running a simple fish stall which he has since leveraged into a much larger company and which subsequently has become a key link in the assessment of internationally sourced agricultural and seafood products.



Mike provided an overview of the BC dive fisheries emphasizing the pristine nature of much of our coastline and the high quality of the seafood which grows in our waters. We also discussed other BC fisheries as their interest was piqued on other products we could supply- including halibut, rockfish, sablefish and salmon. It appears they are primarily interested in frozen products and, probably because they have been dealing with large companies with sea-based factory ships (eg. Clearwater), preferentially Frozen At Sea (FAS) products. We discussed the differences between FAS product and product frozen on shore with a focus on the more intensive grading procedures used in the latter as

well as the differences between the freezing capacities generally found on boats versus what is found in the plants. FAS product is often inferior to plant frozen product that has been held fresh on the boat for a few days simply because the freezers in most boats are simply incapable of providing a true Instantaneous Quick Freeze (IQF).

Note 4: IQF is an international standard defined as frozen product which passed through the critical temperature zone between 0 to -5°C in no longer than one hour. The time taken to move through this critical temperature range is important because 95% of the liquid water freezes through this interval and the size of the resulting ice crystals is directly proportional to the length of time within it. This means longer periods result in larger crystals which increasingly pierce the cell walls of the tissue(s) and so increase moisture losses on thawing as the cell contents leak out (i.e. drip).

This was understood and accepted by the company representatives but they remain focussed on getting the highest quality ingredients possible as this is the only grade acceptable to their preferred market segment: the premier, prestigious restaurant sector. They are also interested in lower cost ingredients for more general distribution through less exclusive outlets but their interest here too is still predicated on high quality.

Sablefish apparently has too high an oil content for Chinese preferences but halibut is known for its quality although it is also known to oftentimes be too dry. We explained that halibut has a very low oil content which makes it very sensitive to overcooking and great care is needed to avoid this even by cooks with experience with other seafood. Sablefish on the other hand is very resilient to this because the high oil content protects it from drying out. Mike mentioned that both sablefish and halibut are very high priced in Canada because of high demand and almost exclusive consumption in Japan and the US respectively. Lingcod is another alternative that is lower priced and is finding a very good reception in Hong Kong. Lingcod runs at about half the cost of halibut. Mike does not have any pictures or other information about this fish on his website but will get pictures and information to Joyce as soon as he gets back.

Ken described the sea cucumber fishery and including fishing season (October through November) and the normal processing method which separates the skin and meat into two separate product streams. The fishery is held at that time of year because that is the period of maximum quality for the product. The normal trend by processors is to try and have all the product sold from each year before the fishing season again gets started the following year. The BC sea cucumber is known by its Latin name *Parastichopus californicus* or more generally as the Giant Red Sea Cucumber. It is the largest sea cucumber in the world and is found exclusively along the coast between Alaska and Oregon or perhaps Northern California. He also mentioned that one company has a new product that is prepared in a more traditional Chinese fashion- i.e. uses the whole split sea cucumber without separating the meat and skin. Canadian companies routinely ship sea cucumber products to China but because fishermen themselves do not process the cucumbers the best thing to do would be for us to set up Pacific Boye with Canadian exporters so they can make their own deal(s). Ken and Mike committed to doing this without charging a commission which drew some appreciative comments. Prices for the meats and dehydrated skins were given as being in the range of CAD 15- 18 per pound and around CAD 28-34 per pound FOB Vancouver respectively.

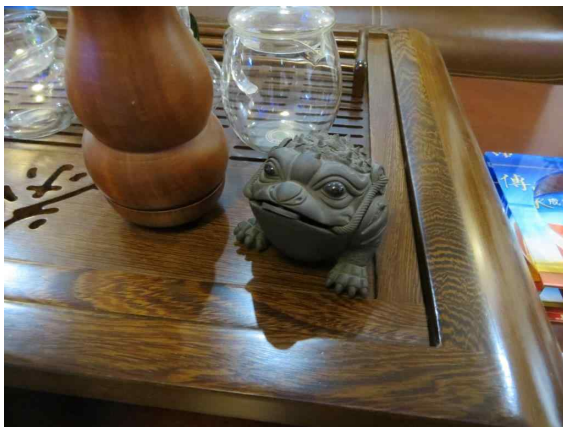
There are two types of sea urchin in BC - the green sea urchin (GSU) and the red sea urchin (RSU). The GSU is only fished between about November through February each year while the RSU are fished virtually all year round. With the RSU the product quality is generally much more spotty in June and July so operations cut back substantially over this period. The GSU are sold and exported live while the RSU are processed before export simply because they are so much bigger. This uni is mainly sold fresh but there is one company that freezes it using a highly

sophisticated and specialized freezing technology. This product has an indefinite shelf life and is prepared without any other additives while the more abundantly produced fresh product is soaked in an alum solution and brine to bring the moisture content sufficiently to extend its shelf life to between 10 - 14 days. (Geoff mentioned that the alum is magnesium sulfate- oops- mea culpa- this was wrong- the alum used is more likely potassium aluminum sulfate or potassium alum. The alum is an approved additive and is used with uni to conserve the product texture, or at least make it more resilient, but it also affects the taste by giving a bitter aftertaste that becomes more pronounced with time. There are other proven options available using for example multi-branched dextrose as a substitute for the alum that avoids the impacts on taste.)

At this point, the only real option for Red sea urchin is as processed as we have not yet developed specialized handling protocols to ensure they can be kept in good condition for an extended period. Green sea urchins are smaller, and therefore less susceptible to mechanical damage, and are routinely shipped live overseas to destinations like Japan and Hong Kong.

Mike has two plants in Vancouver, one with a smoke-house and value-added production and a second (on Commissioner St.) certified to box and ship seafood to China and which is in the process of getting extended to shambaba- geoduck. The company focusses on producing high quality products and works with local fishermen to ensure that everyone is working from the same page. They work also with albacore tuna, sablefish, rock fish other groundfish, halibut, live crab and all species of salmon including both wild and farmed. Mike also mentioned that he also has some wild pink salmon, a species that is less oily than farmed atlantic salmon and is very competitive price-wise.

Pacific Boye then outlined what they add to the mix. To start they get samples of products which are then prepared individually and/or in combination by chefs in dishes which are then assessed by a panel of food service professionals under the aegis of the Beijing High Quality Ingredients Tasting Club. They have already organized 3 successful events and each one has showcased 3-4 new products. These events give chefs the opportunity to learn how to prepare and use new materials and restaurants opportunities to increase the diversity of items and new dishes on their menus. The events are quite informal and the comments are generally constructive while being forthright and to the point.



Beijing Pacific Boye would like to work with BC companies as it would then be working with companies from across Canada, including Clearwater in the Maritimes which they have worked with for over 6 years. They expressed the hope that this initial meeting will develop into a long-term cooperative relationship in which all involved will prosper. They are currently putting together their next event, tentatively scheduled for sometime towards the end of January, and they indicated that they would like to offer Mike the opportunity to provide products for the event. They

will consider which products are the most interesting and will pass along a formal request through Joyce in the next few weeks. Mike expressed our gratefulness at being offered such an opportunity and that we look forward to working with them to promote our seafood.

We then broke for a luncheon (i.e. a Chinese feast) prepared by some of their in-house chefs using internationally and locally sourced seafood, meat and vegetables. The range of conversation was broader but followed the convention of breaking bread and drinking together as a means of further building trust on which to build a cooperative and mutually beneficial partnership. Mr. Gig indicated that they will bring a delegation to visit the plants, people and other facilities involved in the deal(s) in Vancouver sometime over the next year. Both parties made a point of explicitly thanking Joyce for making the initial introduction.



This was considered a very successful first meeting by all involved and we are confident that we are very likely to see some good things, and maybe some very good things, come of it in short order.