




**Canadian Agriculture and Food
International Program (CAFI)**

**Sea Urchins From Canada
Marketing Initiative**

2005/06 Project Report



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Report by:

**G. Krause
Explorations Unlimited Inc.
Brentwood Bay, BC**

Sea Urchins From Canada: 2005/06 Project Report

Executive Summary

The performance of the Canadian sea urchin products in the Japanese market for the 2005/06 season was again seriously impacted by the ongoing IUU Russian fishery in the Kuriles. Landings from the IUU fishery continued through the winter again, instead of falling off a bit in January as happened prior to the 2004/05 season, and the market was capricious (erratic) throughout.

Green Sea Urchins (GSU) from BC compete directly with the Russian IUU fishery and more or less got hammered this year, landing less than 20% of the TAC. This IUU fishery remains the greatest threat to the continuing economic viability of the GSU fishery and is also inflicting considerable pain on the Red Sea Urchin (RSU) fishery as well. In both cases there are a number of long-term science projects in both fisheries which can no longer be fully funded by industry and are likewise being cut back. Difficulties in the RSU fishery were compounded by stormy weather on the North and Central Coast of BC in January/February, which resulted in flow interruptions of RSU products to the market.

The products are sold in US dollars and the margins on both fisheries were also impacted by an additional 10% or so value increase for the Canadian Dollar *vis a vis* both the US dollar and the Japanese Yen. The competitive environment in Japan was therefore very tough this year for sea urchin product producers from Canada. Even with this, 2005 prices for Canadian uni declined by just over 10% from 2004 prices, an amount approximately comparable to the US, while the volume decreased by only about 40 MT (~10%) which compares favourably with the US decline of 213 MT (~23%).

The SUFC initiative this year made good progress on most of its objectives, reinforcing the relationships with buyers in Japan and attracting proposals for collaborating on product promotions in Japan this year as part of the Joint Marketing Initiative. The SUFC group is anticipating continuing progress in this regard. There have been a number of questions on developments on the temperature, water loss and quality profiles for loads from various locations but these efforts have not yet produced sufficient information suitable for release. The overall Branding program has not progressed as far as perhaps hoped for but coordination between the SUFC, other food representatives and the Federal initiative remains a critical consideration. Program guidelines from Agriculture and Agri-Food Canada are now being finalized.

The website has been enhanced and now includes much more information, including separate areas for the consumer and industry member “communities”, but because it is such a key tool for the Branding initiative, the consumer polling and response areas are still in the design stages. The pilot rollout in November drew some comments that the translations into Japanese came across as too harsh. Efforts to draw more content and comments from fishermen, processors and handlers in Japan are ongoing.

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The proponents would also like to thank all those in Japan who so generously and graciously shared their time, insights and hospitality on our trips.

Canadian Agriculture and Food International Program (CAFI) Sea Urchins From Canada Marketing Initiative

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1.0 Introduction

The Pacific Urchin Harvesters Association (PUHA) and the West Coast Green Urchin Association (WCGUA) are industry associations established to examine fishery issues in the Red Sea Urchin (*Strongylocentrotus franciscanus*) and Green Sea Urchin (*S. droebachiensis*) fisheries respectively in British Columbia. The primary markets for each of these fisheries are in Japan and the two associations have joined forces as Sea Urchins From Canada (SUFC) to develop and implement a joint international marketing strategy. The BC marketing effort remains primarily focussed on Japan even as opportunities in other jurisdictions are explored. France is, at about 1,000 MT per year, is the second largest market for sea urchin roe in the world (Andrew et al 2002) while the US market is also growing. Both of these markets are supplied by domestic suppliers.

Canada has a very favourable reputation around the world as a technically and socially advanced society but is not widely recognized or identified by consumers as a supplier of high value food products. This issue has motivated a Brand Canada Initiative by the Agriculture and Agri-Food Canada which aims to link Canadian food products with the very favourable reputation of Canada.

The unfamiliarity extends to Japan and is handicapping efforts by the SUFC to establish a better profile for sea urchin products from Canada with consumers in that country. In more specific terms, we intend to present Canada's seafood production industry as a consistent and dependable source of high quality seafood produced in an environmentally sound manner. There are any number of communications and cultural obstacles to be overcome between Canada and Japan but there is also considerable goodwill. As a short summary, the SUFC group continues to earn credibility with Japanese buyers and handlers of Canadian sea urchin products to the extent that a joint marketing and promotional initiative is planned for this season.

This document reports on the progress made by the SUFC group over 2005/06. Activities include the attendance by representatives of the SUFC group at the Brussels seafood show and an annual trip to Japan by harvesters and processors to reinforce relationships with buyers in Japan and to get a first-hand look at landing operations from a large Illegal, Unregistered and Unreported (IUU) Russian fishery in the Kurile Islands. The SUFC group has undertaken a full overhaul of its website (www.puha.org) to re-orient it as a marketing tool and providing a forum where consumers, buyers, processors and harvesters can learn more about and provide advice on or otherwise discuss BC sea urchin production issues. A number of other market, economic, marketing and branding issues are discussed. The value of the Canadian product is also confounded by the continuing appreciation of the Canadian dollar vis a vis the USD and the Japanese yen. The sea urchin markets and the currencies involved are being tracked to our competitive position can be accurately assessed..

1.1 Description of Strategy for 2005-2006.

The continuing focus for 2005-06 remains on building relationships with international buyers using trips and enhanced communications through the internet to discuss issues of common interest and to develop joint marketing initiatives. The Canadian industry must build a brand presence and ultimately establish a relationship with consumers so the Canadian products can be positioned as an identifiable high quality, sustainable alternative to the commoditized sea urchin products as opposed to competing as simply another supplier of that commodity. Point of sale and promotional materials will be updated along with the PUHA website so they can be used in an integrated fashion to facilitate communications with our customers. New foreign language and consumer survey sections will be developed collaboratively with our value-chain partners and incorporated into the website so we can more effectively profile consumers of Canadian urchin products, their desires and their perceptions of our product(s) and address any concerns they may raise. Short term indicators of success in the Japanese market will focus on the responses to the Joint Marketing Initiative (JMI) from the buyers in Japan - as measured by their positive responses, contributions and suggestions to the JMI. We were also looking for consumer responses to these materials and to an e-survey on the website, but various components have been delayed and are awaiting the wider roll out of the Brand Canada guidelines. Long term indicators will, however, include increasing recognition by Japanese consumers of Canada as a supplier of high quality seafood to the Japanese market as measured by an increasing proportion of positive responses to questions in the survey designed to examine this recognition.

It is very hard to project the market conditions in Japan for the next year because many of the factors affecting the market are beyond the control of the Canadian industry. The most prominent issue remains the unregulated fishing in the Kurile Islands by Russians which continues unabated. On the other hand, the Japanese economy appears to be in better shape than it has been for some time and demand for these products is not expected to decline so hopefully next year will see things turn around and exports pick up and prices recover.

The marketing initiative is also exploring market opportunities in Europe, Hong Kong, China and the US to diversify our markets and reduce our reliance on Japan. The collection of market intelligence, including supply and demand factors for various product forms and our competitive international trade issues (tariffs, plant certification requirements etc) and position vis a vis other competing sources, will continue to inform the on-going situational analyses.

Short term indicators of success will again focus on increasing the number of contacts and business leads in these markets, particularly those in Europe. Establishing benchmark metrics on sales into these markets are still being worked out within the group but additional information on preferred product specifications and related sales opportunities are anticipated this coming year. Long term indicators of success then will include increased communications (signifying rising interest) from buyers in these countries and increasing collaboration with them to jointly differentiate and position the Canadian product in their markets.

2.0 Market Summary for 2005/06

Japan continues to predominate as the world's single largest sea urchin products market and sales to Japan currently absorb about 80% of BC's annual production. Traditionally the product, uni, was strictly considered a luxury product but an increase in the relative value of the yen in the 1970's made imports competitive, increasing the supply and allowing more popular use of the product. As a result, the average unit (whole weight) prices of *S. intermedius* and *S. nudus* of \$US 23.10 (¥2,772) and \$US 13.30 (¥1,596) per kg in 1991 had, based on a steady exchange rate of 120¥ per USD, dropped to \$US13.70 (¥1,644) and \$US 8.60 (¥1,032) respectively by 2000 (Sakai et al 2004). The acceleration of the Russian IUU urchin fishery (*S. intermedius*) fishery in the Kuriles since then has rendered the Japanese production increasingly uneconomic because that production is coming in at between ¥150 - 600 /kg. Graphs of Tsukiji uni prices for select countries from 2001 through March 2006 are presented in Appendix D.

The high, mid and low end markets are quite different with respect to the revenues and growth potential. The use of uni as a flavour additive market is dependent upon low cost supplies which may, again, be in some jeopardy because of the trajectories of the Chilean and Russian fisheries which may see the curtailment of these fisheries in the not too far future. This may provide a window to supply lower grade material until cultured product comes up to speed but the interval cannot be assumed to extend beyond a couple of seasons at this point. It does suggest that moving to re-balance the production profile towards higher value uses even as the lower value demand remains strong may be a safer route to continuing economic sustainability. In the retail supermarket segment, assumed here to be the mid-grade market, BC holds a significant market share in part because of the product's reputation with regard to taste but also because BC's current clients are large scale suppliers of these outlets. BC's market share in the high-end sushi restaurant segment is low because these outlets get their supplies through the central markets.

The major competing suppliers for the extracted uni (fresh and frozen) market in Japan in 2005 were Chile (2,548 MT or 57.5% of the imports), US (755 MT or 17.0%) and Canada (387 MT or 8.7%). The volume and average price rankings for fresh chilled roe, the highest quality product form, are listed in Tables 1 and 2 respectively. Significant supplies of live animals were also brought in from Russia (13,826 MT or 93.4% of live imports), North Korea (819 MT or 5.5%), US (106 MT or 0.7%) and Canada (35 MT or 0.2%). The live production from Russia is particularly problematical in that it is reducing prices throughout the Japanese uni market and impacting all legitimate producers.

Table 1: Import volumes (kg) of uni into Japan (Can. Trade Comm.)

	2002	2003	2004	2005	Vol Chge 05/04	%chge 05/04
World	3,033,310	2,636,830	2,466,385	2,194,916	-271,469	-11.01%
USA	1,185,405	946,557	933,602	720,165	-213,437	-22.86%
Chile	693,354	638,486	559,258	460,000	-99,258	-17.75%
Canada	401,726	380,129	380,189	340,127	-40,062	-10.54%
China	260,674	288,719	239,921	270,196	30,275	12.62%
North Korea	182,324	112,328	136,165	204,138	67,973	49.92%
Mexico	101,037	109,267	113,148	107,537	-5,611	-4.96%
Peru	63,801	54,493	51,855	58,515	6,660	12.84%
South Korea	100,340	82,183	49,241	30,413	-18,828	-38.24%

Table 2: Average wholesale prices (\$C/kg) in Japan (Canadian Trade Commissioner, Tokyo, Japan)

	2002	2003	2004	2005	\$ Chge 05/04	%chge 05/04
World	\$63.02	\$58.31	\$54.22	\$46.32	-\$7.90	-14.56%
USA	\$73.35	\$71.56	\$63.02	\$55.81	-\$7.21	-11.45%
Chile	\$50.40	\$45.94	\$45.24	\$41.32	-\$3.92	-8.67%
Canada	\$61.73	\$58.46	\$56.82	\$50.81	-\$6.01	-10.58%
China	\$44.55	\$41.58	\$38.57	\$32.24	-\$6.33	-16.41%
North Korea	\$63.35	\$49.55	\$45.20	\$33.67	-\$11.53	-25.51%
Mexico	\$86.90	\$79.49	\$62.78	\$49.59	-\$13.19	-21.01%
Peru	\$52.13	\$47.67	\$45.87	\$39.38	-\$6.49	-14.15%
South Korea	\$65.20	\$58.39	\$59.06	\$56.33	-\$2.73	-4.62%

The unit value, gross value and export volumes of sea urchin products sold to Japan have declined in recent years primarily in response to the saturated supply situation in Japan caused by the IUU Kurile Island fishery conducted by Russian interests, and the Canadian suppliers to this market continue to suffer. The 2004-05 season started better than the 2001-02 and 2002-03 seasons which had previously been the most affected by the market collapse in Japan. In these and previous years, demand had remained somewhat robust through January as the Russian fishing was curtailed but things changed last year and operations continued throughout the winter. As a result, demand collapsed last year in January primarily because Russian landings in Hokkaido flooded the market with the equivalent of a full-year Canadian GSU TAC each week. The Russians generally fish at the same time as Canada through the fall and up to Christmas, so starting fishing a bit earlier in the season to beat the Russian product to the market is not likely to prove an effective counter-strategy.

As a measure of the problem faced by Canadian producers, some 20 - 25% of the BC sea urchin Total Allowable Catch (TAC) was not harvested last year. Overall, only about 45% of the GSU TAC from BC was taken in 2004-05 while less than 20% of the 2005-06 TAC was taken as of January 15, 2006, a point where regularly 60-80% should have been harvested, making this the worst season on record. Only 12 of the 49 green Sea Urchin and 101 of 110 Red Sea Urchin licences were activated this year.

In more general terms, Japan is BC's second most important export market after the US and BC boasts the most successful trade relationship with Japan of any of the provinces. In the mid-1990's Japan took 25% of BC exports but these numbers have been sinking since, hitting 14.5% by the 2000 and 12% by 2004. The mix of exports has not changed much in the last century, comprising commodities such as lumber, fish and ores like copper and coal, despite all of the changes that have occurred and despite the success in improving trade relationship to Japan that other countries, such as Australia, have been able to realize.

In many respects it seems that the effort put into strengthening the trading relationship with Japan, whether it be through diversification of exports or better adopting our products to the unique requirements of the Japanese market, has been lacking. This is particularly disturbing because the Japanese are known as behind the scenes movers and shakers throughout much of Asia and there are any number of opportunities to joint venture or partner with subsidiaries of Japanese trading companies, which are set up right in BC, to explore and expand business opportunities in the many countries, including China, where they have a presence (Young 2005).

2.1 Economic Update for Japan

There were rising hopes by mid-summer 2005 that the recovery in Japan could be real and lasting this time. Domestic spending is becoming a growth engine in Japan for the first time in 15 years (Anon 2005 i), output is rising, job markets are tighter than they have been in 7 years, consumer spending is ticking upwards (Anon 2005 f), the Nikkei 225 index was up 35% in 2005, rising to 4 year highs and land prices are again rising, all supporting the conclusion that Japan is indeed back in business (Carrick 2005).

Prime Minister Koizumi called, fought and won a snap election over the issue of privatizing Japan Post, the largest single source savings with assets of about USD 3 Trillion. This privatization is important to Japan because political influence is applied on public sector banking institutions to fund pork barrel projects. This seriously compromises the capital allocation efficiency of Japan Post (Grimmer 2005 d) particularly given that obscure accounting and market manipulation in Japan have been called near traditional arts (Anon 2006 f). Much of the country's commercial code has been re-written and tightened up over the past 5 years or so but the process still has a ways to go before the rules and enforcement are transparent. Corporate Japan and the general population are craving reform including clarity on governance rules, how enforcement will be applied and whether the courts can be appealed to efficiently during disputes (Anon 2006 f).

2.2 Some Global Trends

The US, Sweden and Canada are the world's three most globalized countries while Japan comes at # 15 (Reynolds 2006). Globalization is a fact of life and business survival increasingly depends on the ability to adapt to the rapidly accelerating change that is now part of today's world. Most people believe the future is a straight line through the present from the past but this is just simply no longer the case (Wilson 2005). The challenges Canadian fishermen face now include not only the market, weather, difficult logistics and product availability, but also global economic imbalances, global climate change and increasing competition for depleting resources, like oil even as new competition is emerging from China, India, Vietnam and many other parts of the world. Industry consolidation is at record levels as large companies invest around the world trying to make best use of resources no matter where they are.

The recent emergence of China, India, Brazil and Russia as major active members in the global economic community has effectively doubled the world's labour force. China's effect on the world economy is not exceptional from other Asian tigers but it is more dramatic, not just because of its massive labour force but also because its economy is so unusually open to trade. It now appears that global inflation, interest rates, bond yields, house prices, wages, profits and commodity prices are increasing driven by decisions made in China, a development that may be the most profound economic change in the past half century (Anon 2005 d). The global effects of the modernization in China are projected to continue for another couple of decades as China still has at least 200 million underemployed workers to absorb into the workforce.

They are also providing their citizens with the tools to compete. More than half of all primary school children in China now learn English and the 500 million English speakers in China and India now exceed the total number of mother-tongue English speakers elsewhere in the world (Johnson 2006). These multilingual workers, and the companies that employ them, have significant advantages including a vital understanding of the different cultures in our quickly globalizing world.

The competition from China and the threat that firms can move more of their manufacturing and services offshore is keeping a lid on wage growth in the developed world. China's growing influence is revolutionizing the relative prices of labour, capital, goods and assets in a way that has never happened so quickly before. Take, for example, the price of oil. Despite doubling in price over the past year inflation rates have remained low and global growth robust because it is being driven by strong demand growth in China, as opposed to a supply disruption.

The notion that the future for North American business lies in innovation and talent while India, China and other new entries into the global manufacturing scene remain static as low-cost operations still has traction among many in the comfortable west. Unfortunately things don't seem to be working out that way. More and more effort is being directed by many companies in these emerging economies to identify and empower talent to fuel research and innovation. Many large companies are moving their R&D to the developing world, with developing Asia as the preferred prospect. Innovation is on the rise in China which filed some 2,452 patents in 2005, overtaking Australia, Canada and Italy to take over 10th spot globally (Anon 2006 c).

European officials have projected that China could be spending a greater proportion of its GDP on R&D than the combined public and private sector funded R&D in Europe by 2010. China is the most attractive R&D location in the opinion of 62% of respondents in a recent poll while the US and India round out the top three. Canada is tied with Taiwan and Singapore at 4.4% each. The workers in China, India and other developing nations are "hungry" and with the many skilled and trained technicians and scientists there, genuine leaps through innovation are likely (Grimmer 2005 a).

Advances in technology are also affecting how business tracks the expectations of consumers providing new tools for supplying exactly what their customers want, when and where they need it. For example, there is a food chain in Japan which collects the outside temperature, time, height, age and gender of the buyer and more with every sale. This is known as context information and is useful for making decisions on timing and sizing replacement orders as part of their just in time inventory control system (Wilson 2005). Attention to design, efficiency and innovation is increasingly being sought universally and companies, and industries, which do not promote innovation will soon be left in the wake of those who are less comfortable and more eager to move ahead. The dedication to serving customer needs as the paramount mission is on the rise in India and China and North American companies need to nurture their "better understanding" of the customers and their needs to maintain their advantage (Martin 2005).

2.2.1 Demographics

The United Nations projects that 2050 populations will be lower than today's in some 50 countries. Russia's population is projected to fall by 22% by 2050, Ukraine's by 43%. Japan's population has already started to decline and will soon be followed by Germany and Italy while even China's will be shrinking by the early 2030's. There is a considerable amount of angst about the economic impacts of this, primarily based on fears about falling absolute GDP, but a more meaningful measure is per capita GDP which is likely to rise with the introduction of more technology etc. spurring productivity. These new demographics can also be celebrated as heralding a golden age (Anon 2006 b).

Japan's population is projected to decline by about 20% from a peak of about 127.6 million to about 100 million by 2050 (Anon 2005 i). As of October 1, 2005, Japan's population was 19,000 lower than it was a year earlier (Anon 2006), suggesting that an anticipated population downturn arrived about a year early (Anon 2005 b). Immigration and larger families are both discounted as realistic solutions in Japan and the best option relies on attracting and retaining a larger proportion of the population into the active workforce. Women are particularly at issue here as female participation in Japan's workforce, ~55% in recent years, remains well behind the 61-62% levels in Canada, Britain and the US (Anon 2005 i).

2.2.2 China

The US has reported a trade deficit every year, amid mounting wails of woe, since the 1970's. Japan had a turn as the main antagonist through the 1980's because it had such large trade deficits with the US and used tariff and non-tariff trade barriers to limit imports. China now runs very large trade deficits with the US and is taking a turn, as an economic threat to continuing American prosperity. Despite the finger pointing exercises, rational economic analysis reveals that upwards of 70% of the trade deficit is due to intra-firm trade within US owned or affiliated multinational firms. As such, the US trade deficit is a largely private, self-sustaining and self-financing affair. Less alarmist observations on the situation note that these sports of arrangements are set up to earn profits and that they are generally very profitable for their parent firms (Reynolds 2006).

US politicians, therefore, should be careful what they wish for when they talk about punishing China for its unfair trade practices for when they actually see the enemy, will find they are looking at their own most successful companies. Protectionist measures to reign it in would be a catastrophe as it would not just close off a powerful source of future prosperity but also engender a veritable tidal wave of resentment towards the developed world in the developing world.

Low cost manufacturing in China is disrupting manufacturers in advanced countries but the situation it faces at this point is probably best described as pretty much on the edge. Peasants and migrant workers still make up about 2/3 of China's 1.3 B people (Kahn 2006) and have limited access to the benefits of development. Local officials operating with impunity, and little to fear from a legal system that often answers to the Party through them, have been fomenting land

grabs, pollution, corruption and other abuses which have been growing by leaps and bounds in recent years. These are now leading to mass uprisings which threaten stability in the country.

China has responded by focussing on economic growth to provide opportunities to as many people as possible. It stimulates economic growth by heavily subsidizing fuel prices and their fuel prices are among the cheapest in the world in spite of importing more than 40% of its oil. The drive to own a vehicle is as high in China as anywhere in the world and millions of new motorists are clogging the roads every year. This means the multiple new roads and expressways built every year are jammed with cars as soon as they open. Despite the limited wealth through much of Chinese society, public transportation infrastructure is under-developed and China's biggest cities are expected to face gridlock within two to three years.

The cheap price strategy is applied across the Chinese economy, particularly the manufacturing sector, making it shockingly wasteful and promising an environmental nightmare and eventual energy crisis. The government is now starting to take some steps to avert disaster, increasing fuel prices by about 10%, hiking taxes on large SUV and luxury cars etc, but there is still no fuel tax despite its being acknowledged by economists as one the most effective means to limit fuel consumption (York 2006).

China's growing economic clout is transforming the world economy and that stability is as much in its interest as it is in the rest of the world. The size of China's economy was revised upwards by USD 285 B. in early 2006 from the estimate released only a month or before when the government took account of the services sector. The services share of the economy has now jumped to 41% of the economy, compared with 46% for manufacturing and 13% for primary industries such as agriculture and mining. This extra activity is a natural consequence of development because, just as everywhere else it happens, wealthier people want more restaurants, bars, car dealerships, private hospitals, beauty salons, bookstores, real estate services, gardeners, legal and banking services etc. The proportional size of the sector is roughly as large as those of Japan, Taiwan and South Korea when they were at a similar stage of development (Anon 2006 e).

Canada and China's economies are in many ways complementary, China has a huge developing market while Canada has an abundance of natural resources and in terms of transportation costs, Vancouver is the closest major North American port to China (Wong 2005). In China, Canada is widely held as multi-cultural society, friendly to Chinese and eager to develop relations with China. There are some recurring points in any advice to conducting business in China that bear repeating. These include:

- Never trust a Chinese feasibility study- it is aimed at attracting interest, not in defining the real opportunity;

- Do not bribe- invest instead in long-term mutually beneficial relationships with customers including training, travel and recreational opportunities;

- A conflict of interest is considered a competitive advantage in China;

- Government officials may lie to you but you must never provide them false information;

- In disputes with the government, respect is gained by being tough but arguments must be framed to show how the business is good for China, not what is wrong with the Chinese government;

Chinese businessmen are known to request outrageous conditions just in case someone is dumb enough to say yes; and
 Never use the Chinese market as a last resort to save your business- Chinese businessmen detect any desperation and take full advantage of any weakness - if your boss moving that way- lose his passport (Schachter 2006).

2.2.3 Currency Exchange

The USD value has declined vis a vis the \$C to 77% of value registered in January 2001 while the ¥ has declined to about 76% of its former value against the \$C (Figure 1). The relative value relationship between the USD and the ¥ between January 1, 2001 and now is, at 100.1% of that value, virtually unchanged. Japan would seem to be doing a much better job of managing its currency's valuation vis a vis the world's primary reserve currency (ie. USD) than Canada.

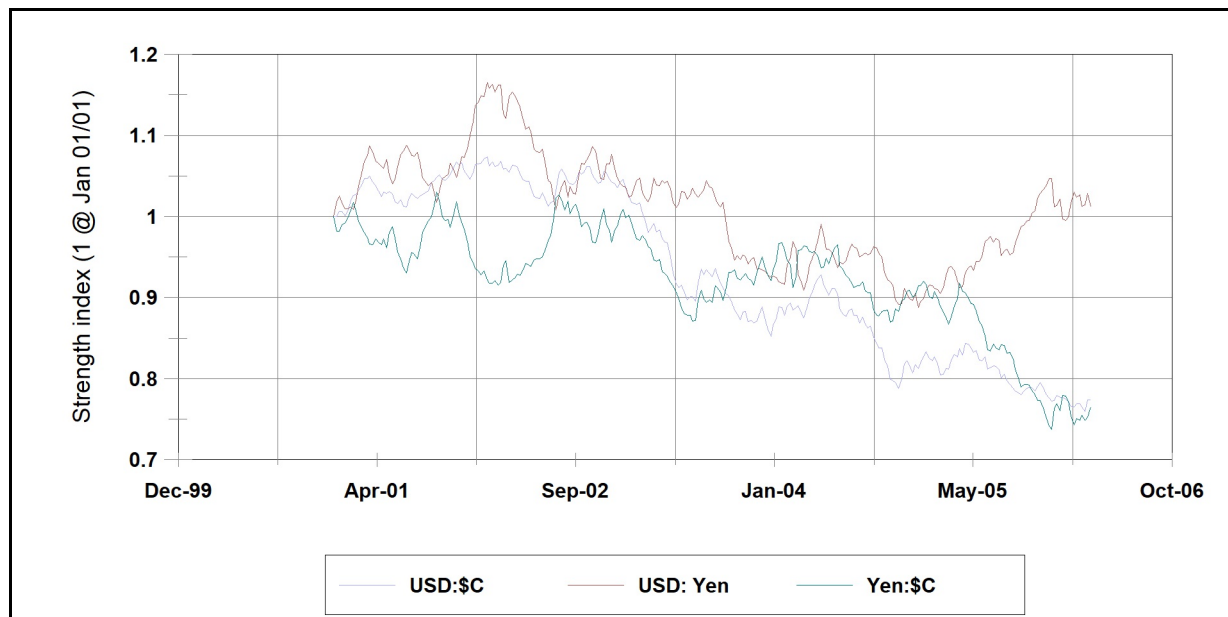


Figure 1: Relative standardized currency fluctuations since January 1, 2001.

The implications of this are mixed- on the one hand it does not bode well for economically sustainable returns to Canadian industry from continuing “status quo” sales of seafood. From another perspective though, the prospect of an appreciating currency holds tremendous potential as an investment consideration, assuming the industry can respond successfully to the increasing competitive forces mandating a shift towards higher value production. The USD is projected to continue declining against other world currencies in at least the medium term because of that country's very high current account and budget deficits, whereas Canada's currency is projected to continue increasing because of our surplus position in both these accounts and because of our increasing stature as an energy and resource backed currency. There are of course many other implications with the USD situation but an appreciating Canadian dollar will logically make investments in or perhaps through Canada more attractive.

3.0 Marketing Environment

Fishermen are coming to realize that if they continue to do what they have always done they will simply continue to get what they have always earned. Given the trends towards greater corporate control in many resource industries and international trade, this is not particularly alluring. There are however, increasing options for personalizing business and many fishermen are taking more pleasure producing food they can take great pride in purveying to source conscious buyers which represent a growing segment of the population (Weber 2006). For example, the internet offers tremendously exciting marketing avenues and is available to any scale enterprise. If it is used to amplify genuine natural, open, funny and honest human conversations, something valued by virtually every person on the planet, it holds the potential to make a laughing stock of the humourless monotone of the mission statement or marketing brochure style more typical of corporate campaigns (Anon 2005 k). The so-called blogo-sphere does this very thing, allowing consumers the world over to voice their opinions on any subject and there is now at least one site, Technorati, tracking updates in near real-time so bloggers can track the trail of their own posts. Even executives recognize that blogs can be an incredibly effective yet low cost way to influence public conversation about products or companies (Schachter 2006).

Fishermen more actively marketing and promoting their products must keep in mind that the five most important words in marketing are:

1. You- convey clearly what is in it for the customer;
2. Why- describe why we are better, different or superior;
3. Commitment- build confidence through commitment to quality and service;
4. New- people are attracted to new products and services; and
5. Free- this attracts attention but can also be the most dangerous word in marketing.

On this last point, some care is required to ensure that promotion programs do not make customers feel cheap. Customers in North America are unlikely to use a coupon for a 10% saving if they are in a situation where social impressions are important, such as on a date or amongst friends. Strategies to keep the customer from looking cheap might include giving a charitable donation on redemption or including the coupon as part of the packaging on the product so it does not appear to be the reason for the purchase (Schachter 2005).

An important point that must be kept right out front in the design of any advertising or marketing program (including the website features) is that consumers are real people and companies that remember this and treat them with respect as such are more likely to do well (Markillie 2005). Consumers everywhere have one thing common: a distinct lack of time. Whatever ad campaign develops it must be hugely respectful of the users and their time if success is to be even remotely possible (Markillie 2005b). Herein lies the value of a trustworthy 'Brand' because it provides a navigation aid to people in what is an increasingly complex market. The benefit of a strong brand is that it can convey information about a product very efficiently so the promises associated with the brand are passed along to the consumer basically in mere seconds (Markillie 2005a). Any information provided must not only be real and relevant, but it must be presented in an engaging format so they keep coming back. Hype should be avoided because it is increasingly seen as condescending and/or even insulting.

3.1 Consumer Empowerment

Consumers are finally seizing ultimate power because of the internet and, having achieved power, are not likely to give it up. Projections are that this will cause more market fragmentation as customers needs get more diverse and their sophistication grows. As media become increasingly interactive, consumers will exercise more choice over what they consume along with the how, when and where (Markillie 2005d).

All of this has profound implications for marketing strategies because it is changing the way the world shops and even firms which claim to be “customer driven” are having their claims tested as never before. People can now not only compare products, prices and company reputations in great detail, but they can also tally the claims of the company with the opinions of others and discover what previous buyers have to say (Anon 2005). These capabilities will continue to evolve and suppliers will be increasingly judged on whether they are walking the walk or just talking the talk. Those which are found lacking can expect to suffer. (note: are there any blogs or other websites in Japan which discuss seafood and national suppliers?)

The rise of the increasingly discerning consumer means advertising may become more permission-based and increasingly involve economic or financial incentives. Advances in the world wide web and its growing availability anywhere at anytime in major markets (like Tokyo) means that anything that is screen based will be able to be used as an ad-serving mechanism. In Japan in particular, watching video and/or accessing web information on mobile phones looks like a winner because so many people have to deal with a long commute on the trains (Markillie 2005b). Many of these consumers are tapping into web sources to get ideas, recipes, notification of specials, etc at work or during their commute. Technical advances of the past few years include web-enabled mobile phones able to isolate the location of the user and forward relevant notices to them are providing new opportunities for marketing to individuals. There are also mobile phones which read RFID's and able to check into the best before dates, any uploaded product history and/or upcoming specials. etc (Markillie 2005b). As these capabilities become more entrenched they will further redefine the shopping experience and raise consumers' expectations on just what background information is part of the purchase package.

3.2 Cultural Differences

Effective advertising recognizes that different cultures respond to different sorts of messages (Anon 2006 a). For example, Asians and North Americans literally see the world differently. When shown the same picture, North Americans of European ancestry pay more attention to the object in the foreground that is the focus of the picture while students from Asia spent more time studying the background and taking in the whole scene. This is attributed to the fact that Asians live in a more socially complicated world than North Americans and pay more attention to others than North Americans who are more generally characterized as individualists (Anon 2005 g).

3.2.1 Heroes in Japan

A recent survey of American and Japanese heroes identified government leaders, parents and religious figures in the lead in the US while in Japan the ancient samurai leaders of yesteryear still command the most respect.. The code of bushido, the code of the warrior, with its emphasis on loyalty, being grounded in reality, conservatism and, last but not least, sword wielding, is still the bedrock philosophy of Japan. The sword play is included as an allegory because in business the winner is often the one who can sense a competitor's feint or parry and respond quickly and appropriately (Schachter 2006). The elements of the samurai code that can help win any business battle include:

- Act honourably- honour is not negotiable, it is an overarching requirement;
- Act with Courage- once what needs to be done is known, do it;
- Act with Rectitude- always do the right thing;
- Be loyal- without loyalty, there is no trust;
- Be compassionate- one must care for others to be a leader;
- Appreciate the arts- these are a doorway to understanding and appreciating life;
- Be honest- without honesty there is no credibility;
- Be polite- it shows and draws respect; and
- Maintain self-control- one must manage one-self if one is to manage others (Diffenderffer and Immen 2005).

3.3 An Update on Brand Theory

Brands provide customers with an assurance of quality but they also express a set of values with which customers can identify with. A brand is based on, and must remain true to, its identity. In a personal sense it is who you are, what you stand for and what you hope to accomplish, and this in turn can be divided into three parts: the core extended and potential identities (Dunne and Moulden 2003).

The core identity is that part of you that does not change and determining this requires an honest appraisal of who you are etc so you can identify what is constant.

The extended identity can be thought of as the intersection between the core identity and what the consumers want and need from the brand. This might include the skills, technology and protocols etc you apply to build the brand promise. Developing an extended identity requires careful consideration of the audience's needs and how you can satisfy that need in a manner consistent with the core identity.

The potential identity of a brand is all about the vision behind it and what extensions or repositioning can be envisioned given the current identity. It is important to understand the brand's boundaries and to consider the different directions in which it can be sensibly expanded, choosing only those that make sense in terms of the current identity, interests and what the marketplace might require in the future (Dunne and Moulden 2003).

There is considerable evidence that the country a product comes from can strongly influence consumer attitudes on their perceptions of the goods they purchase, to product classes and to specific brands from that country. Unfortunately, Canada's reputation abroad is not particularly flattering in this regard. For example, Asians see Canada as a land of beautiful lakes with courteous, friendly people but not as a producer of high quality products or advanced technology. Even our reputation with Americans is underwhelming- Canada is seen as pristine wilderness populated by nice laid back people, perhaps too nice and laid back to be successful in business (Dunne 2003).

Canada elbowed its way in front of Switzerland and Britain into second place, just behind Australia, in an analytical ranking of the world's nation brands. (The US came in at #11) 10,000 consumers in the US, Britain, India, Germany, South Korea, Canada, France, Japan, Denmark and China were polled. Canada ranked second in investment, immigration, people and governance and third for tourism but only 11th in awareness of brands and export products. The results of the survey testify that the value(s) Canada embodies are the same values that most people in the world subscribe to these days. The positive nation brand has a direct impact on selling products and influencing governments and this survey highlights the goodwill of people around the world to buy a lot of stuff from Canada (Alphonso 2005).

Building a good brand requires a long-term perspective and strategic thinking and communicating Canada's advantages is only a small part of the process. Every experience consumers have of the brand - positive and negative, contributes to its reputation so every point of contact between the Brand and the consumer should be controlled. Concentrating the brand-building effort on simply a bigger and better advertising campaign will not bring success, the effort needs to be more focussed on creating a new reality (Dunne 2003).

The following guidelines apply:

1. Success starts with an understanding the target market including insights into what they need and what they value;
2. Effective articulation of an accurate value proposition which is clear on what we want to represent, how it fits with customer needs and how it makes us better than our competitors is key;
3. The focus must be on quality and not marketing *per se*. The basis for customer satisfaction is the product and developing products which meet their requirements is the core of the Brand identity. Advertising and promotion are used to bring the products and their benefits to the consumers' attention but the product(s) themselves are the key- they absolutely must meet the promises; and
4. Consistency and making sure all the communications deliver the same fundamental message remains key to maintaining clarity and avoiding mixed (confusing) messages (Dunne 2003).

One of the most costly steps in establishing a new product is getting the name known. By extending the reach of an established brand to a new product, these costs are avoided even as the new product's quality is vouched for. This can work as long as there is some basis for linking the product to the brand but it can also harm the brand equity if it does not live up to the inherited standards, and thereby damage all of the other associated products. The possibility of collateral

damage from weak extensions and the difficulties of maintaining consistent positioning with a large number of disparate products puts a practical limit on how far the process can go. A brand extended over many products becomes increasingly unwieldy and incoherent, eventually becoming nothing more than a shaky house of cards (Moorthy 2003). With a national branding effort like this one, it must be seriously guarded against by all.

3.4 Traceability and Tracking Technology

When competing in world markets, the more objective standards you have in place, the better (Loy 2005). By pro-actively incorporating a Quality Assurance Program (QAP), comprising in part a standardized grading scheme, enhanced handling protocols, access to documentation of product by lot and an improved communications capability with consumers as part of the branding effort may provide an opportunity to differentiate branded BC Sea Urchin products as “superior value” in the mind of the Japanese consumer.

Radio Frequency Identification (RFID) technology has been around since the 1940's but is projected to become integral to a broad based initiative to transform the way manufacturers and retailers plan demand, manage inventory, distribution and supply chain partners and market to consumers at the store level. It is no longer a question of if, but when these devices will become the workhorses to replace the UPC codes (bar codes) currently used. The benefits include better traceability, increased efficiency, improved quality control and the ability to provide greater assurance to the consumer on the quality of their purchase (Christmas 2005). An RFID reader currently costs between \$10 - 15 K and, while the tags are still over a \$1 each, adoption is gathering strength and costs are continuing to drop.

Satellite tracking systems have been available for years to big trucking fleet but their cost and complexity put them beyond the reach of small outfits. New cellphone based systems are cropping up that allow drivers to download route and schedule updates, notify dispatchers of completed deliveries and report problems etc for about \$1,500 per month, including cellphone fees. The use of a service like Cube Route, based in Toronto but likely to be copied quickly across the country, avoids up-front costs of up to \$10,000 per truck. The premise is as simple as a “pay as you go” cellphone plan, after paying an initial setup fee customers only pay for the features that they use. A web-based interface, such as a web-enabled cellphone or handheld PC, is used by customers to communicate directly with drivers in real-time. The Cube Route service delivers at least 15% savings immediately by allowing better optimizing of routes, a reduction in the number of stops and improvements in the delivery cycles (Deveau 2005). This might be just what is needed to set up a more efficient reefer pickup and delivery network which could include consolidated south coast fishery landings and transfers onto scheduled reefers to Vancouver.

3.5 Certification

The Marine Stewardship Council (MSC) has certified 14 of the world’s fisheries since it’s birth 5 years ago and has a number of other certifications in the pipeline (Anon 2005 j). There is still a

long way to go, only 4% of the world catch is so certified, but a growing chorus of consumer voices for better management are providing it impetus.

3.6 Barriers to Entry as a Business Strategy

“Barriers to entry” work to keep potential entrants away and make it difficult for competitors to expand and are only effective strategic tools available to business. When barriers to entry are present, protected companies can consolidate their competitive advantages in economies of scale, a greater degree of customer captivity and privileged access to crucial inputs, all of which provide cost advantages to help ward off competitors. Absent such barriers, competitors flood into the market until the profits are meagre and the only possible option is tactical and encompasses the need to operate as efficiently as possible (Greenwald and Kahn 2005).

Even in these days of globalization, competitive advantages are generally grounded in local advantages and the economies of scale realized in the local market are considered the key to a sustainable competitive advantage (Greenwald and Kahn 2005). If, however, local barriers fall, new and perhaps larger competitors can move in and extend their greater economies of scale into the more local situation and re-define the standard by which the local market operates.

3.7 Website

The best ad-men spin a good story (Anon 2006 a). This is our goal- there are many good story lines coming out of the novel situations every year in the urchin dive industry, lets get them out there.

A website can work like a living brochure, providing a very powerful foundation for a ‘Brand’s’ identification, appreciation and follow-on recognition. Whereas a print or TV ad might get a few seconds of attention, a website typically holds the browsers attention for 2 to 5 minutes. They are accessed at the discretion of the consumer, increasingly at any time and anyplace. Many consumers first encounter a firm, and its brand(s), through its website but despite this, for too many firms their online presence remains a low priority.

A good web site is particularly beneficial if it is used to establish a personal link between the company and the consumer thereby facilitating relationship marketing. The website can also be used to solicit and/or record peoples’ opinions about the product and their experience(s) with its use and any directions they would like to see the product, and/or any services associated with the product (Markillie 2005c). Consumers like to feel their vote counts and on-line marketing can be configured to solicit the opinion(s) of consumers and include these as part of a marketing campaign. So-called brand democratization can be used with any on-line campaign, including contests, cross media initiatives and promotions (Wegert 2005).

It does not seem to make a lot of sense to design a web presence that cannot accommodate simple communication capabilities as a start and incorporate more sophisticated add-ons later. It

may be a bit over the top right now but consumer demand for ever-more advanced capabilities is sure to continue. Already there are retailers in Japan which provide recipes for download onto PC's or web-enabled cell phones and a reciprocal web-based ordering system which allows consumers to simply pick up pre-ordered and packaged ingredients or meals on the way home. Other companies provide coupons over the internet, which can again be downloaded onto mobile phones and which can be exchanged for discounts or samples (Markillie 2005a).

3.8 An Update on Nutritional Benefits of Omega-3's

Omega-3 fatty acids are now recognized as a vital nutrient. They have a variety of benefits, including reducing feelings of anger in adults who cannot control their tempers, but probably the most important contribution they make is to fetal development. Pregnant women who do not eat omega-3's have children with lower IQ's, impaired social relation skills and poor fine tuned physical coordination than women who consume more omega-3's.

4.0 2005/06 Program Activities

4.1 Fishing Season Reviews

4.1.1 Red Sea Urchin Fishery

In the Red Sea Urchin fishery, basically the full South Coast quota was taken again in both the 2004/05 and 2005/06 seasons. In the 2004/05 season, four quota areas on the North Coast were not touched but the harvest rate increased in April *vis a vis* other years. Fishing on the North Coast is just now being wrapped up and the season review will not be complete until May 2006.

4.1.1.1 South Coast

Fishermen believe that the competition offered by having new processors entering the fishery is good for prices but the established processors feel it threatens their position in the market. The processors have continually complained of undercutting by the new entrants but the fact remains that these new buyers have been paying higher landed prices. Their ability to do this while selling their products at lower prices suggests the undercutting story is not as straight forward as the established companies would have it.

Packers and truckers used to work for the fishermen but now work for the processors. This has given the processors leverage to exclude others from the shipping but has also left them with the associated administrative responsibilities and costs. When Individual Quotas (IQ's) first came into force, D&D collected the packing and trucking fees from the processors but found they were continually chasing them down and never did collect 100% of the assessed fees. If fishermen

retake these responsibilities it will entail considerable costs now covered by the processors. This will likely be a bit of a saw off though as the price structure will increase as it shifts from FOB at the port of landing to CIF at the plant. This would reduce the associated administration costs to the processors so the better prices to the fishermen could be fairly rationalized.

The South Coast/North Coast break is detrimental to getting new processors involved in the fishery. There is too much playing around going on when it comes to the packing, unloading and trucking on the North Coast. There was some discussion rejoining the North and South coasts to reduce the leverage on new processors who do not have a South Coast licence but this is likely to exacerbate the problems of optimizing the fleet operations as everyone could then fish the South Coast down so no fill-in quota from the South would be available when needed later in the season. Right now, many boats have both South and North coast quota on board and shift around as they see fit. This provides flexibility but the system could still use some tuning to get the best use out of the South Coast.

4.1.1.2 North Coast Report

The two fleet system working the North and Central Coast areas last year (2004/05) worked out very nicely. Smaller fleets provide more flexibility and spread the fishing effort so the chances of getting a steady flow to processors increased. They are also better for more detailed and slower working of an area compared to the large fleet where everything basically just gets creamed (cherry picked) the first time over and then the fleet moves on leaving more area quota in the water for cleanup fisheries later on.

Having Smith and Rivers inlets open all year also worked out nicely although the quality in the fall was poor and good in the spring. There was some discussion of the merits of breaking the coast up into three areas- North, Central and South Coast, to further the goal of evening out the product flow to the market but the consensus was to continue on a more informal basis for another year so more of the pitfalls and bugs can be identified and worked out.

4.1.2 2004/05 Green Sea Urchin Fishery

Overall, only about 45% of the TAC was taken in the 2004/05 season and 30 licences were fished this year on 16 vessels. Of these, 14 completed >80% of their quota, 12 were between 1,200 and 7,200 lbs while 2 caught 20% or less of their available quota. With regard to the proportion of the TAC left in the water, 2004/05 was the worst season on record since the TAC was established for the 1994-95 season. This was a bit of a surprise after the better performance for the 2003-04 season which had given hope to the premise that the worst was over as far as the market went. This year started better than the 2001-02 and 2002-03 seasons which had previously been the most affected by the market collapse in Japan but in these and previous years, demand had remained somewhat robust through January. In contrast, it almost totally collapsed last year in January (2005). Part of this may have been due to the late onset of winter freezing in the northern Japanese waters, but whatever the reason, the impact was serious.

The results for the 2005/06 season were even more disastrous. Only 15 of the 49 available licences were activated and less than 20% of the TAC was caught. The problem again is the Russian IUU fishery in the Kurile Islands. Encouraging Federal Government action to find some resolution to this problem remains a very high priority for the WCGUA. There has been some discussion over whether it might make more sense to start fishing a bit earlier to beat the Russian product to the market. The effectiveness of this is difficult to judge as the Russians generally commence fishing in October and immediately start landing between 300 - 350 MT per week. The Green Sea urchins are very seasonal and recoveries do not reach the 15% average until October- November.

The majority of Japan's demand for Green Sea Urchin remains focussed on live product that they then process but "wet packs"(in brine) appear to be gaining market share in Japan. These do not require the use of alum and are somewhat cheaper to produce than the standard tray products because the grading is not as intense. Having near-daily intelligence available on landings coming in from the Kuriles could allow some opportunity to deliver when Russian landings are interrupted. Including information on their prices and recoveries might also allow more competitive pricing based on the price per kg of uni.

4.2 European Seafood Exhibition 2005

The SUFC group had 5 representatives at the 2005 European Seafood Exhibition in Brussels last year. This is the world's largest seafood show with about 40 - 50K people attend this event every year. Mike Featherstone was accompanied by William and Michael Choi from Kiku Fisheries, Spencer Cheung from Grand Hale Marine Products Ltd. and James Mahon, a long-time RSU diver and licence holder. A report on the show and the participation from BC fishing interests was published in the July 2005 Fisherman Life Magazine.

Grand Hale and Kiku had samples of fresh and frozen product available at the booth which went over very well. Kiku entered its canned uni into the new products contest as a high-end caviar with a very attractive origami type label. It came in second in its category but the results did attract some good attention for Kiku. There are about 5-6 categories in the contest.

There was considerable interest at the booth last year and contact details for some 39 people were obtained (Table 3). This list includes buyers, chefs and other interested parties from many countries around the world.

Table 3: 2004 and 2005 ESE contact lists (Blue = 2004) sorted by country

Company Name	Contact name	Country	Comments
Deli Trade	Willy Defour	Belgium	C&F Brussels
Rugbyman n0 Two	M. Lutz	Brussels. Bl	restraurant owner
Montreal Fish	Martin Beaudry	Canada	President, imports weekly from Van Isl./Chile
Daily Seafood	Jessie Ho	Canada	
Australis	Juan Alarcon	Chile	general manager
Socope	Guy Desplats	Congo	
Nowaco	Ilona Smidova	Czech Republic	
Caviar House	Elias Daher	Dubai	send a quote
JFC (UK)	Ken Ishida	England	C&F London
T&S Enterprises (London) Ltd	Koichi Okabe	England	Wholesale manager, already importing uni
Seafoodexport	Jim Goriou	France	supplies large & small distributors in France
Byzance	Philippe Poulachon	France	C&F Paris
Xavier Amchin	Xavier Amchin	France	imports for the high end market, seafood buyer
Diana Vegetal	Alain Fournet	France	gourmet importer. Culinary Advisor
	Eric Hilaire	France	C&F Paris
	j.c. Alibert	France	sauce maker
Bacchus et Demeter	Herve Marijon	France	Comercial director
Deutschese	Glenn Schmittner	Germany	Bremerhaven
Kagerer	Fritz Kagerer	Germany	
Caviar Creator	Jesper Okkels	Germany	Sales Director EU
JFC Duetschland GMBH	Ryuji Horino	Germany	sushi supplier,
JFC Europe	Masahiro Yamamoto	Germany	C&F Dusseldorf
Vass. Androutsopoulos & Sons Ltc	Vassilios Androutsopou	Greece	C&F Athens
Namako	Nektarios Kechagais	Greece	C&F Athens
Hokkai Suuisan	Marinus Noordenbos	Holland	C&F amsterdam
Fortune Seafoods	Francis Ng	Hong Kong	imports from Canadian east coast
Family Care Ltd.	Betty Chu	Hong Kong	Importer, sells to supermarkets
A-Mart Gourmet Ltd.	Nicky Chow	Hong Kong	
Ma'adanei-Yam Seafood	Shalom Maharovsky	Isreal	would consolidate with lobster to Tel a Viv
New Shark	Levaorato Carlo	Italy	C&F Milan/Venice
Gourmet Line	Bernardo Journo	Italy	import manager
Longino & Cardenal	Luca Monica	Italy	
Taiyo A & F Co. Ltd.	Koji Tokudome	Japan	Supplies direct to sushi bar chain
Bandoh & Co.	Zhang Ming	Japan	Tsukiji, Chou-Ku Tokyo
Bugeja Fish Market	Lawrence Bugeja	Malta	
Triton	Bernard Debono	Malta	Director, loves uni and would like all year
	Alaine Gertrude	Martinique	C&F Martinique
Takuhai Products	Louis Schotoemeijer	Netherlands	internet marketer, imports mainly from Japan
Mama Fish Products	Grant Clark	Netherlands	
Yama Products	Midori Oki	Netherlands	C&F Amsterdam
Sushi Ran	J Tsujimaru	Netherlands	minimum order
Moana Pacific Fisheries	Jason Ashford	New Zealand	Marketing manager -frozen products
Smart Club	Masaru Inage	Norway	fresh chef, mail order co.
Wannebo International	Tore K. Wannebo	Norway	managing director
Prod Co	Oleg Titov	Russia	import manager
Fish House	Ella .Sidorenko	Russia	President
Van Diemen Seafoods	Larry W. Hallet	Singapore	managing director
DMI Trading	Ivan Ilencik	Slovakia	Director of Marketing
Ecole Hoteliere De Lausanne	Rodrigue Beniot	Switzerland	Culinary school
Shialin Group	Debra Chen	Taiwan	Exec VP
Akuvatur med seafoods	Haluk Tuncer	Turkey	C&F Istanbul
Oxygen	Junichi Hiraga	Turkey	Sushi chef in Istanbul
Cite Marine	Bruno Jaffre		purchasing manager
	Christian van Osselaer		C&F Brussels
Mariscos Quinana	SimonOtamendi		
Axel Eibenstein	Appel		Key account manager

4.3 Marketing Committee Meetings

4.3.1 May 31, 2005

Present: Spencer Cheung, Francis Cheung, Tim Joys, Mike Featherstone, Dave Lansdowne, Paddy Wong, Geoff Krause, Dave McRae, Mike Crawford, Darin Macy

The preliminary logistics study undertaken towards the end of April, 2005 was discussed. The processors were pretty much in agreement for the need to develop compulsory handling protocols for the fleet. There are scheduling possibilities that should be developed so the packers, unloading and trucking can be more effectively coordinated to optimize downstream unloading, transport and processing conditions. It might be possible to get some assurance for the processors that the protocols are being adhered to by attaching some temperature loggers (eg. iButtons) to a proportion of the bags as they are brought on board.

The prices for Canadian product are used by some to question the necessity of moving towards a higher quality product profile as they doubt they will recoup the investment(s) needed to really raise the bar. In fact, the Japanese are renowned for their willingness to pay premium prices for high quality products but they also have very high quality standards when it comes to assigning a “good value” label on the product. Spencer related one anecdote regarding some limited special California production which receives ¥12,000 per tray vs a more standard price of ¥ 3,000 - 4,000 per tray. The story illustrates a certain upside potential for higher quality production if the Japanese are convinced the product represents good value.

Chile has been supplying close to 50% of Japan’s uni imports for the past few years but there are recent signs that the Japanese consumers have soured on their production because of poor taste and that they no longer feel the product is a good value - even at the low prices. Spencer mentioned that Ito Yokado, a large supermarket chain in Japan, is no longer allowing Chilean product on its shelves any longer. Takame, the biggest Japanese uni re-packer, is in trouble and may even go under because they have very large interests in the Chilean fishery. Maruki may also be running into a stiffer headwind as they too have, or possibly had, some kind of operating interest in a Chilean uni processing operation.

The Russian competition had a smaller impact on the RSU tray market in 2004/05 as declining recoveries and rising price demands slowed demand for their products. Both of these are a very large development in the market but complacently assuming Canadian production will be the default option to replace them may be very dangerous unless steps are taken to further assure the buyers and consumers that Canadian product meets their expectations. Considerable research is still going into cultured production and, while it is reportedly not quite ready yet, future significant competition from these sources can be anticipated once they work out the production regimens, especially the feed formulas, needed to get a consistently high quality product. The next couple of years (almost certainly less than a decade) may be a window to get the wild Canadian production established in the mind the consumer as a safe, dependable and preferred ‘brand’, which could then effectively compete with rising volumes of standardized high-quality cultured production. Failure to establish this reputation for at least a proportion (which should

rise over time) of the production will eventually put the industry in the direct line of fire and again competing on price alone as simply another supplier of commoditized uni.

The discussions moved along to the experimental fishing. The decision from the quota planning meeting that it would likely best be fished in early to mid-August, prior to the beginning of the normal commercial season to protect the market, but even at that - there is not yet a lot of interest from harvesters. A base price of \$0.60 - 0.70 per pound will be required to get 6-7 boats needed out there. At this level it should take about a week (@~160 K-lbs) and GHMP, Paladin, Territory and Kiku should be able to handle 40 K-lbs each. An alternative is to set a base rate of about \$5 K for all the fishing operations each day meaning the fishing costs to PUHA would be about \$25 - 35 K (15.6 - 21.8 ¢/lb). Last year the fishery turned into a bit of a charade as only 3 boats, including 2 single-diver boats, participated and an associated pre-harvest survey was not completed. The urchins in this area may be spawning at this time of year and the processors will be needing recoveries of at least 4-6% to break even. The alternative would be to wait until just before the commercial fishery opens, the first area anticipated this year is the WCQCI so the most difficult and exposed fishing area(s) can be completed before the onset of more severe winter weather. The idea here would be to start with the experimental fishery and then move North along the outside towards Langara through September. By October the WCQCI should be close to completion and then the fleet can continue on even as some of the boats move along to the sea cucumber fishery which starts on the first Monday in October.

There was then some discussion around the transport logistics from WCVI. The time for running a packer around from Tofino to Vancouver is about 24 hours and will also be weather dependent. This arrangement might work well in September but increasing problems can be anticipated later in the year. It is not generally worthwhile to run packers around from the Barclay Sound fishery as it usually peeters out, so it might be better to have those harvesters run over to the unloading dock in Ucluelet or perhaps Port Alberni. The water losses are greater on the South Coast *vis a vis* the North Coast so it also might make sense to have a packer tied up along the dock to take and hold product for a few hours before it is validated since there is a lot of water drop over the first 3-5 hours. This would also allow the harvest vessels to get back out closer to the harvest areas and rest up in preparation for the next day's fishing.

The financials for packer owners are pretty marginal right now. Sending the packer contracts out for open tender is a possibility. The benefits could include having refrigerated vessels on hand but it is worth considering that packing urchins is fairly specialized and the lack of experience in some might cause some problems. The packers are currently expected to provide a number of ancillary services to the harvester fleet and the current vessels have been involved for some time.

The 2005-06 lease prices are expected to come in at between \$10 -15 K while the prices of the licences are between \$100 - 150 K. All in all, the news sounds pretty disheartening and there is considerable dissatisfaction amongst the fishermen about how things are going.

There was also a little bit of talk about the amount of information held by Japanese buyers and how it is used by them to squeeze prices. D&D updates all the harvest information on its website on a daily basis and provides unrestricted to it over the internet. This is a valuable intelligence source for the Japanese buyers. The same holds for the two large buyers in Hong Kong. Darin

said that D&D would change its update schedule so the information would not be available via the web quite so quickly so the product has more time to move through the system.

4.3.2 August 16, 2005

Present: Ming (HiTo), Paddy Wong, Alpha, Ross Morris, Ken Ridgeway, Francis Cheung, Mike Crawford, Spencer Cheung, Alice, Sean, Sung, Mike Featherstone, Tim Joys, Dave McRae, Geoff Krause.

Summary:

The majority of the processors (excepting KiKu and PUP) met with PUHA representatives on August 16th in Richmond to plan the start of the 2005/2006 season. After considerable debate and discussion the processors recommended to open areas in the Port Hardy region which would allow either north or south coast licences an opportunity to fish. The recommended areas are, in the south Allison Harbour and in the North Smith, Rivers or Grief.

Processors have different markets and buyers and not all processors are planning to participate in the first openings. There was general agreement that Tofino should not open early and that a pre-harvest survey should be conducted to check the quality and recovery. All processors commented that Tofino was squandered last year by opening early. It was recommended that Tofino not open before Sept. 15.

The processors commented that the Japanese market will not really pick up before October 1. Once Tofino is completed the north fleet is scheduled to start the QCC experimental harvest before commencing on the West QCI. Each processor has agreed to take a portion of the QCI experimental harvest product.

Keep It Cool has installed a couple of live video feeds on the unloading station in Prince Rupert so any processors can actually watch live their product being unloaded

4.3.2.1 South Coast Openings

The initial suggestion that Tofino be opened up on September 6 raised a number of objections revolving around the experience in past years that the product quality (especially recovery) are still a bit marginal at that time and that it would be better to wait until at least the 15th if not later. Tim mentioned that the water temperatures are about 5 - 8° F (2 - 4°C) warmer than usual which might impact the feed (kelp) growth and slow the development of the urchins down a bit.

There was also mention that the Labour Day weekend in Tofino is usually pretty crowded with tourists which of course complicates things a bit as well. Paddy for one preferred to hold the opening there back until October 1 to give recoveries a chance to rise but all seemed satisfied that September 15th would work. Tofino can be a very good, profitable area and it would seem to make sense to preserve the quota there until everybody can actually profit off it and maybe even

conserve some it to later in the season when some in-fill catch is required because of supply interruptions from Central and North coast areas. In any case, some retained quota in the South Coast somewhere should be preserved for this use to help even out the supply. Tofino used to be a sensible area to start because the other WCVI fishing areas were tougher to access and Tofino let everyone sort of get used to the idea of working again. Last year there was no fishing on the South Coast until October once Tofino was cleaned up.

Demand from Japan does not usually really build until October and too much production before orders start coming in means the product must be pushed onto the market which often depresses the prices. Everybody seems to agree that scheduling the fishing to market makes much more sense. Having Smith Inlet, Rivers Inlet, the bottom end of Calvert Island and Allison Harbour (just South of Cape Caution) open from the beginning of September should allow the filling of any early orders and provide some work for guys who are keen to get going. It is good to have a couple of different (sub) areas open at one time in case the product quality is a bit spotty in some.

The pressure to start things off early generally comes from fishermen (weather is good and bank accounts generally somewhat depleted) but once the first guys get going, there is usually a bit of a rush by everyone to get out there. This is particularly true in 'good areas', like Tofino, where nobody wants to miss out on good fishing. GHMP wants product flowing by Sept 2-3 at the latest but is satisfied with the delay until mid September in opening Tofino with the caveat that someone should get in there for some preliminary quality surveys prior to the opening so it can be most effectively utilized before boats are committed to the area. Spencer also made the point that GHMP is expecting to be pushing full steam ahead right from the get go as soon as things start. They would like to see an opening by August 22 and intend to get 3-4 boats working immediately. The weather in Port Hardy is usually pretty good at this time of year although the quality (recoveries) in some areas (esp. the south end of Calvert) may take until mid- September to develop.

There may be some problems with unloading on the South Coast (Port Hardy) this year because the unloading contractor has decided not to continue this year. In the absence of other available solutions at this point it may make sense to try out some of the small totes so fishermen can at least unload their own boats.

4.3.2.2 North Coast Openings

The spring PUHA AGM decided that the experimental fishing program should commence just prior to the opening of the Queen Charlottes so it is out of the way before the things really get rocking, at this point estimated to be somewhere around the 3rd week of September. The alternative would be for it to go at the same time as Cumshewa opens. About 100 - 150 MT production is projected and boats will be paid a \$1,000 per diem (flat rate) by PUHA for participating. Hopefully at least 8 boats will join in as this will get it all over with in fairly short order while filling a truck each day and generally allow economies on the logistics of moving the product down to the lower mainland. All the processors agreed that they would share equal portions of the catch, thereby sharing the risks and benefits.

4.3.2.3 Japan Trip

There seemed to be general consensus around a September 14th or so departure. Notification timing is an issue as far as the timing of the trip to Japan this year. Mike will contact the Canadian Embassy by email tomorrow to notify of our intentions and hopefully a 1 month lead time will be sufficient to allow them to arrange a meeting at the embassy for the third week in September and get all the requisite invitations out.

Sung mentioned that his sources in Tokyo are suggesting that Russian imports will remain high again this year and that the poaching is expected to continue for at least another season. This despite the promising sounds emanating from Russia and Japan on their intentions to deal with this. There was also no further news on the Chilean situation although it seemed that their production is continuing apace although confirmation of the state of the stocks (thought to be poor and declining) the fishing conditions and the extent of culture operations is required.

4.3.2.4 Lease Prices

Lease prices are up in the air right now because of the appreciation of so many other 'input' prices and the \$C. So far asking prices are around \$20 K but there have been no takers to date at that price and the high thus far is reported as \$12.5 K. 10 K seems like a pretty reasonable guess on the average projection for the year and it is not thought likely that any will exceed \$15 K. Using the 'standard' that the lease cost should not account for more than 25% of the value of the catch, this would roughly work out to a landed price projection of about \$0.60 per pound.

4.3.3 October 7, 2005

Present: Michael Callow, Dave Kensall, William Choi, Lawrence Chan, Francis Cheung, Spencer Cheung, Tim Joys, Mike Featherstone, Dave MacRae, Geoff Krause
Also: Lorne Swift from "Keep It Cool" and Ken Kanazawa and (??) from Wonderland Tours (setting up shots for the Tokyo TV crew in Port Hardy at the end of October) attended.

4.3.3.1 South Coast Unloading/Trucking

Dan Carter has an unloading and trucking proposal that he wants to put forward. The problem from his perspective is that single boats are working alone here and there around the South Coast and it is very hard to service the fishery because there is often some distance between the different landing ports. \$0.15/lb just does not work for him any more and if he is forced to lose money on this job, he is just not going to continue.

Dan Carter relayed down his quote for the trucking out of Port Hardy and Northern Vancouver Island this year.

Trailer size	Capacity (# totes)	Cost (per trip)	Unit cost (full load)
48'	66 (11 rows) (41,250 lbs)	\$2,400.00	\$0.0582/lb
PUP	48 (8 rows) (30,000 lbs)	\$2,200.00	\$0.0733/lb
5 ton	20 (13,125 lbs)	\$1,350.00	\$0.1028/lb
3 ton	12 totes (7,500 lbs)	\$1,200.00	\$0.1600/lb

One problem that was brought up by the processors is that when the 5 ton is busy he will sometimes send the product along on the pup, charging the full rate so the unit costs actually come in at about \$0.1676 per lb. These are the highest prices Lorne has seen from Port Hardy and he suggested that another trucking firm, Sea Force, is larger and may be able to more effectively consolidate loads with other users, thereby providing lower unit costs.

One of the problems from Dan's perspective is the use of widely separated landing ports and the need for widely dispersed trucks and unloading crews on Vancouver Island at various times of the season. He or his crew cannot be in two places at one time and some concessions and slack from the fishermen will be required to keep him keen. Territory for one says that he will have his boats fishing, and therefore unloading, only when other boats are working in the same area so the unloading and trucking effort is worthwhile.

In small harbours, the boats can unload themselves. This is slow and somewhat arduous, there being no portable hyab at hand, but then the truck just has to stop by and pick up the totes on his way by. Ken Ridgway is interested in trying out the smaller gray totes as they should make the hand-bombing a bit easier. Lorne will send them down to GHMP and Mike and/or Tim will make sure they get moved over to where they can be used on the island.

There was some discussion on packing the product right into Vancouver by water. This might make sense as long as the load is large enough to make the economics work for the boat. The product quality may not suffer excessively either as the interval to the plant from say Campbell River south using this method might not be too much longer than by truck. It costs about \$140 / hr to run a packer according to recent calculations (provided by Tim from Mike) so the packer owners and crews might be happy with a 70,000 lb load (= \$7K gross @ \$0.10/lb from Campbell River or about \$4.2K net for a ~ 20 hour return trip). Smaller loads, say in the neighbourhood of 35 k-lbs though might not be so attractive because the \$2.8 K running costs are pretty much fixed meaning the net only works out to about \$800 when everything goes right. The costs are also sensitive to fuel prices. Trips to Port Hardy take about an extra 12 hours, so the return trip time would be closer to 50 hours, which would translate to about \$7K in costs per trip. A 70 k-lb trip would gross about \$10.5K (@\$0.15/lb) while a 50 k-lb trip would gross \$7.5 K meaning the margins would again be pretty slim at less than optimally sized loads.

Running RSU all the way down from the Charlottes on packers might also be possible although again the load size would be a critical factor. The return running time is likely to be in the neighbourhood of 100 hours, presenting costs of about \$14 K. A 70 k-lb load (@ \$0.25) would

gross \$17.5K for a net of about \$3.5 K if all goes right. A 50 k-lb load on the other hand would not be economic as the gross revenues of about \$12.5 K would not cover the \$14 K expense bill.

For the longer runs, some sort of quality control measure, such as a chilled brine shower in the holds to cool the product, might be well advised. Mike Crawford mentioned that the RSU start moving around when they are in the water and in confined spaces will break their spines and then die, although he did not know if this would apply in a brine shower system. Additional work is required to establish that this sort of chilling is a cost effective option.

4.3.3.2 North Coast Unloading and Trucking

Keep it Cool has installed video cameras at the unloading station that the processors can link up with through the internet anytime they want to see what is going on at the station. The processors will need to get some viewing software from Keep it Cool and it might also work better with a dedicated computer so their other work flow is not interrupted while the video is streaming in.

The cost for trucking this year is \$3,900 per trip for a switch truck (tractors are traded off in Prince George). The companies involved are generally set up for making grocery runs to Prince George etc and so are not desperate to give further price concessions. As long as the trailers are full this should work out to about the same unit cost as last year (~ \$0.10-0.11/lb).

The switch trucks use a central dispatch system which means they are more difficult to get a hold of while en-route. One difference from last year is that no-body is going to co-ordinate the trucking etc for free anymore. The dispatching etc will cost about \$100 per load and it is up to the processors themselves this year that all the trucks and tote needs are taken care of. Lorne will not be taking care of these issues this year. The processors say they will take turns monitoring and staying on top of the situation when they are fishing with each of them taking on the responsibility on a rotational basis for about a week or so.

4.3.3.3TV Tokyo crew

A film crew from TV Tokyo is coming to BC on October 24- 30 to get some footage for a show that will be broadcast as a Christmas/New Years Special. They will likely spend some time with the RSU dive crews around Port Hardy between the 26- 29 October. The show is looking for large edible animals of all sorts in many locales around the world and the RSU is undoubtedly one the world's largest urchins. They are hoping to get some footage of some real basketballs. They might also be able to get some footage of some large halibut and the Giant Pacific Octopus- also the largest in the world.

Ken Kanazawa is a Vancouver-based tour guide with Wonderland Tours Inc (604-734-0898; email: tours@wonderland-inc.com) and attended the meeting with a colleague to introduce themselves and forward the expectations of the actual TV crew when they visit. They are heading up to Hardy right after the meeting to scout out the area and some of the shots they might be able to use. Cory Hayes (from the CFV Silver Lady) has agreed to be the local contact for this week's

excursion. Dave McRae will also make his vessel and crew available for the end of October shoot in Port Hardy/Port McNeill area if it is at all possible.

They may be interested in using some of the footage used in the PUHA promo-DVD, there is quite a bit of existing footage in Vancouver that PUHA is willing to share, so it seems to make sense that the same boats be made available for this project. The crew will be using its own mini-DVD underwater cam (NTSC format) for some underwater shots.

The final decision will of course remain with the TV Tokyo group but it would be a very good thing if the e-dress for the PUHA website (www.PUHA.org) could be included in the broadcast as a site where more information can be obtained. The onus is then on us to make sure the site is ready to go live by the time this show airs.

4.3.3.4 Water Loss Study

DFO requires data from all areas and all plants before it is willing to take a position so the program basically has to be re-started this year to get a full data set. D&D has been collecting the packer (= grounds) weight and the landed weight. The processors must properly record the plant weights so the data can be tied directly to particular loads so all the data can be coordinated and reconciled.

4.3.3.5 Trip to Japan

The timing for the trip to Japan is now set at just prior to or just after another trip to China already scheduled to leave Vancouver on November 6 with a return on November 15. The preferred timing would be for the meeting at the embassy on November 17 which would allow parties on the China to join up with the PUHA delegation in Tokyo with some time to spare. Mike will contact the Tokyo embassy to confirm the meeting date(s) so the rest of the plans can be put into place.

4.3.3.6 Packing and Transport

There was some more discussion about the packing and transport situation. The packers need to have full loads this year more than ever to ensure they can operate profitably. Last year there were some vessels making a run with 150 K-lbs and leaving the next packer in line with only 15 K-lbs- a distinctly unfair situation. This might pretty much balance out over the year but the incentives for the packers to stay around and pull in a two day load (ie. they make more on the run) might be counterproductive for the industry as the wait can be detrimental to the quality profile, particularly of the first day's product. The fishermen, packers, unloaders and truckers have to accept that this is a money contest, not a pounds contest.

There was some suggestion that pooling might be an answer but given the general competitiveness of a normal fisherman, this might run into a bit of resistance. However, if the

weights above a certain base level- say 50 K-lbs per run, were pooled and divvied up pro-rata each month (based on perhaps the number of hours running for each boat/ total number of hours running for all boats), it might have a better chance of flying. Using a baseline just above a minimum run trigger (say 40 K-lbs), will allow the boat to make some extra money directly on the run, but the incentive to wait for even more is reduced, which should be good for ensuring quality preservation measures are applied. In situations where another packer may not be around for the next day hanging the product in the water appears to be a very workable option as long care is taken to ensure the product is not laid on a muddy or otherwise inappropriate bottom.

Another issue is the need to co-ordinate the capacities. Coming in with 65 K-lbs is not good because it takes up more than what a single truck can carry. There are pups available, increasing the load size of about 66 totes by about 48 for a total of 114 (weights = 41 K-lbs plus 30 K-lbs for a total of 71 K-lbs). Some consideration must be given to utilizing the packers and the trucks as efficiently as possible to keep the unit costs in line.

The processors said they will work together on this collaboratively. Every buyer knows their own market and only orders enough that they are not flooded. Grand Hale, for example, prefers only about 15 K-lbs per day for 6 days per week as pushing more product than this can force their price down. Bulk prices are changing day by day and mainly in a downwards direction. The tray markets also seem to be responding similarly.

The packers also feel they need some sort of schedule for what the fleet is going to do so the processors can better plan their needs and everybody then co-ordinate their activities a bit better. The next opening is Calamity Bay but there still appears to be some problems on deciding when to move areas and on who should be making the call.

With reference to the Experimental Fishing- Grand hale had 7 K-lbs delivered which was fished on the 25 and 26 of September, the two days then comprising a two day load on the packer (Western Commander). The product from the second day's fishing was OK but the first day's product was rotten. This suggests that the first days product was loaded directly onto and held on the packer while it waited around for an extra day to get the second part of its load.

Contrast this with the experience at Kiku which accepted a two-day load from the Ocean Ranger. In this case the product from both days was in pretty good shape although the recoveries seem a bit low at around 3-4%. In this instance, the first day's production was laid on the bottom and held in the water instead of on the packer. Kiku also took another load which it suspects was held on the packer for an extra day. This product too was not up to snuff, the RSU had few spines and they were stinky.

The quality advantages of holding the product in the water over holding the product on the packer are thus far indisputable and the in-water holding for multi-day loads should be adopted as a Standard Operating Procedure until either further work counters these indications or an easier but equally effective alternative is proved. This will become even more important as the season goes on because the urchin quality tends to drop with the approaching spawning season.

There are still no standardized RSU product grading procedures or accepted standardized grading criteria so fishermen cannot tell what they are actually bringing in. It would be a great help here to have colour charts and recoveries reports from the processors for on-board reference and guidance. It would also make a lot of sense to start paying for quality so the fishermen actually have an incentive to fish for quality.

With reference to the Green Sea Urchins: recoveries are now generally below 16% which makes them very difficult to sell. The recoveries used to normally lie between about 18 - 22% but there was no reason given for the apparent declines noted - although this sort of thing generally signifies declining unit feed for the urchins which suggests that the TAC may be due for a significant bump upwards. Dave McRae enquired about an appropriate price for the greens and it would seem that \$1/lb with a 15% is a very easy sell. As far as processing greens in BC, the really nicely coloured GSU uni is very soft and melts very quickly. BC processors are not keen on taking that step as they find them difficult to work with and have not developed the best procedures to this point.

4.3.4 December 9, 2005

Attendees:

Dave Kensall, Darin Macy, Mike Featherstone, Tony Hieda, Tim Joys, Ross Morris, Geoff Krause, Jeff Kannada, Paddy Wong, Dave Lansdowne, Mike Crawford, Dave McRae, Spencer Cheung, Francis Cheung, Shogo (from Sung)

Summary

Darin started off with a quick review of where we are in relation to other years at this time. In short- things are looking pretty dismal in comparison to last year which was, as everybody remembers, pretty grim as well. In comparison to more normal years, the harvest is about 2 million pounds behind where it was in the 2002/03 and the 2003/04 seasons at the same time of year. There is not too much difference volume wise on the South Coast so the majority of the production lost is on the North Coast. This fall-off is due in some large measure to the poor market conditions, engendered as it is by the Russian IUU fishery.

D&D needs some help on getting things a bit better coordinated so some of the costs can be rationalized. Last year there were, at times, 5 different ports open for unloading and validation. This is very difficult for them to service, particularly with the boats insisting on working even more independently so they require validation for each individual boat at a separate port without regard to the cost or difficulties involved. Some of the ports have extremely inefficient unloading operations, sometimes using a one or two man crew, including the hyab operator.

Everybody realizes that each area in the South Coast has a small quota and that it is consequently difficult to get higher numbers of boats working in the same area. Having just one area open at a

time might be an option- but the fleet will not like this because of the extra travel involved as each area is finished off more quickly. There will be a number of fishermen wanting to move to the South Island while another bunch will want to stay on the North Island so another workable option might be to segregate the South Coast fleet into boats that want to work North and South after they have all worked together to finish off Campbell River and then coordinate the North and South Island openings. There was agreement that this ought to be the preferred route. D&D will catalogue the recommendation and PUHA will convene a South Coast meeting to present the recommendation as a common united front because there is likely going to be a lot of flak flying over this.

There is also a rising call to open up some of the reserve prior to the scheduled opening times because of quality shortfalls in many areas of the coast. The quality problems are thought to be possibly due to warmer than normal Sea Surface Temperatures along the West Coast over the past couple of years. It should be noted that when this has been allowed in previous years the industry has always paid a pretty steep price when they have not been able to fully satisfy the Japanese market over the December - January peak.

D&D have projected their cash burn rate and have basically concluded that there is no way they will make it through the year on their current budget and have projected a program collapse, that is the entire program mandated by DFO as a condition of the fishing permits, by about February. So yes- things are getting serious. This could be a make or break year for the program, even assuming all the licences get activated this year, although PUHA itself will be on the hook for any that are not activated as per the agreement. D&D provides the validation services etc for the fishery on a contract basis, at a price negotiated on the basis of the average costs recorded over the past ten years, but whereas last year things were looking pretty much FUBAR'd, this year is looking even worse.

Geoff gave a quick summary of the most recent trip to Japan including a overview of the observations from the Hanosaki Port where the Russian urchins are unloaded- these of course being the source of much of the market angst. There was some discussion regarding the positive, and perhaps enthusiastic, response from Japanese buyers to our proposal(s) to get a better handle on handling conditions and the testing of refrigeration on the packers, but the processing rep's did not seem to really take up the issue, probably because they are pre-occupied with the on-going battle.

The position of the processors on the more intensively monitoring and control of the product once it is on the packers is not known. There still seems to be some confusion even on what the new traceability laws in Japan and the US and EU mean- does it refer to only the plant onwards or from the harvest grounds onwards. The same sort of confusion still applies when, for example, product is harvested in the US and processed in Canada- some would still claim it is a Canadian product while others would (in my view correctly) claim it as a US product processed in Canada. To suggest it can be traced back to the harvest through the lot number by the processor is disingenuous- the information and assurances are there for the consumer and must be fully apparent to them to fulfill the spirit of the gesture as a marketing tool. To do otherwise, while it may technically comply with the letter of the law, it may be perceived by the consumer as deceptive. This is especially important for Canadian product as we are trying to establish a

trusted Brand identity with the Japanese consumer. This will shift the competitive criterion away from a single focus on price and allow the introduction of additional Prestige components provided through the other services included as part of the Brand Promise (eg. customer initiated web search providing full disclosure and documentation on traceability, product temperature profiles, product quality profiles, sustainability, etc).

4.3.5 March 20, 2006

In attendance: Mike Featherstone, Paddy Wong, Mike Crawford, Francis Cheung, Spencer Cheung, Peter Choi, Sasha Pavlovic, Geoff Krause.

The North Coast take thus far has come up to about 60% of the available quota, meaning there is still about 4 million lbs left in the water. Paladin has two licences which are not designated as yet while Grand Hale has one. Spencer mentioned that the divisions between the players in the BC industry have opened vulnerabilities that can be exploited by Japanese companies which have all switched over to a full focus on seeking lower prices.

There was some talk right off the top that opening the Charlottes so early this year turned out to be a mistake, but we moved along off of this quite quickly. Another factor affecting operations this year is that recoveries have been generally lower than in previous years. It used to be that fishermen were paid on the basis of quality but with the really hot market in the mid-1990's everybody just moved onto a flat rate kind of scheme and there is where things have sat since. It used to be that the prices were up to \$1.00 per pound and nobody was worried about it because everybody was able to make a buck. Prices are not all that different from last year so the fishermen should be making a bit more simply because the lease prices were lower this year. Even at that - this year some processors sometimes paid as low as \$0.40 per lb (and still lost money). This can't help but sting the fishermen a bit- it is always hard to accept a dramatic downgrade - so it isn't hard to imagine how this might sort of shift the mindset of the fishermen around a bit so they do not put the same level of effort into picking only high quality and go more for an acceptable average instead.

Recoveries are Key. Product from the San Juan Islands was picked up for about \$1.00/lb at one point this season and the processor made money because the recoveries were good. On other occasions, it lost money when it paid \$0.40/lb for North Coast product because dark roe colour translated to poor recoveries, reinforcing the point that a main contributor to the poor financial performance is a rising proportion of dark, unmarketable roe in the urchins. There were a couple references to this coming in at between 35- 40% of the total.

Despite the need to get better quality into the plants, there is still a lot of resistance to paying on quality. It seems that part of their reluctance to move this way comes from resistance they get from fishermen who are not satisfied with the quality breakout they get and figure they are simply getting run around. The program in the 1990's used independent audits to keep everybody honest but the extra costs for this are now a real barrier. The use of a bonus system would allow the processors to reward high quality pickers and provides an incentive to the divers to focus on

quality. It would be nice to find a workable compromise here as it would benefit the whole industry. Building solidarity amongst the players in Canada might also reduce constant push from Japan for lower prices because it would seem to counter one of the afflictions affecting the industry related to that old adage- divide and conquer.

Domestic sales in Canada total up to about a few 10's of cases per week. This is fairly insignificant given that daily production is generally on the order of several hundreds of cases per day at each plant. Grand Hale does not sell locally, leaving the only Sung Fish and Kiku serving that market.

Grand Hale is the only company that produces only trays, all of the other companies focus as much or more on the bulk market. GHMP established its position in the tray market about 10 years ago and feels that it would be virtually impossible to get started now simply because of the changes that have transpired in the Japanese market and supply (re-packing) industry. The re-packers now dominate much of the supply industry in Japan and make it very difficult for new companies to break in. A number of the re-packers, including Maruki, have been moving more product through Tsukiji after they have done their bit on it. Sushi packs comprising a variety of seafoods and vegetables are big money-makers for the re-packers in Japan although tours of the 7-11's etc to check out the bento packs did not see a lot of uni in the packs.

Trucking and unloading are still a problem on the south coast. Dan Carter was charging upwards of \$0.27 - 0.28 per lb. Will Strong provided an alternative service but his charges were based on a flat fee of \$3 K for a 5 ton. This too worked to about \$0.26 - 27 /lb., or sometimes even higher when lower volumes were moving. This was apparently the case on too many occasions - which brings up the point that the basis for charge must be on a per pound basis as opposed to a flat fee. Getting some extra load consolidation out of Hardy and Campbell River would help but there are also a number of smaller landing sites where the guys unload their own boats and there might only be a couple of totes where this won't help too much unless a depot drop with some kind of quick turn around to consolidate and ship to Vancouver can be arranged. The round trip cost for a 5 ton is about \$400 so it is sometimes a bit of a cut off as to whether it is more cost effective to go with the Carter or Strong options or with the sending over a company truck.

There seemed to be agreement that the supply interruptions this year were again pretty damaging. The initial start on the Queen Charlottes this past season did not work out as well as hoped, despite the agreement of most at the quota planning session last year. Previous years have seen the initial start on Banks Island and there was considerable resistance from fishermen to changing something they maintained was not broke. A delay on fishing Kyuquot, proposed and agreed to by the processors prior to the season, to allow the product extra time to grow went up in smoke.

Using the protected areas on the South Coast as a buffer to access product when the North Coast, Central Coast or WCVI were weathered out was not applied this year. This too contributed to interruptions in product flow because there were no protected sources available when the weather moved in. The weather caused quite a few interruptions, mainly in January and February. These shortages cascade through the supply chain so customers in Japan shopping for Canadian product can't find it and are forced to substitute other sources. When this happens often enough, they go shopping for the substitute and not for Canadian product.

The quota planning sessions are an important part of building a consensus on how the season should unfold each year. The system is pretty good but there is still a lot of rigidity built into the system that limits the flexibility of the fleet to respond to unique circumstances in either the weather or product quality. The problem of course is in the timing- the general knowledge for each area is pretty far reaching but the details on product maturity (recovery and texture) and quality (colour and taste) and optimal fishing patterns change every year. There does not seem to be any systematic cataloguing of how these show up each year so there can be no analysis of how they might be interacting with changing oceanographic and/or weather patterns.

This is further complicated by the requirements that the fleet work closely in only a limited number of areas at any one time instead of dispersing more widely. The acceptance of Electronic Vessel Monitoring by DFO might provide an opportunity to break away from this in the next few years so the time for industry to consider what sorts of changes they would like to see is fast approaching. For example, it may make sense to send out a couple of fast, or perhaps suitably located, boats at the beginning of each season to do a quick recon on some index spots to see where things (maturity, recovery, colour) stand. (There are a number of stock surveys conducted each year already but I am not sure about when, how many or what data they may be limiting themselves to- these need not be solely dedicated to DFO objectives if industry can develop additional data collection requests). It should also be possible to combine these results with ocean temperature records etc from weather buoys and develop some patterns that eventually could be used for predictions on what sort of season is shaping up which could in turn be used as a marketing tool.

Yoshino-san suggested that it might be possible to separate consumer product from sushi (restaurant) destined product. The Russian product landed in Hokkaido is often labelled as Japanese and most of it is directed to the sushi restaurant trade. He also mentioned that Canadian uni has a 'thick' taste, possibly reflective of a high fat content. French and Italian restaurants in Japan like and use quite a bit of the Canadian product. The product is cooked, which of course changes its taste somewhat, whereas when it is used in sushi the alum taste comes across quite strongly. The average maximum retail price for Canadian uni is about ¥ 3,000 per 300 g. tray. This translates to about ¥ 10,000 per kg or \$C 45.00 per pound.

Mike Crawford mentioned that the roe off the South coast seems to have gotten softer and harder to process over the past couple of years. There are no explanations as to why on this at this point but there was some agreement on it from Grand hale and perhaps from Paladin.

The brown Russian product tastes sweet and even looks good when it is presented as sushi as opposed to on a tray. Dark Canadian roe also tastes as good as the brighter yellow material so the presentation remains key. Processors are exploring other markets, with a particular focus on China, where the brightness and purity of colour is not so important, but this is not likely to bear fruit for a couple of years. China is growing quickly as a seafood destination and uni consumption is growing quite quickly. This might be especially good news for off-colour production and the same sort of transition to China could happen with uni as happened with geoduck. Even in Vancouver sushi restaurants, the use of uni is higher in areas with more Chinese folks. Chinese are almost as likely as Japanese to take up a trendy buy.

Paddy also mentioned that it may be possible to get the PUHA video on tour buses to fill in a bit when the guides are tired of talking. there might also be opportunities on the ferries and perhaps the Vancouver Island buses servicing that route. Because the PUHA is not a commercial enterprise *per se* they may be willing to consider introducing it on a trial basis as a means to generate some advertising interest from companies. Getting the video on the buses might increase the profile of the Canadian uni locally and perhaps even internationally if these folks take the message back home with them. This could be an important part of building a market in China if it gets onto tour buses filled with Chinese tourists, although the video would have to be translated into Chinese. This assumes that Canada obtains the favoured destination status for Chinese tourists from the Chinese government as has been mentioned a couple of times since last year. The same sort of introduction and presentation of the DVD might be possible in Japanese and/or other Asian stores in Canada (such as TNT).

On the promotions ideas- PUHA will consider providing product to the processors who will then process it at no charge so the only expense is shipping it to the show (Tokyo Seafood Show) and/or to Japan for proposed late August store promotions. There was some mention of another show in Osaka just prior to the season opening (late August?). Paddy mentioned that Maruki's upcoming promotion of Canadian uni during the Tokyo Seafood show has led them to increase their order by about 10% over last year. In 2004 Maruki went through 60 cases of bulk in one day. Grand Hale and Territory don't have any problem with placing little PUHA stickies with website directions etc on the packs they send over to Japan but they also mentioned that companies like Maruki should also be approached to bring them on board as well- this might work well with the Tokyo show and subsequent promotions.

This is just the sort of proposal that we should work out with Japanese buyers as part of the Joint Marketing Initiative. The idea would be to have a sushi dispense free product in the store(s) just before the commencement of the season. This can be expected to really grab people's attention because uni is so highly valued over there. Cooking shows are also quite popular in Japan and it may be possible to develop an opportunity to involve one of their chefs as part of an on-site show with our contribution being again - the free uni. We should get the discussion going with the folks from Japan quite soon now so everything can be in place for the summer.

So that brings up the issue(s) of fishing in August. Bonilla (Point or Island?) is generally a good producer in the late summer, as might be expected as the period since the spring spawn ought to be long enough to allow substantial recovery by August, but the temperatures and time spent on the packer might present a bit of a problem. This could provide a good project for Provincial funding- particularly if we can successfully make the argument that a transition to some summer fishing might be required to use up the full TAC.

On a similar vein, this should provide an opportunity to shift the annual Embassy meeting towards a more active joint planning session. Francis and Spencer feel we should re-profile the meeting at the Canadian Embassy each year so we move away from simply reporting on the past year's results and put more emphasis on putting forward joint proposals for promotional activities etc. This should give it a more positive light and hopefully engender more cooperative action that will see things improve.

Right now there are about 12 boats working in Cumshewa Inlet. This should provide about 30,000 lbs of product per day, allowing the packers to run with fresh product every day the lads fish. There were a couple of comments that the packers are still sometimes messing around a bit and holding off running until they have more product on board. We phoned up Archie to see how things were going. He reported that 4 boats had unloaded about 9,000 lbs by 1530 hours but we lost the connection before he could let us know if he would indeed run with 30,000 lbs. The trucks can only take about 40,000 so showing up with an odd multiple of this, while perhaps good for the packer, sort of complicates the trucking, sometimes incurring extra costs.

There was good cooperation and everyone seemed pretty keen on the grounds. There seemed to be better control over the harvest this year in comparison to past years, again except maybe for those hungry times when guys were weathered out and not able to fish. There were also a number of comments on how well the unloading in Prince Rupert was going this year. Lorne ended handling most of the logistics planning and co-ordination for the trucks again, but even there things went better this year than last and there were fewer complaints from that end as well.

One thing that came up on the processing side is the increasing difficulty in finding workers. In Japan they are using lots of migrant workers from China. The same sort of solution could work in Canada but the government policies are focussed more on getting more professionals in and make it more difficult to get temporary workers. The current crop of workers are getting older and some relief is required.

4.4 Website

The website (Figure 4) is still under development but now has the architecture to accommodate information, stories, photo essays and video footage documenting the capture, processing, storage and transportation processes and will include particulars regarding contacts, individual shipments, links, ordering options/ mechanisms, comment area(s), on-going customer satisfaction feedback and testimonial database(s) (forums). The ultimate aim is to facilitate ‘personalization’ of consumer’s relationship(s) with the Canadian harvesters, handlers and



Figure 2: PUHA homepage

processors, and visa versa, so the human side of the story is available to both sides. The website will, as such, comprise a major tool for providing information to the market on the Canadian product(s) as well getting feedback on the market’s response to our production and marketing efforts back to fishermen and processors. This will allow the industry to become more responsive to the demands of various markets.

4.4.1 Quick Tour of Website

4.4.1.1 Homepage (www.PUHA.org)

The primary home page (Figure 4) provides two routes of entry in to the website, one for consumers and the other for commercial members. The member ID's and passwords are assigned by Ross Morris at the PUHA office. All pages are also presented in Japanese using the Google machine translation service.



Figure 3: Consumer media resources.

4.4.1.2 Consumer entry page

This page provides entry to consumers and is designed to showcase the quality of SUFC. A few things are available without joining but going further for the most part requires an on-line application to join the PUHA community. Further in is a user friendly area where consumers can find recipes and places where products are available. Additional information will be posted as programs develop



Figure 4: Consumer entry page

4.4.1.3 Consumer Media

This is the media resources page for the consumer section. The SUFC video and various pictures of the fishery, the products, coastal views etc can be downloaded from this page. Links to other resources available to consumers are listed along the side and top of the page.

4.4.1.4 Commercial PUHA Members Section(s)

PUHA members have access to a wide range of material through the site including all reports prepared for the CAFI program, all marketing updates, pictures, newsletters, etc. Members are invited to submit pictures, materials, ideas etc. to the website.

The screenshot shows the main commercial members entry page of the PUHA website. The header includes the PUHA logo and navigation links: [about PUHA](#), [urchin fishery](#), [links](#), [resources](#), [code of practice](#), [privacy](#), [media](#), [news & events](#), [classified ads](#), [employment](#), [contact us](#), [members](#), and [PUHA consumers](#).

The left sidebar contains a menu with the following items: [home](#), [about PUHA](#), [urchin fishery](#), [links](#), [resources](#), [code of practice](#), [privacy policy](#), [media](#), [news & events](#), [classified ads](#), [employment](#), [member login](#), [contact us](#), [PUHA consumer](#), [correspond](#), and [Education](#).

The main content area is divided into several columns:

- Column 1 (Left):** Contains several notices and links:
 - *Newest Classified Ad - Click for more... [Diver available - I am interested in urchin diving. I am a well experienced diver with over 5000 dives and currently operate a small underwater maintenance company. Please contact Scott Kroon, Below & Beyond Diving Services Inc. 14122 - 66A Ave. Surrey, BC, V3W9N6](#)
 - *Meeting Notice - Click for more... There are no recent or scheduled meetings.
 - *Latest Newsletter - (requires login)... [Volume7 Issue2Newsletter](#)
 - *Latest Resource - (requires login)... [New Fisheries Minister information](#)
 - *New Education Offerings! [Marine Advanced First Aid](#) 6 courses available click for more titles...
 - [Benefits of PUHA Commercial Membership](#)
- Column 2 (Middle):** Features a photograph of a Red Sea Urchin (*Strongylocentrotus franciscanus*) and a link to [See PUHA.org for Consumers](#). Below this is a weather widget for Vancouver showing 8°C and a search box for weather reports.
- Column 3 (Right):** Contains two "Your Ad Here!" placeholders with "Inquire." links, and two advertisements: "NEED INK OR TONER? FAST?" from ROMO ENTERPRISES.COM and "design for business" from priorityconsulting.ca.

Figure 5: Main PUHA commercial members entry page.

4.4.2 On-going Site Development

The focus at this point remains on building awareness, not just for “Uni from Canada” but also for the web site with fishermen, licence holders, processors, buyers and consumers. The effectiveness of the web site depends on what is actually presented on it and more contributions from fishermen and licence holders as well as from consumers are needed. There has been some discussion regarding setting up a members-only section where landings and the prices are listed so everybody can see what is happening. These would not identify boats, processors or fishermen but would look at building a weekly range & distribution. Even with these conditions, permission and buy-in from licence holders will be required.

If information on the actual quality, comprising real data on recoveries, colour, texture and perhaps taste, and handling variables (such as transit times, temperature accumulation (degree C - hours) could be collected and accumulated in a relational data base where it can also be cross-referenced by subarea and date, the benefits to industry could likely be very substantial. There are still many mysteries at play between the market (demand), product quality, production volumes

and urchin prices at different times of the year and under different handling scenarios that deserve attention.

One of the next things needed is a means to inform consumers of how to access the website. One option might be to apply a ‘sticker’ with the address for the website. It will need to be in Japanese and agreement will be required from the processors- including re-packers like Maruki, so they will actually appear on the retail packages in the store.

Tracking consumer responses to the website in Japan will be difficult because of the language and distance barriers and there have been suggestions that it may make a lot of sense to pilot the strategy domestically so we can get a sense of what does and does not work before actually making the much larger commitment required to roll it out in Japan. This piloting will involve identifying ‘partners’ in the effort, including perhaps other (fisheries) organizations looking at the same kind of initiatives (Underwater Harvesters Ass’n, BC Seafood Alliance, etc), outlets selling Canadian uni, including wholesalers, sushi restaurants and Japanese food stores, and working with them to get some notification and directions to the website(s) to their customers. Their participation will also likely be key to successfully designing, and examining methods to get feedback from consumers on, the product(s) and the website itself. In the latter case feedback will be important on the structure, ease of use, content, promotional campaign options and offerings and any survey questions we may pose.

Additional tests are also required to ID the best automatic site interpretation service. English to Japanese or Chinese translations are amongst the most difficult and are frequently garbled. The “Google” translation service uses a new algorithm that is winning competitions on machine translation accuracy etc but our results to date indicate that additional care is required in writing the content. The translations thus far have come across as “too hard and uncompromising”, very likely turning off typical Japanese.

4.3 2005 Mission to Japan

As part of the 2005-06 Sea Urchins from Canada Marketing Initiative, a delegation including harvesters, processors and the project consultant travelled to Japan. Mike Featherstone, Dave McRae, Ken Ridgeway and Francis Cheung departed Vancouver on November 13th, 2005, arriving on the 14th, and were met by Paddy Wong, Krzysztof Machaj and Geoff Krause in Japan on the 15th.

Activities over the next while in Tokyo included visits to Tsukiji market, a joint meeting at the Canadian embassy with Japanese handlers of Canadian sea urchin products and a number of other business meetings with our Japanese partners at various venues in the city. These activities are reported in more detail in Appendices A& B. Members of the delegation also made a trip to Nemuro and Hanosaki Port to observe landings from the Illegal, Unregulated and Unreported urchin fishing conducted by Russian interests in the Kurile Islands along the NE coast of Hokkaido which is reported separately.

4.4 Sea Urchin Culture Prospects in China

Geoff Krause, Paddy Wong and Krystof Machaj met with Dr. John Liuph, the Vice Director and Senior Biologist at the Guangdong Dayawan Fishery Development Centre in Guangdong Province, China and got a summary of the Centre's research activities and facilities. The Centre was established in 1987 about 200 km from Gaunzhou on the shores of the South China Sea in Huizhou City to pursue enhancement of the marine resources and environment in Guangdong Province. The Chinese government is serious about pursuing any and all ventures which can contribute to increasing the productive capacity of the China and aquaculture retains considerable potential. Wild stocks in China are increasingly depleted and as fishing licences have been retiring over the past number of years, fishermen are moving to aquaculture (AqC) as a livelihood. China has a very significant tradition in aquaculture and even now represents about 80% of the worlds AqC capacity.

The Centre has been formally collaborating with the Japan Overseas Fishery Cooperative Foundation in pursuit of these goals since about 1998. The facility is comparable to the Pacific Biological Station in Nanaimo, comprising about 35,000 m² including the main offices building, a water filtration plant, outdoor raceways and large ponds as well as about 5-6 building containing variously sized concrete tanks and another containing microalgae and rotifer growth labs. The Centre is researching culture technologies and methods for abalone, sea bream, various species of grouper and other fish.

They were actively looking at sea urchins but because of the remaining abundance of wild urchins and a subsequent lack of interest on the part of industry to further develop echino-culture at this time, work on urchin culture has been disbanded. There was some thought to using their hatchery production for stock enhancement but worries about the development of barrens in the enhanced areas also weighed in against this use. (Dr. Liuph mentioned that urchins are distributed only around a certain part of China's coast but I missed which part although I expect Paddy likely can fill me in.)

4.4.1 Additional notes on Seafood Distribution in China

The Guanzhou seafood market is the largest live seafood market in the world. A good portion of the seafood sold in China is sold live, in part because the penetration of refrigeration in the country is still limited and the quality of the product will not generally decline significantly while the product is still alive. Parts of the Chinese seafood industry are very sophisticated but for the most part the industry is pretty low-tech, particularly on the production side. This may well limit their impact on the high end urchin market for some time because the product is not cooled or transported efficiently by the small-scale producers at this point, although this could change quite rapidly if some of the bigger aquaculture players decide it is time to move on urchins.

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**Appendix A:
Pacific Urchin Harvesters Association
West Coast Green Urchin Association**

2005 Mission to Japan

A Canada Food International (CAFI) Program Project



**Supported by
Agriculture and Agri-Food Canada**

**Report by:
Explorations Unlimited Inc.**

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

Report on the 2005 CAFI Mission to Japan

Introduction

As part of the 2005-06 Sea Urchins from Canada Marketing Initiative, a delegation including harvesters, processors and the project consultant travelled to Japan to exchange information and reinforce our relationships with Japanese handlers of Canadian uni. Mike Featherstone (President: Pacific Harvesters Association (PUHA)), Dave McRae (Director: PUHA), Ken Ridgeway (Director: PUHA) and Francis Cheung (Grand Hale Fisheries) departed Vancouver on November 13th, 2005, arriving on the 14th, and were met in Japan on the 15th by Paddy Wong (President: Paladin International Food Sales Ltd.), Kryzstof Machaj (PUHA member, licence holder and urchin diver) and the Project Consultant, Geoff Krause (President: Explorations UnLtd).

The following is a report on the findings and activities of the delegation while in Japan.

Day 1: Tuesday November 15

Paddy, Kryzstof and Geoff were picked up at Narita by Kitaro Endo and given a lift to the Ibis Hotel, where the delegation was slated to stay. Geoff hooked up for a late dinner with Mike, Dave and Ken while Paddy and Kryzstof were taken out for a dinner meeting by Kitaro.

Mike, Ken and Dave had taken some time during the day to tour some supermarkets to get an idea of the uni prices and product availability earlier in the day. They had made note of the fact that California uni was priced at ¥1,200 per 200 g tray while Canadian product was only ¥800 for the same quantity in the same store. (Are there any pictures available Mike?) It would also have been interesting to get some idea of the sales rates for the two products as demand for any particular product in the Japanese retail market is now reportedly very sensitive to price, which would suggest that the sales volumes of Canadian product should be outstripping California product. Japanese consumers have also known to generally value quality as much as the most discriminating customer in any other nation and to often preferentially choose quality over price although this has become less common over the past 15 years because of the poor economic conditions. The economy however is improving, in many ways dramatically, and, although a return to their old ways of buying the most expensive option simply for the prestige of being able to do that is unlikely, it may be that quality is again regaining its primacy in purchase decisions. If true, supplying a premium grade might trigger an increase in not just prices but also in sales volumes for Canadian product. This could lead to an almost exponential increase in revenues from the fishery but gaining this advantage is likely to be a hard fought battle requiring persistent innovation and patience.

At any rate, part of the discussion over dinner involved the Embassy presentation which was due the following day. There was still some work required to bring it all together so some time was devoted following dinner to seeing what everybody had prepared. This included sorting out who had pictures that might be useful and appropriate and getting them transferred over to a single computer so it could be finalized.

Day 2: November 16, 2005.

Mike, Dave and Ken attended Tsukiji market early the next morning to view the auction and renew some of their relationships with the urchin auctioneers. Geoff had continued working on the presentation until all hours of the night and was not awakened to join the group.

The product and prices on offer at Tsukiji was by all accounts meagre because of the over-supply coming from the Russian IUU fishery in the Kuriles. The reported price for product comparable to that from Canada came in at about ¥100/tray and there was nobody, from Japan, the US, Mexico or Canada or anywhere else interested in trying to sell into this market under these conditions. The Russian situation is seemingly still affecting the whole of the Japanese urchin supply and distribution sector, providing an excess supply and setting expectations for prices which are simply near impossible to meet.

Comments on the Embassy Meeting

The meeting at the embassy commenced at 1430 hours and the presentation and comments from Japanese participants reported elsewhere in this report. I have a couple of comments on the session though that are not mentioned elsewhere. First off, we did not have the chance to translate the presentation into Japanese and I think this might have been a bad thing. I kept an eye on the table during the presentation and noticed that none of the Japanese even glanced at the presentation after the first slide - they basically stared intently at the hard-copies of the presentation text given to each of them. This may have been because they could not understand the English on the slides and they did not want to expose their inability but whatever the reason, it seemed to me that we should make sure to do more to reduce any discomfort they may have because of this at these sessions.

The lack of attention to the slides may also have had something to do with the positioning of the presenter. Mike was seated at the table so whenever anyone looked up at him their eyes would not naturally move towards the screen. I think it might also be advisable to have the speaker stand at the podium next to the screen during the presentation so the eyes wander more naturally to the screen.

As far as the comments from the Japanese players went, they were pretty much the same as last year except for one difference. I think of the eight (potential) buyers in attendance, at least four of them directly mentioned quality problems and/or the lower esteem Canada's product is held by the market. I expect this was a response to some of the points in our presentation but it might be,

I believe, a bit of a breakthrough. We are, after all, proposing to work more closely with them to produce a better product for the consumer and I think they were simply signifying that yes- there are some things which we can do improve the product.

Preliminary Discussion of Trade Tables from Embassy

At the beginning of the meeting, the Canadian Trade Commissioner, Sasaki-san, circulated a table listing the value, volume and average price of urchin product imports into Japan from a number of countries and some of the trends in here deserve comment. The data was presented in two forms, the first covering the period from January to September for years covering 2003, 2004 and 2005 so that we could get an idea of the state of affairs this year, and a full year summaries for 2002 - 2004. It is worth emphasizing again that the Canadian fishery generally commences in September, albeit at a generally low level, and is generally completed April which of course means that no fishing is undertaken between May to September. This means that the data provided by Sasaki-san basically splits the season so the new year's 9 month data series includes only the January through April fishing. Still there are some interesting trends that can be picked out.

One of the first criticisms must be that these tables do not include any of the imports from Russia, currently the largest importer of especially live product into Japan. The annual volumes of fresh or chilled sea urchins (products) imported into Japan according to the tables ranged from about 3,033 MT in 2002 to 2,466 MT in 2004 but Russia alone has been supplying somewhere in the neighbourhood of 10,000 MT per year of live urchins to Hokkaido since 2001 according to a number of sources. The whole import trade in live sea urchins into Japan from all countries up to the year 2000 was only about 7,000 MT, a realization that highlights the impact of the growing Russian IUU fishing. The recoveries from the Kurile IUU urchins are, at about 5% - 10%, low and so would translate to only about 500 - 1,000 MT final product weight, not completely outrageous but still a fairly significant portion of the total import market.

The decline in the Japanese import indices seemed to picking up pace a bit in 2005 as compared to the changes seen between 2003 - 04. The value of urchin product imports into Japan between January and September in \$C terms has declined by about 30% since 2002 while the quantities have declined by only about 17%. Part of the difference between the two measures is due to the approximate 15% increase in the value of the Canadian dollar relative to the Japanese Yen over this period. The volume and value of Canadian urchin product imports into Japan over this period have only declined by about 2.2% and 11.5% respectively, so we appear to be doing better than just holding our own in this regard. This is supported by an import market share increase of about 3% (from 11% to 14%) and 2.2% (from 10.2% to 12.1%) in terms of value and volume respectively in the January to September period despite a drop of 10% in terms of the absolute volume of shipments. The value of Canada's imports between January and September declined from about \$C 11.7M in 2004 to \$C 9.95 M in 2005.

In contrast, import volume and value declines from the US are 45.6% and 31.6% respectively for the same period. The decline in import volumes over the January and September period between 2004 and 2005 were about 34% and 10.2% for the US and Canada, again highlighting the

relative stability of the trade from Canada vis a vis that from the US, although it should also be pointed out that urchin products imports from the US remain about 2x the volume of those from Canada (371 MT vs 182 MT) even as their average prices remain marginally higher (\$C 57.30 vs. 54.62). The volume of imports from Mexico for the same period have remained virtually the same (@ about 54.3 - 55.5 MT) although they have seen a more dramatic fall down in prices from \$C 88.61 in 2003 to \$C 51.06 in 2005, leading to an overall revenue decline of about 42% from about \$C 4.7 M to \$C 2.7 M.

The only country importing a greater volume into Japan than the US, aside from Russia, is Chile (416.6 MT between January and September 2005) although their average price is also considerably lower at \$C 44.68 per kg. The value and volumes of imports from Chile have dropped by about 26.1 % (\$C 25.2 M to \$C 18.6M) and 24.1% (549 MT to 416 MT) respectively over the January to September period since 2003. The Chilean fishes generally opens in March or April and closes in early October each year so these numbers are close to the full year's production for the fishery

PM

Following the meeting at the Embassy, Mike, Dave Ken and Geoff got together with Hashimoto-san for dinner where a range of topics were discussed. The primary focus was on the situation with the Russian IUU fishery in the Kuriles and its affect on the whole of the Japanese uni and urchin sector. Japan no longer has the production capacity to fully satisfy its uni market with domestic product and it needs imports. A sizable proportion of the urchin processing sector in Hokkaido has become somewhat dependent on the low cost supplies from Russia as the expectations of Japanese consumers for low cost- high quality uni has become more entrenched simply because of the its availability and companies are more or less being forced to access these sources to maintain their competitive standing. Companies that have not have seen their sales volumes decline, because their prices are necessarily higher, and the supporting service companies (trucking, processing, sales and distribution etc.) have likewise been forced to move to where the action is. This shift is now simply a fact of life and the full elimination of the IUU Russian trade is no longer a realistic option. As he mentioned at the Embassy meeting, raising the proportion of the total imports from Russia from its current level of about 25 - 30 % to somewhere in the neighbourhood of 50% would seem to be a realistic start and even this might be enough to turn the market around and get prices moving in the right direction (ie. up). As things stand now, some Green Sea Urchin (GSU) products from the US (Boston) are coming in, presumably at lets call it a very competitive price, but there is no room for GSU from Canada.

He also mentioned that his company, like others all over Japan, checks into the Tsukiji prices every day to get a feel for the market and set his prices. He reiterated the point that it is important to maintain a favourable product profile on Tsukiji because this is used to benchmark the quality of the product and it is a critical element behind the market's expectations on price and quality. From the perspective of the auction itself, maintaining steady supplies and sales are critical, with intermittent and/or inconsistent supplies or quality presenting problems, for sustaining support for the product and the supplier by the auction and it staff.

He also made some reference to domestic Japanese production schedules. The coast of Hokkaido is well developed and the urchin grounds are generally easily accessed by the dive vessels from at least one of the many ports. Japanese product is now harvested using SCUBA and is generally landed and processed within hours of coming out of the water. The Prefectural government maintain its support of the fishermen and spent about \$US 6 M on urchin enhancement last year.

He also brought up some recent research in Japan that seems to identify oxidation processes as at least part of the cause of discolouration of uni. This suggests that the BC industry's preference to land drained urchins might be counterproductive, particularly in light of comments regarding the poor colour of uni from BC's fishery earlier this fall presented at the Embassy meeting. There is no confirmation yet on the potential extent of the impact of this practice on the quality of BC product but at the very least, it does suggest that it is an issue worth exploring further. One easy way to start tracking any changes would be to get fishermen to crack some urchins and take pictures of the uni as soon as they come on board the dive boat. Processors could likewise take pictures of uni from the same load, there would have to be some coordination here, but then the colour profiles could be compared to get a preliminary indication on the effect.

A more familiar example of oxidation might be the rusting of iron and steel. A common treatment for this involves using an acid solution to chemically reduce the oxidative environment (REDOX solution) to at least reduce further oxidation. An option that might be workable in this regard could be vinegar, an accepted food additive which is actually a weak solution of acetic acid, should the effect be substantiated. Vinegar is, of course, a pickling solution and is used with seafood to produce sevice. The acid causes changes in the cell walls similar to that of heat (and I suspect the alum solution used to firm the uni up) which removes water from the cells even as it reduces the water transport mechanisms across the cell membranes.

At any rate, multiple effects, good and bad, on the product quality are likely. On the one hand, it may have a positive effect on the product colour and texture but on the other it will also affect the taste, although substitution of a sugar (glucose or sucrose) for some of the salt in the brine solution in this situation might produce a truly new and innovative "sweet and sour" product.

On another unrelated point, Hashimoto-san mentioned that octopus stocks off the west coast of Africa have recently collapsed and that a severe developing shortage of product in the Japanese market could be an opportunity for other suppliers. BC has large unexploited stocks up on the Central Coast, as evidenced by reports of prawn fishermen using grinders on their boats to treat all the octopus that come up in their traps.

Day 3: Thursday, November 17, 2005

There were no meetings for the PUHA representatives organized for Thursday so the day was spent consolidating and discussing the information from the Embassy meeting and preparing for the trip to Nemuro to get a look at the landings procedures from the Russian IUU fishery. There was general agreement that the message from the presentation, particularly with our focus on improving the logistics, better monitoring of the post-harvest handling procedures, improving the

communications with Japanese marketers, and improving the website and Canadian industry's Information and Communication Technology capabilities to support an improved Quality Assurance Program and including traceability, did seem to strike a chord with the Japanese.

Some of the measures proposed, with particular reference to the utility of refrigeration on the packers, were considered to be of questionable value but Geoff at least felt that the response from the Japanese buyers was quite positive. It seems that some of our guys remain convinced that Canadian producers, fishermen and processors alike, are applying all the necessary measures to ensure the highest attainable quality and that getting better prices remains only a matter of better marketing. The value of a 'Brand' is readily acknowledged but it is the reputation behind the Brand that is really the deciding factor. Gucci is recognized worldwide as an exceptional repository of quality in design, engineering, service, integrity and prestige but it only got there by being an exceptional repository of quality in design, engineering, service and integrity. The same "exceptional" label must become part of the Canadian uni Brand product handling and customer service protocols to convince consumers that Canadian uni is indeed a prestigious Brand deserving of premium pricing and consideration.

Establishing a superior grade rating using only acceptable handling and service practices is not what the process is about and will eventually backfire, particularly if customers ever feel they have been 'had'. This applies to individual relationships as much as it does to a Brand relationship- in fact they are very likely the same thing. We heard from a number of companies on this trip how inconsistent and mixed grading from suppliers around the world has led to such concerns and the consequent loss of business.

The importance of maintaining strong relationships and their almost total dependence on trust cannot be over-emphasized - simply because as soon as buyers (consumers) lose faith in their suppliers' (the Brand) honesty, they are looking for a way out. If a good friend even inadvertently screws you and then dismisses your concerns they often then become just an acquaintance. If a Brand screws you and dismisses your concerns, it becomes a commodity.

Days 4 and 5: November 18 - 19, 2005

These days given over to travelling up to and back from Nemuro and Hanosaki to view the port and unloading facilities used by the Russian IUU fishery. The report for this part of the trip is included as a separate section.

Day 6: Sunday November 20, 2005

We had been scheduled to spend the weekend in Nemuro but found that we had obtained all the information we were likely to get on the first day and so returned to Tokyo on the Saturday. We did not have any other plans for the Sunday other than getting together with Hashimoto-san to go over and discuss our findings. Most of the points made in these discussions have been included in the Nemuro/Hanosaki part of the report.

Day 7: Monday November 21, 2005.

The day was given over to moving to another hotel for our last night in Tokyo and to continuing consolidation of the information gathered thus far. We got together for an afternoon meeting and dinner with Maruki where we had extensive discussions on the market situation in Japan, our plans as laid out in the presentation and had a tour of their plant operations. They seemed particularly interested, right up to the point of (dare I say it) outright enthusiasm, in our proposals for addressing the logistics, quality, traceability and joint marketing goals. They were fully supportive of virtually all the measures we proposed (“more is better”) and proposed themselves that we work together with them again at next year’s Tokyo Seafood Show to jointly promote Canadian sea urchin products. Their support and proposal were both very gratifying to, and accepted by, the PUHA delegation.

There were a number of other interesting points brought up and discussed but unfortunately your faithful scribe did not have pen and paper at hand to get them all down. We got confirmation that 300 MT of product had been landed in Nemuro during the last week and that 150 MT had been landed today.

We also heard that China has been ponding juvenile urchins from Japan (joint venture projects?) around the area of Tsing Tao for grow-out and sale back in Japan. Kitaro said the quality of these urchins was generally good but that their taste and/or texture were not great. He could not produce additional details on the companies or the volumes involved but it appears that this sort of culture activity is moving ahead even though research into closed cycle urchin culture has been shelved at the Fisheries and Aquaculture Research Station in Huizhou City, Guangdong Province, China. The station stopped research and production of seed at this facility just last year because of a lack of interest by aquaculture companies in proceeding - at least for now.

He mentioned that they are receiving processed GSU from Boston, although the available volumes are apparently lower than they have been over the past few years. The fishery in Maine is pretty much closed now because of a lack of biomass but the processors and dealers in Boston also source considerable volumes from New Brunswick and Nova Scotia. He also reported that the GSU from the East Coast are more firm than those obtained from the West Coast, for whatever reason, and that reddish coloured uni is superior to the golden yellow uni most commonly sought in the West Coast fishery. On a less optimistic note he also mentioned that there are very large stocks of unexploited GSU (*S. droebachiensis*) on the eastern half of Etorufu Island, the Kurile Island furthest away from Japan. These stocks have not been fished for a very long time and are therefore considered to comprise very large and old urchins. Another feature that is kind of encouraging is that the packing time from these grounds would be about 60 -70 hours over some very exposed water so they are not economically feasible to harvest, at least at this time.

Day 8: Tuesday November 22, 2005.

Mike, Dave and Geoff returned to Canada on JAL while Ken left for a trip through China.

Appendix B: Sea Urchins From Canada

Report on the Annual Meeting in Tokyo between Canadian producers and Japanese handlers of Canadian Urchin Products at the Canadian Embassy in Tokyo

Wednesday, November 16, 2005



Sea Urchins From Canada

Report on the Annual Meeting in Tokyo between
Canadian producers and Japanese handlers of Canadian Urchin Products
at the Canadian Embassy in Tokyo

Wednesday, November 16, 2005

Attendees:

Japanese Representatives

Akira Katagiri	Chuo Gyorui Co. Ltd.
Shoji Tsukamoto	Chuo Gyorui Co. Ltd.
Eisako Endo	Maruki Co. Ltd
Kitaro Endo	Maruki Co. Ltd
Hiroshi Yasuno	Global Eight Corp.
T. Tsuchiya	Ocean Trader Co. Ltd.
Masao Hashimoto	Kokusai Boueki Co. Ltd.
Youichi Ogawa	Tsukiji Uoichiba Co. Ltd.

Canadian Representatives

Tsuneto Sasaki	Canadian Trade Commissioner, Canadian Embassy, Tokyo
Mike Featherstone	President, Pacific Urchin Harvesters Association
Ken Ridgeway	Director, Pacific Urchin Harvesters Association
Dave McRae	Director, Pacific Urchin Harvesters Association
Paddy Wong	Paladin International Food Sales Ltd.
Francis Cheung	Grand Hale Marine Products Ltd.
Krzysztof Machaj	Red Sea Urchin diver and PUHA representative
Brendan Harnett	Flying Fresh Air Freight
Geoff Krause	Explorations UnLtd Inc. (PUHA and WCGUA Consultant)

The Urchins From Canada delegation requested a meeting with various companies and individuals handling Canadian Sea Urchin products in Japan to be held at the Canadian Embassy in Tokyo. Mr. Tsuneto Sasaki, the Canadian Trade Commissioner in Tokyo with responsibility for this file, contacted Japanese players identified by the Canadian processors and arranged for all to meet in the Boardroom at the Canadian Embassy on November 16, 2005.

The meeting started with each person introducing themselves and their company and quickly moved along to the presentation prepared by the Urchins From Canada group for the meeting. A pdf copy of the presentation is appended. Once this was complete, comments were invited by the Chair from particularly the Japanese attendees.

Akira Katagiri - Chief of Overseas Business Division for Chuo Gyorui Co. Ltd.

Mr. Katagiri is in charge of the fresh and frozen seafood imports for his company in Japan. Chuo Gyorui does not currently import sea urchin products from Canada but was interested in the meeting as background for possible future business.

Shoji Tsukamoto- Chuo Gyorui Co. Ltd.

Mr. Tsukamoto expressed his thanks for the invitation to the meeting. He mentioned that Canadian sea urchin products are not currently in Tsukiji. He mentioned the PUHA website but did not elaborate on any particular features. He did mention that there seems to be very little production off the North Coast in December- January, justifiably because of the weather, but was wondering if it might not be better to fish at least some of these areas in the spring, summer or fall when weather should not be such an issue.

Mike Featherstone responded that this is definitely true for the outside coast but that there are also many areas along channels etc. which are not as exposed to stormy weather and which produce good quality product.

Mr. Tsukamoto noted that deliveries from Russia declined in October this year, probably because of the increased presence of the Russian Coast Guard. These also coincided with reduced deliveries from California. Unfortunately the product quality from Canada during that period was not good, it was too brown in October, and no one took advantage of an emergent opportunity which included higher prices because of the lower overall supply.

Mike Featherstone responded with an observation that only about 5 out of the 40 boats making up the fleet were actually working in October. It therefore took longer to finish off the various spots so they could then move along to better quality areas. When the fleet is this much smaller, getting the product off the grounds and down to the processors is likewise slower because it takes that much longer to load a packer with a acceptable minimum volume of product. This lost opportunity, however, absolutely highlights the need to improve our communication with Japanese buyers as a number of additional boats could have been quickly deployed for fishing.

Mr. Tsukamoto again expressed thanks for the comments and appreciates the points made. He also mentioned that this was probably a bit of a one-off development and that it would be dangerous to assume the same phenomenon will occur again next year.

Eisako Endo- Manager for Maruki Co. Ltd.

Mr. Endo mentioned that Canadian imports into Japan generally start about the same time as those from Chile are winding down for the year. He also supported the position that it is a good thing to pursue initiatives to improve the standing and reputation of the Canadian product with Japanese consumers and with the market in general.

Kitaro Endo- Managing Director for Maruki Co. Ltd.

Mr. Endo thanked the delegation for the presentation and expressed his view that these meetings provide a valuable opportunity to develop a dialogue between Canadian harvesters and processors and Japanese buyers. On another point, he would like to see at least three areas open for fishing during all of the heavier weather months so that availability of Canadian product to the market could be better ensured. It is critically important to their business that they are able to constantly supply their customers, otherwise they will move along to another supplier and they will lose that business.

Mr. Endo also made the point that there seems to be a bit of a mis-match this year on the timing of the areas being fished and the presence of optimal quality profiles. He feels that ensuring optimum quality at the time of harvest should be raised in importance.

Hiroshi Yasuno- Sales Manager for Sales Dep't II for Global Eight Corp.

Mr. Yasuno basically said Thanks, it was an interesting presentation and meeting but that he did not have any comments at this point.

T. Tsuchiya- Sales Manager for Ocean Trader Co. Ltd.

Mr. Tsuchiya acknowledged that the position of Canadian sea urchin in the Japanese market is not that high. He also agreed that the Russian IUU urchin fishing is a major problem but that it is one that must be worked on in the political arena, suggesting that he did not feel efforts by companies such as his would, or could, have any effect.

He also mentioned that the quality of Canadian sea urchin products was quite poor so it may be advisable to conduct more surveys prior to harvest to ensure that the quality is acceptable.

Masao Hashimoto- President of Kokusai Boueki Co. Ltd.

Mr. Hashimoto's company is based in Sapporo and this is the first time he has attended this meeting, although he has met with delegation members in previous years. He enquired about the total production of sea urchins in BC. Mike referred to a handout provided by Mr. Sasaki which quantifies the imports into Japan from major importing nations including the US (including both California and Maine), Chile, Canada, China, North Korea, Mexico and Peru. These numbers however refer to the processed weight, as opposed to the green weight, and so are of limited application to this question. On another tack, the TAC for Red and Green Sea Urchins in BC are about 8,800,000 lbs (~3982 MT) and 490,000 lbs (221 MT) respectively.

Mr. Hashimoto also mentioned that the list provided by Mr. Sasaki also does not include imports from Russia, legal or IUU sourced. In fact, Russia is now the largest single supplier sea urchin products, particularly in the live category, to Japan but it is not included anywhere on this list. This should be of particular interest to Canada because the two fisheries are conducted during the same time and therefore in direct competition.

Mr. Hashimoto then commented on the reduced deliveries from the Russian IUU fishery in October and how in one way it is actually a double edged sword because the demand for the product and expectations that it can be supplied at that price remain even when deliveries are reduced. The control imposed by the presence of the Russian Coast Guard (RCG) was limited, simply because of the remoteness of the area from the RCG bases in Vladivostok, and that as soon as the RCG vessels left, the IUU fleet was right back at it. He also mentioned that control will again be greater next week for President Putin's visit to Japan. Mr. Hashimoto is part of an official delegation involved in talks with the Russian government to get this fishery under some kind of control, particularly on at least two of the four closest Kurile Islands. It remains however, a very difficult issue. He does not feel the IUU fishery will be completely eliminated in part because consumer demand and expectations for a continuing supply of value-priced uni from the fishery have grown in response to this as a new reality but also because a number of Japanese and Russian companies are now dependent on it, thereby limiting the incentives for either government to assert control. However, he feels bringing 50% of the landings from the area under control is a do-able proposition.

He also had a couple of questions on the size of the RSU harvested. He reiterated that it is better to get smaller urchins so the skein size is a bit smaller and more appropriate for the Japanese market. Mike mentioned that Fisheries and Oceans Canada has reduced the minimum size limit on these urchins from 100 mm TD to 90 mm TD as a direct result of lobbying on this issue by PUHA and that the average size is likely to continue falling as the stocks are better utilized and the relative abundance of the larger urchins declines.

Youichi Ogawa- Chief, High Grade Fish Section II for Tsukiji Uoichiba Co. Ltd.

Mr. Ogawa mentioned that is the third time he has attended this meeting and again proffered his thanks for the invitation. He mentioned that he speaks regularly with processors but only very rarely with divers and that these meetings are important for that reason. He went on to mention the effect of declining exchange rates (he was the only person to bring it up) and how it is making it very difficult for importers selling the product. This is, of course, complicated by the fact that the Russian sea urchin prices are very low and effectively setting the market trend for all other sea urchin products.

In short, market conditions are not great but there are some behind the scenes improvements being seen. He specifically mentioned improvements in the colour and quality he has been seeing in Canadian product, particularly in contrast to the situation two years ago when it was almost embarrassing. He said he did not have any bright optimistic comments on the market to offer at this point although he did feel that the horizon might be brightening for future opportunities.

Mr. Tsuneto Sasaki- Canadian Trade Commissioner, Canadian Embassy, Tokyo.

Mr. Sasaki mentioned that he had a couple of letters from people who were not able to attend the meeting. The first one he read out was from Mr. Mack Nishida (Macks Food Japan Co. Ltd.) who reiterated his contention that the Canadian product has recently been affected by poor colour and that prices are too high in Vancouver. He understands that these are difficult

times and hopes that the cooperative efforts between Canadian harvesters and processors to find solutions will bear fruit.

The second letter was of a similar vein but was focussed more on why the price of the Canadian product has not declined like the California products. Mr. Sasaki then volunteered to take any additional comments from interested Japanese companies that they were not prepared to voice at this meeting and that he would forward them to PUHA.

Francis Cheung: Grand Hale Marine Products Ltd.

Mr. Cheung mentioned that he heard basically the same comments at this year's meeting as were voiced at last year's. He jumped in with the observation that the increasing value of the Canadian dollar (increasing equally relative to both the USD and the Japanese ¥ as both of those currencies have retained the same relative position to each other over the past 5 years) and higher fuel prices are translating directly to the Canadian industry as extra costs. He then, quite strenuously in fact, reiterated the common sense point that processors and fishermen need a certain floor price for breakeven and that it makes no sense to operate when losing money is the only option. He emphasized that many processors have many pounds to process and that some of this will invariably be reflected as questionable or poor quality, particularly as Quality and Price logically track each other. A minimum price is required by businesses to remain active and solvent, to continue otherwise is suicide.

It is true that Canadian producers are working to diversify our markets, but Japan remains our main market and Canada remains committed to doing its bit to support it. Canadian industry works very hard to maintain an even flow of product to Japan but when our harvest volumes exceed demand, we cannot continue production. Recent landings of Russian product will impact the market over the next while, it is currently flooded and will take a couple of weeks to draw down, but control of the Russian IUU fishery is essential to ensure a viable industry in Canada and we need the help of Japanese buyers.

Mr. Hashimoto responded that the effect of the extra control next week should show up in the market around the end of November or beginning of December. Right now they are stockpiling product for shipment but again, once things ease off they will be ready immediately start shipping so any market rise is likely to be temporary and perhaps very temporary.

Mr. Brenden Harnett- President of Flying Fresh Air Freight

Mr. Harnett has been involved in the industry since 1990 and attended this meeting in order to get a better understanding of the problems affecting the industry. This sort of insight will allow his company to provide better service to his customers as he negotiates with the various airlines used to ship the products.

Mr. Paddy Wong- President of Paladin International Food Sales Ltd.

Mr. Wong was sorry the supply of product from Canada this year has not been meeting

expectations but offered the explanation that poor weather has hampered harvesting and that the quality is anomalously poor this year because of higher than normal sea surface temperatures that have been affecting our coast for the past two years. This situation seems to be turning around though so hopefully the quality and supply profiles will return to normal in the near future. He agreed with the proposition that improving communications will lead to a better future for all of the participants around the table.

Mike Featherstone again took the floor and started his concluding summation by reiterating that we feel, as do many of the Japanese participants, that these meetings are valuable in and of themselves as a means to build and reinforce trust in our relationships even as we become more aware of and sensitive to the issues affecting each other's business results. He emphasized that the Canadian group is also looking for additional ideas to keep things moving forward so we can work together more effectively to better serve the needs of our customers and that any contributions from the Japanese side would be very much appreciated. He suggested that an initial step might be to better use email as a as a communications link so as to alert various players of emerging opportunities, such as the market opening provided by the decline in Russian landings and California deliveries in October. He acknowledged that a similar opportunity appears possible for the end of November and suggested that harvesters at least are willing to entertain the idea of accessing one of the reserve areas so that everyone can make a little extra. He also mentioned that the harvesters remain committed to raising the quality bar, including recovery, colour and texture indices, for Canadian product and that initiatives from industry in Canada in this regard are ongoing and should see some advances sometime this season.

Mike again expressed the hope that the efforts of this group, Canadian and Japanese participants alike, will produce results we can continue to build on so that we can all move towards greater profitability through better service to the consumer.

He finished by thanking everybody again for attending and thanking Sasaki-san and his staff for making all the preparations for this meeting.