

TROUBLED WATERS

From one coast to another,
opinions vary on the future
direction of Canada's
seafood industry

By Jack Kohane

The captain is smiling. Henry Demone, CEO of High Liner Foods, a leading processor in the frozen fish market, beams while surveying the day's sea catch being unloaded at the Lunenburg, N.S. seafood processing plant he helms. With a veritable tsunami of changes and challenges plaguing the fish business, Demone remains steadfastly buoyant about the future of the industry.

"We know the older people are, and the more money they have, the more seafood they eat," he says, noting that this means the mushrooming population of baby boomers are moving into their prime seafood eating years. "Demand for quality seafood products is growing, and that's good reason for optimism."

Sourcing raw materials from suppliers primarily in Europe, the Far East, South America and Alaska, High Liner's processing operations (with sales of \$225 million in 2006) in the U.S. and Canada produce brand names High Liner (processed frozen fish

and Fisher Boy (fish sticks). It also produces private-label products for retail and foodservice customers. To continue propelling seafood consumption, Demone says innovation is critical. As evidence of High Liner's ongoing R&D, he points to the company's latest quartet of product launches: trans fat-free and vacuum-packed High Liner quick frozen individual shrimp in white wine and herb, and black pepper and garlic marinades (340 g with a suggested retail price of \$7); and the 300-g High Liner shrimp in tomato basil sauce, and in Thai lime cilantro sauce (retailing at a suggested \$6).



Another reason for Demone's upbeat demeanor is the deal he recently inked, along with St. John's, Nfld.-based Ocean Choice International Inc., to acquire various assets of Fishery Products International Ltd. (FPI), also of St. John's. FPI, a major seafood processor supplying finfish and shellfish in both commodity and value-added offerings, saw sales of about \$453 million last year. "This new acquisition will be an important milestone in pursuit of our vision to become the leading value-added frozen seafood company in North America," he says. "It's a good fit for our companies, and great news for our customers, our consumers, and the employees of both High Liner and FPI." Under the agreement, High Liner purchased FPI's secondary processing plants and marketing arm for \$158 million, including a secondary processing plant in Burin, Nfld. Privately held Ocean Choice nets FPI's harvesting licences and vessels, together with its primary processing plants, for over \$143 million.

Although conceding that merging the production lines of both companies may be complex, Demone believes that there will continue to be more consolidation within the seafood industry, and that this deal will fortify High Liner's presence in Canada and the U.S. "Due to economies of scale, and our target of reaching ever more markets, this is a definite win-win for everyone," he says.

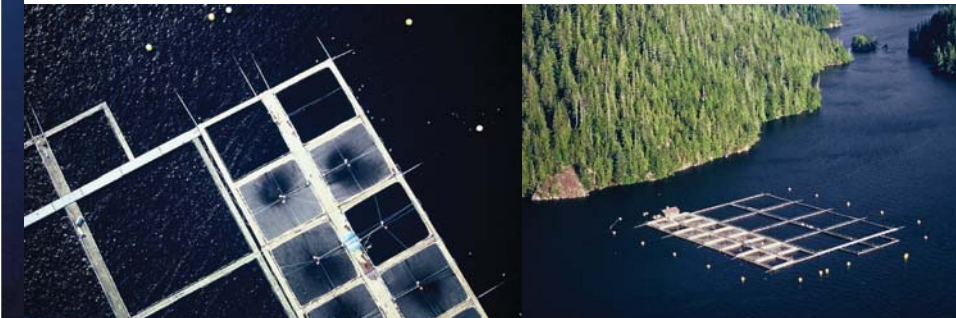
Capturing more seafood market share is also a priority for the Canadian government. "Key to our success in a global economy is developing new markets for high-quality Canadian products," says Loyola Hearn, minister of Fisheries and Oceans (DFO). Hearn adds that her department is

combined export value reaching \$2.4 billion.

British Columbia remains the largest seafood-exporting province, reeling in \$987 million last year with its top-valued products – farmed Atlantic salmon, herring and hake – accounting for \$433 million. Nova Scotia was the second largest exporting province, producing primarily lobster, shrimp and scallops at \$974 million, while Newfoundland ranked third with almost \$800 million in shrimp, snow crab and mackerel. "With fish and seafood product exports to 128 countries in 2006, Canada's export statistics illustrate that there is a demand around the world for Canadian fish and seafood," notes Hearn.

Don Millerd, owner of Campbell River, B.C.'s Browns Bay Packing Company Ltd., is less confident about what the future holds for seafood. His company processes over 32 million lbs (14.5 million kgs) of farmed fish products annually, and has been in operation for the past two decades. "There's been zero growth in the salmon business for a long time," he laments. "The processing sector is also losing out as wild salmon stocks weaken. Markets have steadily dwindled – they are only about half of what they were just 10 years ago."

Aquaculture, a potential seafood dynamo that could help meet a mounting consumer appetite for fish, is constrained by a powerful environmental lobby that, as Millerd points out, is stridently arguing that fish farming produces negative impacts on marine ecology. There are also claims of high PCB levels in farmed salmon, and that aquaculture practices are contributing to the increasing proliferation of sea lice in wild salmon populations. "These are, at best, half-truths,"



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working on developing conservative management practices that focus on sustainable development and responsible fishing, and that are designed to secure the future of Canada's wild fisheries.

According to the DFO, Canada's seafood sector was worth more than \$5 billion last year, of which over \$4 billion were exports. Over 80 per cent of this country's total fish and seafood exports in 2006 were destined for five foreign markets: the U.S. accounted for 62 per cent (\$2.5 billion); Japan ranked second (\$342 million); followed by China (\$276 million); Denmark (\$125 million); and the U.K. (\$111 million). In 2006 lobster, farmed Atlantic salmon, shrimp and snow crab were Canada's principal exports, with quantities of exports higher for all four species, and a

says Millerd. "The environmental lobby bends scientific measurements its own way."

Although the salmon farming industry in B.C. has swelled over the past 20 years to become the world's fourth-largest farmed salmon producing region (after Norway, Chile and the U.K.), Millerd emphasizes that today fewer markets are opening up for farmed fish, particularly in the U.S. "That's why our aquaculture industry isn't growing as fast as in other parts of the world," he says.

Christopher M. Pearce, a DFO research scientist and president of the Nanaimo, B.C.-based Aquaculture Association of Canada, views environmental sustainability as a major challenge facing the seafood industry. "It's been an issue with us for years," he says. "But the science

Photos above courtesy of Creative Salmon



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has been done on farmed fish and it's been found to be a healthy product. And in the long term, aquaculture is more sustainable than wild stocks may ever be. These are the messages that we must get out to consumers.”

Delivering this message is problematic, according to Mississauga, Ont.-based Jane Barnett, senior market development officer for Agriculture and Agri-Food Canada (AAFC). “The seafood industry isn't united under one umbrella,” she says. “The challenges confronting West Coast fishing companies have little in common with those harvesting the Atlantic. This industry doesn't always speak with one voice.” Asked if Canadian seafood producers and processors are making the changes necessary to adapt to the new realities, including a high Canadian dollar, rising fuel costs, waning open seas fish stocks, and public demands for world-class food safety, Barnett says, “I don't think that everything that needs to be done has been fully accomplished. Markets are demanding sustainability certification, for example, but Canada has yet to fully certify any fishery, although several are in the process now.”

But, says Barnett, AAFC is planning to assist the industry through several means. First, through the Seafood Value Chain Roundtable, which brings all stakeholders together to discuss common problems and find solutions; and second, through the Canadian Agriculture and Food

International (CAFI) Program, which provides matching funds for export market development. In addition, the seafood industry is included in AAFC's Brand Canada initiative, a program to increase awareness of Canadian food products in export markets (for more information, go to www.ats.agr.gc.ca/brandingcanada/intro/home_e.htm).

“The bottom line is that with all the health problems affecting a large and aging population – such as diabetes, heart disease and arthritis – as well as the health issues associated with pre-natal care and childhood obesity, the risks of not eating a healthy food such as seafood far outweigh the risks of consuming most types of fish and shellfish,” says Barnett. AAFC is currently developing a web-based resource guide aimed at health professionals that will spotlight new studies on the health benefits of eating seafood. This new tool, says Barnett, is slated to be up and running in early 2008.

Spencer Evans, general manager of Tofino, B.C.'s Creative Salmon Co., one of Canada's largest producers of farmed Chinook salmon, welcomes such initiatives. He's confident that aquaculture will continue to grow to make a widening impact on the seafood industry. “Consolidation in our industry will also go on, likely resulting in fewer and bigger fishing enterprises,” he says. “And when all the debates and fear-mongering [about farmed fish] eventually subside, the seafood business will come out stronger than ever. But we'll all have to work together to make it happen.” FC



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