Seafood Market in the European Union (EU) Opportunities for Southeastern Massachusetts Distributors

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INTRODUCTION

A Task Force of 12 UMass Dartmouth students of the International Business Association (IBA) of the College of Busines and Industry and a faculty advisor conducted a 17 day trade mission to the EU to study opportunities for local manufacturers. The focus of this particular study was to carry out a market analysis for a local distributor of fresh and frozen seafood products.

The local fishing industry has been impacted by a decline in important feed stocks and considerable attention is being devoted by the University and others to a variety of solutions to the problem. Our study examined the demand and supply situation in the European market, and the possibility for competition by a local firm with local or internationally obtained product. Due to limits of time and travel our primary research methodology consisted of in-depth interviews with Commercial Attache of the U.S. Mission to the European Union in Brussels, the Fisheries Trade Specialist for the National Marine Fisheries Service at the American Embassy in Paris and two major seafood importers and distributors. The companies interviewed were Verbiest N.V. and Transaqua, the largest importer of Canadian lobster in Europe. We also gathered information at a seminar on developing exports to the European Union, and obtained secondary data from the National Trade Data Bank.

The US is a net importer of edible seafood products. Imports exceeded $6 billion in 1994. While US seafood exports were valued at $3 billion. Japan was the dominate market accounting for 62% of total US exports. Other destinations for US seafood products, in rank order, were Canada, EU, Korea, Taiwan and to a lesser extent Australia, Sweden, China, and Hong Kong. Salmon constitutes 23% of all US seafood exports. Almost all shipments of salmon, roe and crabs go to Japan

Leading US Seafood Export Products
1.Salmon
2.Roe

3.Crabs
4.Surimi
5.Flatfish
6.Groundfish
7.Herring
8.Sardines
9.Tuna
10.Dogfish
11.Scallops
12.Shrimp

The EU imports between 50-60% of its edible seafood demand. 10 years ago, it required imports of only 27% of demand. The EU is afflicted by the same issues facing New England fisheries, i.e. lower catches and reduced stocks have necessitated importation. The principal imports are white fish species constituting 85% of the total. In 1994, EU imports reached 2.1 million tons, valued at $4.5 billion, making this a very attractive target market.

MARKET DEMAND

The countries with the largest import markets in 1993 were Spain, France, Germany and Denmark with imports valued at $2.2 billion. Denmark actually has lower real consumption. Because it is a first port of entry for many seafood imports to other destinations in Europe its number is inflated.

Largest EU Import Markets in 1993

Country	$ billion
Spain	0.880
France	0.730
Germany	0.620
Denmark	0.600

Traditional EU imports from the US have been comprised of Alaska pollock, cod, shrimp, frozen salmon and squid/cuttlefish. In 1994, the US exported 144,000 tons of edible product, valued at $370 million. US market share is 5% of total imports, and 11% of frozen fish.

Market share from country to country and product to product varies for imports from the US. The U.S. supplies 8% of imports into France and the UK, 7% of Italian imports and 6% of Belgium imports and 3% of Spain, Portugal, Netherlands and Germany. The target markets were the UK and France, amounting to $107 million and $95 million, respectively.

US Import Market Share

Country	Share

France	8%
United Kingdom	8%
Italy	7%
Belgium	6%
Portugal	3%
Spain	3%
Netherlands	3%
Germany	3%

END USER PROFILES

Consumers at the retail level vary in preference for seafood products and adeptness of its preparation. Eastern European countries like Germany, are less accustomed to finish fish preparation. The largest market segment is for canned products. Frozen fish, especially breaded fillets or other more prepared products have increased in use. Now these products make up approximately 25% of demand, second to marinated canned seafood. Since consumers consider preparation of fresh fish and crustaceans to be difficult and unpleasant, restaurants and catering companies tend to be the buyers. Frozen fish sticks are very popular in Germany, 22% of which are branded with a well known name.

In western and southern Europe, the population is very adept in preparation and quality conscious for seafood products. In Spain, Portugal and Italy, the consumer can take home a fresh fish and prepare it in a variety of ways. Consumption is also higher. In the West and South annual consumption per capita is as high as 30 kg to over 43 kg in Portugal, as opposed to 14 kg in Germany. This part of Europe prefers the fresh fish, which consists of approximately 40% of seafood demand. Second is frozen at about 25%. A great majority of seafood is prepared at the household level.

East vs. West European Preferences

East	West
1.Fresh	Canned
2.Frozen	Frozen

MARKET ANALYSIS

The United States is cited as a less important supplier of seafood products because of the availability of very good quality products from the EU and South America.

The fresh market is the most important due to large demand from the consumer and processing industry for seafood in this particular form. Fresh fish is distributed to restaurants, fish stores and supermarkets: in that ranking. The major products here are cod, salmon, sole, monkfish, turbo and red perch. Second was the frozen market which is only distributed to supermarkets, mainly for small portioned fish. Treated fish, like marinated and salted products was the smallest of the three segments.

Major Fresh Seafood Products
Salmon
Cod
Sole
Monkfish
Turbo
Red Perch

Fresh sales of principal pelagic is almost non-existent in the EU. Herring is in huge production in Belgium. It is smoked, salted and marinated and eaten raw in those forms on the street, much like Americans eat hot dogs at a stand. Mackerel is also in huge production. The Dutch ship it to Africa were it is smoked or canned, with very little ingredients added, and then it is shipped to Russia for consumption. It is sold at a very low price. Dutch and Germans are the biggest industrial and consumer market for herring. They like it in marinated fillets.

The problem with American Atlantic herring is its low fat content. Young (juvenile) herring with at least 10% fat content and no eggs is preferred. Smoked herring must have at least 5% fat content.

The mackerel resource in Europe is large and the catch is over 500 thousand tons per year. The US catch is only 9 thousand tons per year. Mackerel is also processed to eat barbecued. Dutch, French, and British vessels are much larger, more technically advanced, and hold a greater capacity than American vessels. European daily catch exceeds American annual catch of mackerel. US success in this market depends on Europe's lack of success. The US mackerel resource is expected to have a 200 thousand ton annual capacity.

The problem with US mackerel is its fat content of below 9%. Europe wants mackerel with a fat content 14 to 21%. Currently, Jamaica is the largest market for US mackerel. Much of the EU mackerel ends up in Japan. In America, Korean immigrants reject US mackerel, preferring to pay higher prices to import from Norway.

Problems with Local Stocks

Fish	Fat Content	Fat Content Preferred
Mackerel	under 9%	14-21%
Herring	under 10%	at least 10%

In frozen products, US suppliers are sought for cheap dogfish backs, which are smoked. Skatewing and monkfish portions are also sought. These are mostly going to southern

Europe because of the pollution conditions in the Mediterranean. The local industry is also receptive to haddock and cod from the US.

The most important shellfish items are mussels and oysters. Supply of shellfish is abundant and comes mostly from the Netherlands. The US is a major source of crawfish and Canadian lobster. Rock and spiny lobsters are the preferred species.

Trends throughout Europe are moving towards more diverse consumption. Germans, the least quality conscious and knowledgeable seafood consumer is beginning to look at more fresh and frozen products. Exotic species like tuna, swordfish, marlin, and catfish are being requested.

In the south and the west of Europe, frozen and more processed and treated products are becoming more acceptable and popular. The changing lifestyles and growing affluence, of consumers, particularly in Portugal and southern Italy, is making frozen fish products more convenient. The industry is moving toward canning fish products during season following this trend. US canned seafood does not have a favorable position in the consumers mind. Many US processors have attempted to enter the market with fish simply cut and canned. The consumer wants more value added products for example marinated in a sauce or wine or even catsup. For canned products the consumer wants the product ready to heat and eat. The addition of vegetables for example sun dried tomatoes and onions, in different varieties is also demanded.

CONCLUSIONS

The seafood industry in the European Union is a very old and established society of highly experienced and knowledgeable players. The Netherlands and Belgium are the principal distribution centers. Denmark and Germany are also large players but in a processing capacity. For an American exporter to penetrate this market, a great marketing effort will be required. This is essentially still a commodity market. However, differences in species, because of nutritional factors in the different waters of origin, have created preference in the consumers mind.

An agent in the EU may be the most viable method for entry. Close contact with suppliers is often expected in this industry to insure a continuous business relationship. This stems from the risks involved in the seafood trade. Shipments may not be allowed entry because of certification requirements for HACCP and other veterinary regulations. Payments for shipment may also involve some risk. Deals are made with little time to spare since most seafood is highly perishable. Often letters of credit are seen as unnecessary costs, so credit terms with close business partners is preferred. Agents and representatives lists are available on the National Trade Data Bank as prepared by the U.S. Dept. of Commerce. This data bank is accessible through local chambers of commerce and local colleges and universities. A Gold Key Service is available through the U.S.D.O.C. which for a fee will actively search for potential business partners in a particular industry and country.

The market for fresh products is ruled by quality and price. To enter this market segment, a supplier must have sources for the best quality and lowest price product available internationally. Local supply is no longer a steady and reliable source. Most importers and distributors look for a supplier with extensive international experience and continuous supply.

In the frozen market segment, new efforts may be tried in marketing breaded fish fillets and sticks. They are already popular in the east and north Europe and are growing in acceptance in the south and west.

The most interesting market segment is that of the processed or so-called value added product line. In the past American companies have tried to market whole, gutted fish canned in brine with no success. The consumer for these products is looking for a finished product that requires only re-heating before consumption. The addition of sauces and vegetables are also preferred, especially in variety. The market is becoming much like that of the American frozen dinner market. The product is expected to be either a meal or at least an accompaniment. The possible products include mackerel and pickled herring.

Until consumer preference for white and less oily seafood changes, finding a market for herring and mackerel will be difficult. The success of the Dutch with these species in Africa and Russia is based on one thing, price. For American suppliers, sourcing local industry for these products will not be fruitful because of the preferred North Sea variety.

Recently, interest has been shown in processing herring and mackerel into surimi. Surimi, a by-product usually produced from pollock, is used in the manufacture of imitation crab meat. However, the low gel content and fishy flavor of these pelagic is still a barrier.

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