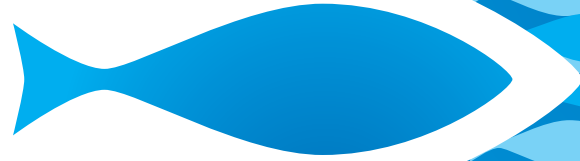


Going with the flow



Seafood exporters find new business opportunities and relationships abroad

BY JOE FITZGERALD

The nutrient-rich waters surrounding Nova Scotia have always been a marine breadbasket and a boon to the province's seafood industry. However, today's global market presents unique challenges. To keep afloat in the ever-changing seascape, Nova Scotia companies have been travelling to the world's largest annual seafood trade show, the European Seafood Exposition (ESE), to buy, sell, and test the waters of the world's seafood market.

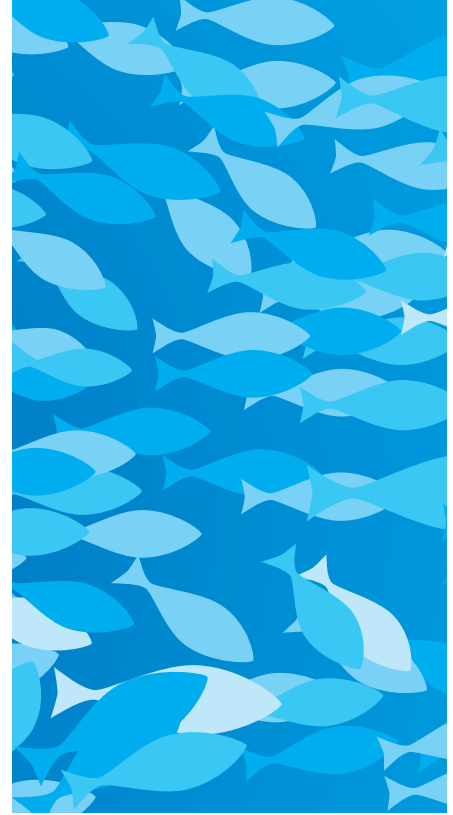
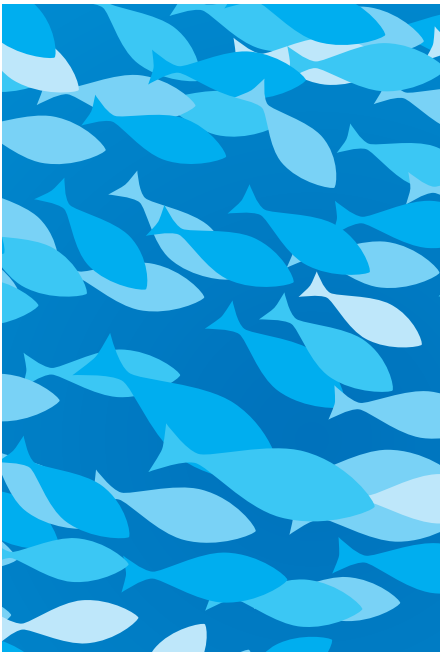
One of the big changes in today's seafood industry compared to past decades is the buyers. Because of mergers and acquisitions, large institutional buyers have a lot more influence in the process. "At one time we would go more through importers and brokers, and now, depending on the market you're going to, you're getting companies that are trying to get closer to the buyer," says Estelle Bryant, the senior planning and development officer with the Nova Scotia Department of Agriculture. "In some countries you had to go in through a licensed importer, which was the only way you could access the market. That's changing."

Bryant and her colleagues in other Atlantic provinces are planning to conduct a study that looks at a number of European Union countries to analyze how the buyer/distribution/client relationship has changed. From there they'll decide on whom they should be focusing their promotional material and efforts. "If your contact

point is the importer, chef recipe cards are not going to cut it," says Bryant. "How you reach that buyer changes. Just from being in the market and going to trade shows, we've realized that the distribution has changed quite a bit in the last few years." For example, at the ESE importers were provided with product sheets that included packing specifications, product forms, nutritional profiles, scientific names, harvesting seasons, the product name in other languages, and a brief description of the product.

In 2006 Nova Scotia landed \$656 million of seafood, comprising one third of the commercial value of Canadian landings that year. Lobster held the highest value: \$372,126,000 for 30,952 metric tonnes. Scallops followed at \$76,919,000, shrimp at \$45,825,000, crab at \$34,949,000, and haddock at \$26,342,000.

Preliminary data show that in 2007, Nova Scotia exported \$955 million of seafood worldwide, remaining No. 1 in the Canadian seafood-export market. Lobster continues to dominate the seafood-export market, with live exports making up 34.3% (\$325 million) in 2007, followed by frozen



shrimp at 10.5%, frozen crab at 9.8%, and frozen scallops at 8.6%.

Although there has always been solidarity with the U.S. markets, the fluctuating Canadian dollar has forced Canadian companies to start diversifying while keeping their American customers. With a 37% change in five years or less, and the price at the wharf barely changing, it's a big economic adjustment for companies; they can only increase their prices so much. Instead, companies have looked mainly to markets in Europe, because it is close geographically and transportation costs are lower, and also to Asia. "If you're a large company, you have somebody that looks after your hedging or you have a bank that does that for you," says Bryant. "If you're a smaller company, you don't have that. One successful but smaller company's strategy was one-third U.S., one-third Europe, and one-third Asia. Given the unpredictability of currency and how big an influence currency has on what you're selling, particularly if you're in a high-value game like lobster, currency has a tremendous influence on where you're selling."

Greg Digout, the sales manager of

Riverside Lobster and Seafood Inc. in Meteghan River, on Nova Scotia's French Shore, agrees. "Everybody in exports, especially on the lobster side, has felt the effects of the U.S. dollar, but this has been going on for the last three years," he says. "Smaller companies like Riverside can change the way we do things quite quickly, which is important for our business. For us it was a pretty easy transition to look more at Europe and Asia. Unfortunately, everybody's gunning for the same business."

With exports, especially lobster, Digout's business is in retraction right now; between 10 and 15 main export companies are all vying for the same business. It's making it tough for Riverside to maintain its profit line and grow its business. "I definitely think it's a cycle, and with the Canadian dollar being so strong it's not just the American dollar, it's all currencies," says Digout. "We're having problems with the Japanese yen, the Swedish kroner, the British pound. People think we're not selling anything into the U.S., but we're having

problems in all markets in all currencies. If the industry could afford to give fishermen seven or eight dollars a pound, they definitely would, but the margins aren't there, the markets aren't there."

The playing field is also changing with the expansion of the European Union. "We used to send a lot of products into Poland, but once it joined the EU there were tariffs placed on those products that weren't there before," says Bryant. "But the economy has improved, and now Poland has become a manufacturing centre, and there has been a lot of investment there from outside areas to develop seafood processing. So it's a changed market, and there are winners and losers."

In any given year, companies may be better off switching their sales to another market. One of the strengths of Nova Scotian companies is that they have always tended to have a product mix that allows them access to diverse markets. "There's a trend right now more toward the pelagic species [open-water fish like mackerel and herring] because we can't compete with Chinese productions," says Hugh Richards,

Best in show

The European Seafood Exposition (ESE), the largest seafood trade show in the world, is held annually in Brussels. The expo attracts exhibitors and buyers from more than 140 countries and showcases every category of seafood products, including fresh, canned, frozen, and value-added. Storage, processing, and handling equipment, as well as a host of seafood-related services, including freight-handling, insurance, and information technology, are also featured.

In April a delegation of 16 Nova Scotian business and government representatives travelled to the ESE to gauge the state of the market, explore new business opportunities, study existing products, and foster new relationships. To prepare the international market for their arrival, pre-promotional literature went out in magazines such as *Seafood International* that melded Nova Scotia into the Atlantic Canada brand.

"We wanted to maintain the identity of the Atlantic Canada brand separate from the



Canada brand because we are the strongest positioned in the market, we have integrated companies, and we have similar product mixes across all the provinces," says Alexa Vodicka, the program administration officer for the Nova Scotia Department of Agriculture. "The seafood industry doesn't localize their investments within provincial borders. The Atlantic provincial governments want to support their activities by working together."

The night before the ESE kicked off, the Atlantic delegation hosted an Atlantic Canadian showcase for the third consecutive year. Buyers were invited to the event, where a chef presented regional products to offer ideas on how to serve them. To help buyers achieve the right price point, products were explained and shown their full range of possibilities.

"When you attend the European Seafood Exposition, you realize that seafood is a currency," says Art Drysdale, a co-leader of Nova Scotia's recent delegation and a senior planning and development officer with the provincial Department of Agriculture in Halifax. "A load of herring going to Europe might change hands three times on a container boat by computer. The ESE is probably the project we work the most together on as an Atlantic region, because together we have over \$3 billion of export value, and you can start to carry a little bit of clout by combining the provinces. For example, together we're the world's largest exporter of Atlantic snow crab, and that levers us into situations where we can say yes, we can supply it, we can offer these different products." — J.F.

the vice-president of Breakers Fish Company Ltd. in Halifax. China is currently the world's largest seafood producer, primarily from aquaculture operations concentrating on shellfish. "Other than that, the pelagic business has been quite positive for us," adds Richards. "Every year we've increased our business because of new contacts. The world market is small; it's not like it was 20 or 30 years ago, when we were trying to make personal contact on the phone, which was very difficult."

Along with advanced communications technologies, European countries such as Denmark, Germany, and France are increasingly looking for high-quality products and are more conscious of health, versus the U.S. markets that predominately buy processed products for fried foods going into restaurants. A lot of buyers in global markets are looking for a third-party assurance of sustainability. The Marine Stewardship Council and Friends of the Sea are two international certifiers. This is particularly important in

Germany and the U.K. "Initially, sustainability certification wasn't really consumer driven as it was NGO [non-governmental organization]-driven with large buyers," says Bryant. "The large buyers saw sustainability certification as a point of difference that said we are environmentally friendly, we are sustainable, and we have this to offer you as consumers." Third-party certification is costly, however—another price pressure for an already squeezed industry.

Holly Reardon, the marketing director at Halifax-based Clearwater Fine Foods Inc., recognizes the importance of the trend. "That's the biggest change I saw, the face of how people were presenting themselves at the European Seafood Exposition this year. What I saw was the shifting or evolving message of sustainability, more so than the availability of quality designators that are always there. This year there was a major presence by the Marine Stewardship Council and many sessions about sustainability. I think more people are becoming concerned about sustainable fishing practices. One of our fisheries has been certified as sustainable, and three others are in the certification process."

Not all attendees from Nova Scotia were at the ESE to market their products. "We're sourcing certain raw materials, and ESE is a melting pot of the world of suppliers," says Margaret Harpell, the president of St. Mary's River Smokehouse in Sherbrooke, N.S. "So you're going to find or be able to meet with the who's who. I was looking for salmon and came away with leads and closed deals that had been in the works. Retailers are taking a 10% to 15% downturn in seafood sales. Fortunately, we haven't experienced that; in fact, we are still showing growth in the Canadian retail market. Obviously somebody's getting hit, but so far we seem to have avoided it. It helps that we continue to work on a number of new products that are different from the traditional smoked salmon products."

Nova Scotia's seafood diversity and the innovation to adapt and create new products should see the industry through the high swells of this economic squall. And after the waters calm, an ocean of opportunity will beckon. ■