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COMMITTEE ON FISHERIES

Sub-Committee on Fish Trade

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REPORT ON IMPORTANT RECENT EVENTS CONCERNING TRADE IN FISHERIES PRODUCTS

INTRODUCTION

1. The purpose of this document is to inform the Sub-Committee of major facts and developments regarding international trade in fish and fishery products which have occurred since its Fifth Session in June 1996. The document contains a brief review of world fish production, exports and imports. It also includes a summary of the current trade situation of major fishery commodities. The activities of FAO and other international organizations in the field of world fish trade are described providing an update of the report submitted to the Fifth Session of the Sub-Committee.

2. World fish production expanded substantially from 117 million t in 1995[1] to 121 million t in 1996. Estimates for 1997 indicate a lower level, due to lower pelagic catch as in South America. China is now the top producer with some 32 million t in 1996. Peru was the second major fishing nation with catches exceeding 9 million t. The importance of aquaculture continues to expand, but aquaculture of high value species entering international trade (shrimp, salmon) seems to be levelling off.

TABLE 1 - World Fish Production and Trade

		1991	**1992**	**1993**	**1994**	**1995**	**1996**
World fish production	million t	98.9	101.7	105.2	113.5	117.3	121.0
Growth over previous year	%		*+2.9*	*+3.4*	*+7.8*	*+3.4*	*+3.2*
Exports of fishery products	'000 million US$	38.9	40.2	41.4	47.6	52.4	53.1
Growth over previous year	%		+3.3	*+3.0*	*+15.0*	*+10.0*	*+1.3*

Developed countries	'000 million US$	21.2	21.7	21.2	23.6	25.4	26.6
Growth over previous year	%		*+2.2*	*-2.2*	*+11.3*	*+7.9*	*+4.7*
Developing countries	'000 million US$	17.7	18.6	20.2	24.1	26.9	26.4
Growth over previous year	%		*+4.7*	*+9.0*	*+19.0*	*+12.0*	*-1.9*
Imports of fishery products	'000 million US$	43.5	45.3	44.6	51.1	56.1	56.9
Growth over previous year	%		*+4.0*	*-1.5*	*+14.6*	*+9.8*	*+1.4*
Developed countries	'000 million US$	37.3	38.9	37.9	43.3	47.4	47.6
Growth over previous year	%		*+3.3*	*-1.7*	*+14.2*	*+9.6*	*+0.3*
Developing countries	'000 million US$	6.2	6.7	6.7	7.8	8.7	9.3
Growth over previous year	%		*+8.6*	*-0.2*	*+16.8*	*+10.9*	*+7.1*
Developing countries' surplus exports over imports	'000 million US$	11.6	11.9	13.5	16.2	18.3	17.2
Growth over previous year	%		*+2.5*	*+14.1*	*+20.0*	*+12.6*	*-6.2*
Developed countries' net imports	'000 million US$	16.1	16.9	16.7	19.7	22.0	21.0
Growth over previous year	%		*+4.7*	*-1.0*	*+17.8*	*+11.7*	*-4.8*
Source: FAO Fisheries Department							

3. The increased volume of international trade in fishery products in 1996 was associated with higher trade in low-value commodities such as fishmeal and oil. The result was that the value of exports increased less than their volume to US$ 53 100 million. First indications for 1997 show an increase in the value of fishery products traded, due to higher prices.

4. Developed countries accounted for about 84% of total imports of fishery products in 1997 in value terms. Japan was again the biggest importer of fishery products, accounting for some 30% of the global total. This share has been stable over the years. The European Community (EC) further increased its dependency on imports for its fish supply. The United States, besides being the world's third major exporting country, was the second biggest importer. In 1996, fishery imports into all three major market areas increased.

5. The increase in net receipts of foreign exchange by developing countries - deducting their imports from the total value of their exports - is impressive, rising from US$ 5 200 million in 1985 to US$ 17 200 million in 1996. For many developing nations, fish trade represents a significant source of foreign currency earnings.

6. Major issues of international trade of fishery products during the past two years were: the change in quality control measures in the main importing countries; the concern of the general public on overexploitation of the resource; environmental concerns with regard to aquaculture; the end of the tuna-dolphin issue; the trade discussion on turtle excluding devices and the creation of the Marine Stewardship Council (MSC), to mention just a few. The change in quality control measure was felt by many exporting countries. In August 1997, the EC stopped imports of seafood from India, Bangladesh and Madagascar. In December 1997, there was a decision to prohibit the import of fresh seafood from Kenya, Tanzania, Mozambique and Uganda. The impact of these measures was severe in the seafood industry of these exporting countries, creating loss of employment and foreign exchange earnings of

several hundreds of million of US dollars.

7. In the media, reports on Bovine Spongiform Encephalitis (BSE), swine fever and Hong Kong chicken took away space from reports on overfishing or marine environmental degradation. Fish is generally considered to be healthy and nutritious, and probably less contaminated than other food of animal origin.

MAIN COMMODITIES

8. The economic crisis in Japan and the low value of the yen led to lower demand for **shrimp** there. The main supplying countries had to decrease prices and to look for other outlets, in order to sell their production. Fortunately, the United States market continued strong, and at the discounted price level, shrimp consumption in this country was back to the 1994 record level. Demand for shrimp in Europe is improving, in parallel with the overall economic situation.

9. Imports of shrimp into Japan declined further. In the first nine months, imports were 193 800 t, 7% below the already low 1996 level. Indonesia managed to maintain its top position among suppliers to the Japanese shrimp market, but the country experienced a reduction in shipments.

10. Due to the good demand and the strong US dollar, shrimp imports into the United States were higher in 1997. In the first nine months of 1997, imports exceed 200 000 t, almost back to the 1994 record. This increase was a surprise in the overall climate of lower production. Thailand concentrated on this market. In the first nine months of 1997, this country shipped 50 000 t to the United States market, 6% more than the low 1996 figure, and back to the 1995 level.

11. "El Niño" caused a boom in Ecuadorian shrimp production, and the bulk of it was sold in the United States market. During the Jan-Sept. 1997 period, Ecuador experienced a 37% increase in shrimp exports, the highest level of Ecuadorian sales ever. Mexico and India are far below the top two having shipped some 16 000 t each.

12. On the European market, however, prices went up in the closing months of the year, caused by the lack of Indian and Bangladeshi shrimp. All shrimp prices - both for coldwater and warmwater - went up. Black tiger shrimp prices on the European market were US$ 2.00/kg higher than one year ago, for all sizes. Coldwater shrimp prices, too, recovered from their low experienced in mid-1997, and increased by US$ 1.50/kg in just three months. They are now (Dec. 1997) exceeding the previous December's price, but are still way off the 1995 price level.

13. The economic crisis in Southeast Asia is expected to have a major impact on shrimp consumption in these countries. Thailand and Malaysia had started to consume increased quantities of their domestically produced shrimp, a trend which will stop in the coming months. The financial crisis that hit also Japan, however, will have an even bigger impact on the world shrimp market. Demand is expected to stay low in Japan well into 1998, and only lower prices will be able to revive the Japanese market in the near future.

14. Despite a strong increase in **tuna** catches in the second half of 1997, prices of tuna raw material stayed high. The overall outlook is in fact for lower tuna catches, while demand is strong, especially for canned tuna in all main markets. In one year the price of raw material for tuna canneries rose by 20% for yellowfin and by 30% for skipjack. It will be impossible to maintain the present low retail price of canned tuna, in view of these persisting high raw material prices.

15. Imports of tuna into Japan were slightly below the 1996 figure. In the first nine months of the year, the decline in imports was felt for frozen yellowfin, while skipjack and bigeye stayed about stable. Total frozen tuna imports declined by 12% to 184 000 t in the Jan-Sept. 1997 period. On the other

hand, fresh tuna imports increased during the same period grew from 37 000 t to 44 000 t.

16. Canned tuna remains the most popular seafood consumed in the United States. Among the canned fish products, tuna takes the lion's share with 71%. After years of continuous decline, it appears that the demand for canned tuna in the United States has stabilized at a reduced level.

17. The 1997 INFOFISH Tuna Conference gave an overview of the present tuna stocks, and the outlook is not very positive. There are hardly any underexploited stocks - possibly with the exception of skipjack in the Western Pacific. Most yellowfin stocks seem to be fully or overexploited, with perhaps some room for expansion in the Eastern Pacific. In this fishing area, the United States ban on yellowfin tuna caught in association with dolphins, led to lower exploitation of the resource, since it was almost impossible to find a market for these tuna outside Latin America. Now that the ban is over, yellowfin catches in this area are likely to pick up, and at least in the short run, these supplies should keep the market satisfied. Yellowfin prices are likely to come down from their high levels in the coming months, but in the long run, the trend is for further price increases even beyond the present level.

18. The last quarter of the year saw a strong trend for higher **groundfish** prices, in expectation of lower supplies in the coming year. The cod quota in the Barents Sea was set much lower than in 1997, and all signs are for a shortage of groundfish on the world market. Hake catches were low in 1997, due to the effects of "El Niño" and over-exploitation of many hake resources in the southern part of the world. Alaska pollack, too, is expected to be in shorter supply, as Russia intends to control catches more efficiently. In 1998, prices of groundfish products are thus bound to rise further.

19. The world **squid** market was volatile in 1997. The huge Illex catches in the Southwest Atlantic in early 1997 created a heavy over-supply in the main markets, and led prices to tumble. There will be lower catches in 1998, as many vessel owners are reluctant to renew fishing licences in view of the present low price level. **Octopus** was in limited supply, but the price crisis of squid was also influencing the price level of the other cephalopod species. Octopus catches were very low in 1997. Various periods of fishing bans were observed in the Central Eastern Atlantic, the main fishing area for this species, in order to protect the resource. However, the efforts seem to be insufficient, as only small-sized octopus were taken in recent catches. This means that the resource is still under stress. Octopus catches will stay disappointing, but Japanese traders are asking for lower prices in view of the overall market situation for cephalopods and in view of the depressed economic situation in Japan, which will dampen demand for octopus.

20. El Niño influenced **fishmeal** production in South America. Total fishmeal production in the main exporting countries in 1997 was 4.3 million t, 10% less than the 1996 figure. Production of fishmeal stayed low in the opening months of 1998, especially when compared with the strong production experienced by Peru in early 1997. With all stocks being sold, this will further increase the shortage of fishmeal on the world market. Prices are expected to go up further, but there is a fear that the present price levels are considered as too high, especially by those traders who can substitute fishmeal with another protein meal. There is therefore a risk that fishmeal could price itself out of the market.

21. In 1997, **fish oil** production was limited in South America due to fishing bans and disappointing catches. In addition, the oil content in the fish was very low, again a corollary of "El Niño". Fish oil exporters from South America had difficulties to meet export specifications. At the current price levels, there is a risk that processors move from fish oil to other oil sources, such as vegetable oils. While it is difficult to replace fishmeal in feeds for aquatic animals, fish oil is much easier to replace with other oils if the prices is considered to be too high. Already the usage of fish oil for hardening has reduced sharply. In Western Europe in 1997 only 18 000-19 000 t of fish oil were used, half of the last year's average.

USE OF FISHERY PRODUCTS IN FOOD AID

22. The use of fish in food aid has declined. In 1997, some 18 500 t were donated which compared to 21 300 t in 1989. At present, canned fish accounts for the majority of shipments. Edible fat from fish experienced a decline in recent years, while stockfish and dried fish which used to be important items in the shipments of fish and fishery products in earlier years almost disappeared.

TABLE 2

World Food Programme (WFP) Shipment of Fish and Fishery Products as Food Aid (by commodity in t)

	1989	1992	1995	1997
Canned fish	13 070	14 533	11 902	12 794
Dried fish	1 429	448	0	75
Stockfish	415	411	0	0
Edible fat from fish	6 251	7 338	3 113	5 636
Total (include others)	21 298	22 730	15 012	18 505

23. Norway is by far the main supplier of fish for food aid, on average between 10-12 000 t are given as food aid, mainly edible fat from fish and canned fish. The crisis in the Canadian fisheries led to a sharp decline in shipments.

TABLE 3

WFP Pledges of Fish and Fishery Products (by country in t)

	1986	1992	1995	1997
Norway	11 628	10 021	11 159	11 906
Canada	3 506	4 336	2 811	2 231
Germany	2 517	2 218	2 000	669
Japan	3 489	3 460	3 485	4 733
Total (include others)	22 860	20 835	19 508	19 539

NEW QUALITY CONTROL MEASURES

24. Very important factors influencing the fish processing industry are the new regulations with regard to quality control and assurance that have been adopted by major importing countries. These

regulations make the entrepreneur (processor, trader) fully responsible for the quality of his product. These new regulations are based on the HACCP (Hazard Analysis Critical Control Point) principle. All imported fish products sold to markets adopting this approach must come from plants with a HACCP plan. The investments needed to bring a fish processing plant up to the standards of a HACCP plan are substantial, and many companies, especially in developing countries feel that the implementation of the new regulations on fishery products is *de facto* a non-tariff measure against value-added products originating from developing countries.

25. Food-borne diseases remain a major public health problem all around the world. It has been estimated that in the United States there are as many as 9 000 deaths per year due to food-borne diseases in general (estimates for 1994), and between 6.5 to 33 million illnesses. Total costs, for the United States in the same year were estimated at not less than US$ 9-12 billion. Estimates for 1984 indicate that in the United States the cost of food-borne diseases in which the vector was seafood, accounted for an equivalent of around 7.8% of the total value of fish and fish products traded that year. In general it is accepted that the impact of food-borne diseases is comparable in the rest of the developed world, adjusted to the number of inhabitants. In developing countries estimations are very difficult to calculate due to the lack of reliable epidemiological data. However, the World Health Organization (WHO) has estimated that in some countries, mortality due to food-borne and water-borne diseases could be responsible for between one third and a half of the total number of deaths. Some studies also indicate that the economic impact, even if lower than in developed countries, in absolute terms, is higher in relative terms, when compared to GDP and local incomes.

26. The United States HACCP-based mandatory regulation for fish and fish products entered into force on 18 December 1997 (Federal Register, 18 December 1995, 21 CFR Parts 123 and 1240). A similar mandatory HACCP-based regulation related to meat, pork and poultry was also issued on 25 July 1996 (Federal Register, 9 CFR Part 304, et. al.). The deadline for the application of meat and poultry regulations depends on the size of the company. However, some of the regulations have already been in-force since January 1997 for all types of industries, regardless of their size. The United States regulations apply to national production and imports. In particular, in the case of fish imports, the regulation states: "If assurances do not exist that the imported fish or fishery products has been processed under conditions that are equivalent to those required of domestic processors under this part, the product will appear adulterated, and will be denied entry" (123.12, (d)). There are already many other developed and developing countries that have passed regulations based on HACCP, like for example, Australia, Canada, Brazil, Thailand, Morocco and New Zealand.

27. However, in many countries, inspection services still have to adjust to the new situation and pass from the classical inspection of final samples to auditing the application of the HACCP system from the beginning of the production process. At the same time industries should adapt to the new production system. New food and fish handling and processing methods will be developed and the industry will pass, in the coming years, through a process of adaptation and investment, all around the world. Several studies have demonstrated, however, that HACCP application will reduce the cost linked to food-borne diseases for consumers, governments and the industry. Moreover, in many cases the reduction in quality costs, at industry level, following HACCP implementation is substantial, and shows a substantial return on investment.

28. The EC Directive gives specific sanitary requirements included in three categories of obligations, i. e.: (1) means relating to production (physical installations, construction and equipment, water quality, disposal of refuse, etc.) and public health aspects (hygiene during processing, staff hygiene, maintenance, cleaning and disinfection) which apply to the entire production line (fishing boats, landing sites, processing plants, etc.), (2) product standards (freshness, cleanliness, maximum level of microbial contaminants, chemicals, toxic substances, parasites, etc.), and (3) monitoring at three levels, namely: (i) production level through self-monitoring practices based on the HACCP-concept called "own checks", (ii) official monitoring performed by relevant national agencies "competent authorities", and (iii) monitoring by the EC through inspectors from the European Commission.

29. In order to be recognized by the EC, competent national authorities in exporting non-member States must be assessed by the Commission's Animal and Plant Health Inspection and Control Office in accordance with the following procedures:

- a survey of the country's legislation and, in particular, the status and legal power attributed to the authority in question;
- a survey covering the competent authority's organizational set-up, its inspection department and the staff and material at its disposal;
- a field review, carried out by experts from the Commission and the Member States, of health inspection conditions actually encountered on a certain number of sites and facilities included in the list of facilities approved by the national authorities;
- an assessment of the guarantees that can be given by the competent authority with regard to quality and public health standards for fishery products as laid down by the EC, with special reference to laboratory analysis.

30. HACCP programmes are being implemented on a world-wide basis for seafood. HACCP can create benefits not only in causing safer seafood to enter the marketplace, but as a business management tool and in creating trade benefits. Implementing HACCP programmes in seafood plants creates costs for plant owners and taxpayers must fund governments to monitor the programmes.

31. FAO is now preparing a document[2] to be completed by mid-1998, covering the economic issues associated with seafood HACCP programmes on a world-wide basis. Topics covered include: (1) the incidences of seafood-borne illnesses in the United States, the EC and Japan; (2) the market for seafood safety including theoretical and practical food safety valuation concepts and the willingness-to-pay by consumers for safer seafood; (3) the economics of seafood HACCP at the firm and industry level; (4) the effects of HACCP on seafood international trade and the use of seafood safety as a non-tariff trade barrier; (5) specific studies that have been completed on the value of seafood safety; and (6) recommended research priorities for the future.

32. Bangladesh is a net exporter of fish and fishery products. Frozen shrimp and prawns represent about 90 % of the export value. The major markets are Japan, the USA and the EC. The quality of the exported shrimp has been a problem, with a record of major detentions for inspection of shrimp entering the United States and a mid-August 1997 ban on Bangladesh seafood exports to the EC. A partial lifting of the EC ban occurred in early 1998. A project is underway to analyse the economic costs to Bangladesh of the EC ban, to examine the reaction of Bangladesh frozen shrimp exporters in seeking alternative markets, to measure the current status of seafood HACCP implementation in shrimp processing plants, and to measure the economic costs and benefits of HACCP as perceived by the shrimp processors.

FAO ACTIVITIES RELATED TO INTERNATIONAL FISH TRADE

33. The Fish Marketing Information Service for Eastern European Countries (EASTFISH) is now fully operational. So far 17 countries (Albania, Armenia, Bulgaria, Croatia, Czech Republic, Denmark (Host), Estonia, Georgia, Hungary, Latvia, Lithuania, Moldova, Romania, Slovakia, Slovenia, Turkey and Ukraine) have signed the project document. The project aims to facilitate the structural adjustment of the fishery sector in participating countries by providing marketing information and managerial expertise, particularly in the field of business procedures and in the preparation of investment proposals, feasibility studies and business plans according to the requirements of financing institutions.

34. The project provides technical advice and training oriented to aquaculture production and fish processing with particular emphasis on improved quality and introduction of quality assurance mechanisms, and assists the industry in participating countries with the preparation of investment

profiles, promotion of joint ventures and export production. EASTFISH is publishing and distributing a series of periodicals including the new bimonthly "EASTFISH Magazine" in English and Russian.

35. The first phase of the project is financed until June 1999. However funding for a second phase will be required in order to ensure consolidation of its activities and results before their integration into an independent Eastern European institution.

36. FAO, through its Technical Co-operation Programme (TCP) is also assisting in the establishment of INFOYU, which will comprise a network of fish market information, advisory and trade promotion centres in China. FAO is providing assistance in establishing the headquarters of INFOYU as an independent institution in Beijing and the first two provincial centres in Shanghai and Guandong. It is intended that INFOYU become part of the Network of Regional Fish Marketing Information and Technical Advisory Services.

37. With regard to the regional services now established and operating as independent intergovernmental organizations (INFOFISH, INFOPECHE, INFOPESCA and INFOSAMAK), GLOBEFISH still cooperates closely and participates jointly in trade promotion activities, commodity conferences and in the collection and processing of data for the preparation of longer term projections and trend analysis, and in market research and development. The regional services have, to all intents and purposes, taken over from FAO the responsibility for provision of day to day marketing and price information to governments and industry in their regions.

38. The regional services continue to collaborate closely with the Fisheries Industries Division of the FAO Fisheries Department in the provision of training and the dissemination of information on quality assurance issues, including the introduction of new regulations and the HACCP methodology which must be introduced in countries wishing to export to major world markets. This is in addition to prior training to introduce the basic concepts of good manufacturing practices and in-plant hygiene and salubrity.

39. It is considered likely that there will, in future, be an expansion in science based regulations affecting trade in the areas of environmental protection, biotechnology, sanitary/phytosanitary control. This will have important implications in developing countries trying to move to higher value processed products, where growth is, instead of exporting bulk commodities since, in addition to higher tariffs, processed products invariably face more stringent standards which developing countries will have to meet in order to benefit from this growth sector.

40. Greater trade liberalization could, in addition, expose both producers and consumers in both the developed and the developing countries to world price fluctuations. This together with the growing complexity of commodity markets will expand the need for ongoing analysis of emerging situations and advice in trade related policies for agro-industries, particularly in view of a declining role of public administration in such issues.

41. The consequential impact on FAO may be that it will need to strengthen its trade support activities and commodity analysis capacity in the fisheries sector, given that no other organization has the range of technical skills and in-house access to expertise in all related disciplines, together with a regional and in-country network of technical and policy staff, comprehensive statistics and a global mandate for carrying out impartial analysis of such complex issues.

ACTIVITIES BY WTO AND OTHER INTERNATIONAL ORGANIZATIONS WITH REGARD TO FISHERY PRODUCTS

42. In June 1997, the United Nations Environment Programme (UNEP) organized jointly with the World Wildlife Fund (WWF) a workshop on "the role of trade policies in the fishing sector", which

highlighted the distortion of trade due to subsidies. Various papers were presented, and there was general consensus on the negative effects of subsidies on fish resources.

43. Fisheries is a subject of discussion in the Committee on Trade and Environment (CTE) of the World Trade Organization (WTO). COFI:FT/VI/98/4 reviews the activities of this Committee in the field of subsidies.

44. Under the dispute settlement procedure of the WTO, various disputes deal with seafood products. On 8 October 1996, India, Malaysia, Pakistan and Thailand complained against the United States ban on importation of shrimp and shrimp products based on environmental considerations (enforcement of Turtle Excluding Devices on shrimp trawlers). The Philippines placed a similar complaint on 25 October 1996. On 6 April 1998, the WTO panel ruled against the United States ban.

45. On 5 October 1995, Canada complained against Australia's prohibition of imports of salmon from Canada based on a quarantine regulation. On 7 March 1997, a panel was established. On 17 November 1995, the United States joined the Canadian complaint.

46. On 5 August 1997, Chile filed a complaint in respect of a countervailing duty investigation by the United States Department of Commerce against imports of salmon from Chile.

47. In 1995, two panels were established for a complaint by Canada, Peru and Chile with regard to a French Government order laying down the official name and trade description of scallops. The two panels concluded their work, but suspended the proceedings in view of a mutually agreed solution among the parties on 5 July 1996.

SUGGESTED ACTION BY THE SUB-COMMITTEE

48. The Sub-Committee is invited to take note of the information provided and contribute additional experience. It is not requested to engage in a detailed discussion of the document but to provide guidance for future work of FAO in the area of international trade in fishery products, particularly with regard to:

- strengthening the position of developing countries and economies in transition in this trade;
- the need to monitor or promote the use of fishery products in food aid;
- needs for and possible sources of technical and financial assistance for developing exporting countries to meet quality assurance requirements.

The Sub-Committee is also invited to comment on the need to further collect information on the activities of other international bodies in the field of fish trade.

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1 The 1950-1996 series of world fish production has recently been adjusted considerably. Some Chinese species belonging to the mollusc group, formerly expressed on a meat or shelled weight basis, have now been converted to their live weight equivalents in conformity with standard practice.

2 The project being undertaken co-operatively with the University of Florida and Florida Sea Grant Program, United States, through the FAO Partnership Program with Academic Institution.