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Report of the

SALTED FISH MISSION TO LATIN AMERICA

February 3-17, 1979



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of Canada

Gouvernement
du Canada

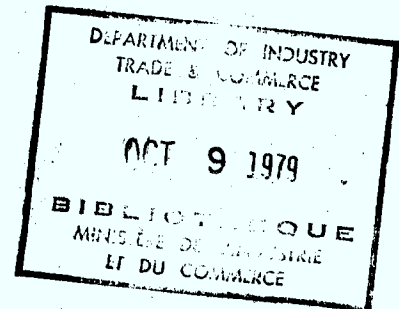
Industry, Trade
and Commerce

Industrie
et Commerce

Report of the Salted Fish Mission
to Latin America

February 3-17, 1979

Prepared by
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Agriculture, Fisheries and Food Products Branch

Fisheries and Fish Products Division

Ottawa, Ontario K1A 0H5

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FOREWORD

The effective management since January, 1977, of Canada's 200-mile fishing zone, including control over foreign fishing activities, has resulted in greatly increased domestic catches, particularly of cod. In anticipation that significant amounts of the additional catches will be salted, it was considered essential to explore potential markets.

Prior to the major shift 25 years ago from salt fish production to more remunerative frozen production, Brazil and other Latin American countries were major markets for Canada's dried, salted cod and related species. The return of Canadian supplies of dried, salted fish on the market is welcomed by Latin American importers, who are concerned about the decline of European supplies and actual shortages that have occurred in Latin American markets during 1978.

The Mission, jointly sponsored by the Department of Industry, Trade and Commerce and the Department of Fisheries and the Oceans, departed from Canada on February 3, 1979, and over the following two weeks met government officials, importers, distributors and retailers in Caracas, Rio de Janeiro, Sao Paulo, Mexico City and Havana. The following report prepared by the Mission Coordinator contains the principal observations and findings of the Mission members and the Canadian Trade Commissioners in the various territories visited.

SALTED FISH MISSION TO LATIN AMERICA

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In the period 1970-75 Cuba imported from the USSR annually between 30,000 and 50,000 tonnes of frozen blocks of whole dressed cod, hake and mackerel. Small amounts of salt cod were imported from Norway until 1975 and then ceased. Canned sardines and mackerel are imported mainly from Japan: 7,000 tonnes in 1975 and about 3,000 tonnes annually since then.

The Cuban government actively strives to limit hard currency imports of fish products for balance of payments reasons and the activity of the Cuban buying agency in international markets has and continues to be sporadic. Consequently, the size of the market open to Canadian and other hard currency suppliers will be dependent upon a) the shortfall of Cuban non-fish protein supply to total Cuban protein demand; b) the ability of the USSR to meet this shortfall as part of the Cuba/USSR bilateral trade agreement and c) whether the unit price of product is low enough to be competitive at retail level in Cuba.

One potentially optimistic aspect of future developments in Canada/Cuba fish trade is the Cuban interest in receiving allocations to fish off Canada's eastern seaboard. However, it is not anticipated that normal business opportunities will occur for the Canadian fishing industry in the near term.

HAVANA, CUBA

REVIEW OF CUBAN FISHERIES

LANDINGS

The total catch rose from 126,000 tonnes in 1971 to 174,310 in 1975 and 203,996 in 1976; hake accounted respectively for 31.3%, 23.4% and 28.4% of these figures. The total Cuban salt water fish catch in 1978 is reported to have reached 213,000 tonnes, up 15% from the 185,300 tonnes achieved in 1977 (the 1976 catch was some 193,958 tonnes). Thus it would appear that after a setback in 1977 the Cuban industry recovered last year to produce its highest catch ever.

Catches in the Cuban zone totalled some 61,900 tonnes in 1978 of which slightly over 10,500 tonnes were lobster (the majority destined for export). The deepsea and tuna fleets accounted for some 151,200 tonnes of the total catch, up almost 28% from 1977. It was announced that 5,628 tonnes of tuna were captured. Fresh water fish production reportedly was 5,600 tonnes in 1978 up 57% from

1977. The 1976 catches of shrimp, lobster and tuna were 11,100, 10,000 and 8,200 tonnes respectively, compared with 6,600, 6,700 and 9,200 tonnes in 1971.

The FLEET

Cuba is one of the few Latin American countries using long-range refrigerated stern trawlers; these were built in East Germany and Spain. The country's fishing fleet in 1976 comprised 196 ships of 134,144 gross registered tons; in 1977, the deep-sea fleet was reported to include 23 refrigerated trawlers and three factory ships including specialized tuna and shrimp boats.

In 1974, to facilitate its expanding activities, the Cuban fishing fleet (FCP) was split into two Fleets:

- i) the Flota Atunera (the tuna fleet) and
- ii) the Flota Cubana de Pesca

i) The Flota Atunera

The Cubans bought 17 ships in Japan and 4 others in Spain in 1977, specially designed for catching tuna. The Flota Atunera operates in the waters of the Atlantic Ocean from Gibraltar to the Congo River, although some exploratory attempts have been made in the Pacific Ocean. Their annual catch averages 9-10,000 tonnes.

ii) The Flota Cubana de Pesca

In 1962, the USSR sold Cuba five stern trawlers, model SRTR, 50 m. length, 500 DWT. The Cuban government some years ago purchased 26 trawlers from Spain, model TAXBA 96, 106 m. length, valued at some \$220 million. Also from Spain, the FCP has acquired 2 TAXBA 95's and 2 TAXBA 67's. From the Democratic Republic of Germany they also purchased 5 vessels, model Atlantic. The FCP operates one fleet tanker and four conveyors of 6,000 DWT each. This year they have added two new conveyors from Japan (of 8 contracted for). This support fleet received the catches from the fishing vessels themselves, thus allowing the fishing vessels to remain longer at sea.

The FCP's primary fishing areas in the past have included:

- i) Canada - where they captured 30,000 tonnes of fish in 1976 (mackerel, redfish and codfish). Catch allocations to Cuba in 1978 were in tonnes: Cod 3,225, redfish 3,130, silver hake 10,300, Argentine 1,820

- ii) Peru - 50,000 tonnes in 1976.
- iii) South Africa - 54,000 tonnes in 1976.

Inshore fishermen gather a substantial shellfish catch, and are equipped with locally-built ferro-cement boats that are beginning to be exported. The Cuban shipbuilding industry is on a small scale with nine yards producing annually about 60 ships up to 33 meters in length. The first Cuban-built shrimp boat was launched in 1973. The fishing fleet is beginning to be re-equipped in Cuban yards. Government plans require 768 fishing vessels of various types to be built between 1976 and 1980.

Fish processing is flourishing, and rapid expansion is taking place in both canning and freezing facilities, which are concentrated in Havana. Cold storage facilities with capacity for 12,000 tonnes of fish extend over 15,000 square meters of the city's port area and they include a 10,000-tonnes-a-year Soviet-designed refrigeration plant; an ice-making plant is shortly to be commissioned there along with a floating dock to repair vessels of up to 2,000 tonnes. A domestic fishmeal industry is being developed, employing plant purchased from Denmark. Tuna and lobster are the chief species canned, and shellfish is the main type frozen.

REVIEW OF CUBAN FISHERIES TRADE

EXPORTS

A strong growth in fish exports is one of the prime targets of the annual plans which have superseded the 1976-80 Development Plan. Export earnings* from fishing in 1977 are estimated at US \$85 million, against US \$70 million in 1976, US \$63 million in 1975 and US \$22 million in 1971. It has been reported that Cuban fish exports including soft currency transactions in 1978 topped US \$145 million (based on US \$1.46 = 1 Cuban Peso). At this time there is no detailed breakdown available between types of exports and/or countries of destination. There are, however, available a selection of partial statistics from several of the other western missions in Havana which serve to give an indication of basic trends for Cuban fish product exports in 1978. Japan in 1978 appears to have been the largest single hard currency market by value for Cuban fisheries products. By the end of September some US \$24.9 million worth had been shipped up from US \$10.5 million during the same period in 1977 (in fact total 1977 sales to Japan reached only US \$29.4 million--a figures which should easily be exceeded in 1978).

* Hard currency

Insofar as Canadian purchases are concerned, Cuban exports of fishery products were as follows (in thousand Canadian dollars):

	<u>1978</u>	<u>1977</u>
sea fish, fresh or frozen NES	\$ 5	4
tuna, canned, NES	680	41
lobster, fresh or frozen	10,428	13,687
shrimps and prawns, fresh or frozen	7,409	7,676
shellfish, fresh or frozen NES	81	58
Total	<u>\$18,603</u>	<u>21,466</u>

Source: Statistics Canada

Cuban export data include fish traded to other COMECON countries under various bilateral trade agreements, e.g., fish to Bulgaria in return for canned fruit and vegetables. The majority of Cuba's seafood production (lobster and shrimp) is directed to hard currency markets, e.g. EEC and Canada. Because they are key hard currency earners only limited quantities of these expensive products are supplied to COMECON partners and even less is consumed in Cuba, where they are seldom available even for tourists.

In future, Cuba's export earnings from fishery products will increase as a result of value added content to the product before it leaves Cuba.

IMPORTS

In the period 1970-1975, the USSR supplied an average of 88 percent of Cuba's requirements of fishery products. In that period imports ranged between 30,000 and 50,000 tonnes valued at US \$20 million and US \$50 million. Soviet supplies were entirely on a barter basis in return for Cuban sugar. Fish imports were mainly in the form of frozen blocks of whole dressed. Cod, hake and mackerel were the principal species.

In 1975, 7,000 tonnes of canned fish were imported. During the subsequent three years imports did not exceed 3,000 tonnes per year. As a general rule canned fish imports comprise 60 percent sardines and 40 percent mackerel. A Cuban government official stated that 1,000 tonnes of sardines in tomato sauce were recently imported from Japan.

The last salted cod imported was in 1975 from Norway: since then Cuba has not been able to accept prices being charged. The Cuban government actively strives to limit hard currency imports of fish products for balance of payments reasons and, consequently, their activity in international markets has and continues to be sporadic.

Small quantities of finished specialty fish products are imported annually for the use of Cuba's tourist industry.

Canadian figures indicate an increasing trend in Canadian imports from \$2 million in 1970 to almost \$21.5 million in 1977. For the first half of 1978 Canadian imports have only slightly exceeded \$7.5 million which indicates that the total for the year may fall short of 1977's total.

Since 1970 Cuba has been an uncertain market for exports (not including re-exports) of Canadian fisheries products. Limited sales have occurred in 1970 (Cdn. \$66,000 of frozen shrimps and prawns), 1973 (Cdn. \$129,000 of miscellaneous canned fish products and Cdn. \$461,000 of lobster meat), 1975 (Cdn. \$53,000 of miscellaneous canned fish products) and the first half of 1978 (Cdn. \$1,476,118 of lobster)². In the case of the lobster exports in 1973 and 1978 these are likely a result of the Cuban practice of maintaining substantial stocks in Montreal, which, when required, are returned to Cuba for distribution to other markets, but show up in Canadian statistics as exports to Cuba.

It appears unlikely that the nature of the Cuban market for Canadian fisheries exports will change drastically in the near future. It is probable that fish will continue to be a "buffer" between domestic demand for protein and available supplies of protein in the form of beef, pork, poultry and eggs at least until the early 1980's. Where possible, Cuba will undoubtedly attempt to secure as much of its annual fish needs from the USSR as part of the Cuba/USSR bilateral trade agreements since this approach serves to reduce, if not eliminate, the need for hard currency expenditures. Consequently, the size of the annual market open to Canadian suppliers (as well as other hard currency suppliers) will be dependent on (a) the shortfall of Cuban non-fish protein supply to total Cuban protein demand, and (b) the ability of the USSR to meet this shortfall from their own catches.

One potentially optimistic aspect for future developments in Canada/Cuba fish trade is the Cuban interest in receiving allocations to fish off Canada's eastern seaboard. In order to meet Canadian requirements for commensurate benefits the Cubans have offered to buy up Canadian \$1 million of fish from Canada in 1979.

² Source: Statistics Canada

INTERNATIONAL RELATIONS

Early in 1977, Cuba extended its territorial waters from three to 12 nautical miles and established a 200-mile exclusive maritime zone; at the same time it announced its readiness to conduct two-way negotiations with neighbouring countries encountering difficulties because of the change. The USA, of course, was particularly affected; it had enlarged its own fisheries zone with effect from March 1977. On 28th April 1977 the two countries signed an agreement establishing a demarcation line between their fishing areas, allowing Cuban boats to visit US ports for equipment, supplies and repairs, permitting their vessels limited access to each other's zones, and providing for collaboration in sea-fishing research. They signed a further agreement in December 1977 delineating their maritime boundaries. Cuba has recently concluded fishing agreements with Canada, Mexico and Angola and may be expected to negotiate more, to permit the continuing use of traditional grounds in view of the worldwide trend towards the stricter enforcement and extensions of fishing limits.

THE CUBAN MARKET

CONSUMPTION

The government has been encouraging Cubans to eat fish and as a result the young people have come to like fish, which has helped to create a consumption rate of approximately 10.9 kg per capita, i.e., 10 million Cubans ate 109,000 tonnes of fish in 1978. The predominant species consumed is hake. Sardines are a popular product. Red snapper, grouper and squid are growing in popularity.

90 percent of Havana homes have modern refrigerators. However, fish is usually purchased on the day it is consumed. The improving infrastructure in Cuba is opening up a frozen fish trade. Institutions, tourist hotels and schools will require increased quantities of frozen fish. The chief government buyer would see Cuba eventually consuming the majority of fish in fresh and frozen forms. 300 fish stores in Havana carry frozen fillets and ready to cook items.

POPULATION AND INCOME

The population of Cuba is 10,000,000. The five large population centres are:

Havana	2,000,000
Santiago de Cuba	500,000
Camaguey	300,000
Holguim	150,000
Cienfuegos	90,000

The government of Cuba is not improving Havana purposely to let other centres and rural areas to build up.

The average wage of Cuban workers is Cdn. \$1.00 per hour and about Cdn. \$200.00 per month.

The number of Cubans employed in the fishery industry in 1978 was 18,000, a decrease of 2,000 from 1976.

GENERAL MARKET CONDITIONS

The range of food products available to Cubans is limited: there are recurring shortages of meat and poultry. Fish is not a rationed item and is expected to increase in consumption from 10.9 to 15 kg per capita in the near term. The variations of fish products available are limited. During February the products observed in typical stores included smoked fish steaks, whole eviscerated mackerel, capelin, a tropical species and small ocean perch.

Infrastructure to handle fish is excellent. The numerous fish stores have adequate counter space and backup freezer holding units.

Exportadoro del Caribe, the exclusive buying agency for fishery products are interested in importing Canadian fish, provided however that this constitutes a source of cheap protein. The cost of imported fish products has to be low enough to meet local purchasing power. Typical items that could be priced to meet the requirements of Exportadoro del Caribe relative to price and suitability for domestic consumption are as follows:

- a) whole frozen or dressed hake, mackerel, herring,
- b) canned sardines, mackerel, herring in tomato or oil,
- c) blocks of minced cod or other for Cuba's fish cake production,
- d) dry salt fish, 38-40% moisture, including hake, cusk, pollock,
- e) fish meal (Cuba uses 40,000 tonnes per year).

The Cubans would like a commitment to supply to be spread out over a year. The signing of contracts is subject to the availability of money in the Cuban budget rather than on the time of product availability. The Cubans are forced to measure all quotes against the price of poultry and domestic need for protein, as well as strength of the budget. Also, Exportadoro del Caribe would like to accumulate boat load volumes for pick-up FOB Cuban freighter.

MARKET OUTLOOK - BRAZIL

Brazilians are traditionally eaters of dried salted fish, particularly of cod, which is a national dish. Although Brazil imported between 21,000 and 36,000 tonnes of salted cod and related species annually in the period of 1960-68, rising prices reduced effective demand by 1977 to 15,400 tons of which just over 50% was dried salted cod.

Restoration of former levels of demand for salted codfish is now foreseen as presented in the following table of imports:

<u>Brazilian Imports of Salted Cod</u>	<u>Tonnes</u>
Dried 1976	8,400
" 1977	7,600
" 1978 estimated	8,000
" 1981 forecast	10,000
" 1985 forecast	15,000
Wet 1985 forecast	7,000

The above forecast is based partly on extensive discussions with Brazilian importers and partly on the following assumptions: a) gradual removal (completed by 1983) of the 100% deposit in the Central Bank for one year of the invoice value of shipments, which should decrease wholesale prices; b) favorable exchange rate for Canada; c) displacement of salted ling and d) active market promotion for increased Canadian supply.

BRAZIL

Rio de Janeiro and Sao Paulo.

DOMESTIC FISHERIES

The Brazilian fishery industry is going through a period of expansion. Between 1971 and 1976 catches increased at an average annual rate of 10 percent, reaching 1,000,000 tonnes in 1977, about 13 percent of the total South American catch. The increased landings were of sardine fish, white croakers and Patagonian hake.

It is estimated (by FAO) that Brazil's 8,000 km coastline could produce an annual catch of 2,000,000 tonnes. It is with this potential in view that the government created the agency SUDEPE to provide incentives for investment in fishing, fish processing and marketing. SUDEPE also has the the responsibility for conservation of stocks and issuance of fishing licences within the 200-mile limit claim.

In the current decade a number of small filleting and freezing plants were established and processed output reached 200,000 tonnes in 1976. Industry expansion is hindered by poor distribution methods and the continued dependence on old and small fishing vessels which are uneconomic.

Exports of fish consist mainly of lobster, shrimp and catfish to the United States. In 1977, lobster and shrimp exports were 2,797 tonnes valued at U.S. \$30.6 million compared to 2,353 tonnes valued at U.S. \$26.9 million in 1976. Statistics on imports of fish are poorly detailed. In 1976, imports of all fish products amounted to 60,000 tonnes having an estimated value of Canadian \$60 million. Currently the bulk of fishery imports consist of dried salted cod, ling, saithe from Norway and Patagonian hake from Argentina.

IMPORTS OF SALTED FISH

There is a comparatively large potential market in Brazil for salted codfish and related species. The market is now being supplied by Norway (90% in 1977), Finland, Iceland and Canada. Canadian exports are consumed in Northern Brazil. The main Norwegian supply consists of ling (a species distinct from cod) and is generally accepted by consumers and some retailers as true bacalhau, i.e. salted codfish.

The volume of Brazilian imports of salted fish has declined significantly from 25,500 tonnes, valued at U.S. \$41.1 million in 1975 to 15,400 tonnes, valued at U.S. \$33.2 million in 1977. (See table). Although domestic fish supplies have increased, this is not considered one of the significant causes for decline in salted fish imports. The principal causes for decline in salted fish imports are as follows:

- (a) As a result of decreased catches, Spain has ceased to be a supplier of quality salted fish at prices attractive to Brazil. Imports from Spain dropped from 5,310 tonnes in 1975 to 175 tonnes in 1977. Owing to strong markets elsewhere, Canadian exporters of salted fish have not responded to demand in Southern Brazil.
- (b) The average CIF value of imports of all species of salted fish has increased from U.S. \$1,600 in 1975 to U.S. \$2,330 per tonne in 1978 for imports from Norway. These high prices have been further affected by the Brazilian government requirement that 100 percent of invoice value of shipments be deposited in Central Bank interest free for one year.

Canadian Imperial Bank of Commerce
Representative Office
Sao Paulo

BRAZILIAN IMPORTS
Salted Codfish, Ling & Cusk

Country	1975		1976		1977		1978 (*)	
	Kg	US\$ FOB	Kg	US\$ FOB	Kg	US\$ FOB	Kg	US\$ FOB
Canada	138.527	213.096	645.231	733.985	396.000	642.928	216.000	415.720
Denmark	10.000	31.574	2.500	6.307				
France			2.500	2.836				
Iceland	1.307.775	1.810.222	2.283.875	2.563.048	719.750	1.078.153	597.000	1.043.232
Norway	17.978.752	32.534.583	14.056.275	24.112.683	14.130.950	31.202.746	5.976.600	13.821.358
Portugal							4.200	10.480
Spain	5.310.172	6.515.744	1.760.475	2.093.064	165.200	236.970		
U. Kingdom								
U.S.A.	12.500	21.250						
W. Germany	60.000	14.332	206.00	12.832				

(*) - From January to April only

- (c) Since the mid-1970's there have been shortages of supply on the Brazilian market.
- (d) Owing to government policy to obtain a reasonable balance of payments between imports and exports, it is difficult for importers to obtain licences to import their full requirements of salted cod even though salted cod is not ostensibly part of the concern about balance of trade in fish.

IMPORTS OF BACALHAU* IN 1978 BY SAO PAULO IMPORTERS

		U.S. \$'000	
	Tonnes	C&F	U.S. \$/kg
Iceland	115	227.4	1.97
Norway	7.101	16.546.9	2.33
Portugal	229	571.4	2.49

SOURCE: Canadian Consulate, Sao Paulo.

*Bacalhau is the term for dry salted cod, but in Brazil it applies also to ling, cusk and saithe.

A government regulation has required an import licence for every purchase by importers and a one-year deposit of 100 percent of the value of the invoice value, which is a significant cost factor to be passed on to the consumer. Recently the Brazilian government has announced the reduction of the deposit requirement to 90 percent in 1979 and a further reduction by 10 percent every six months thereafter until the deposit requirement is eliminated in 1983. It is anticipated by Sao Paulo importers that the removal of the deposit requirement will appreciably moderate prices at retail level and thereby enhance consumption.

Consumption Outlook

Fish consumption per capita is approximately 8.4 kg. However, fish consumption has been growing as a result of increased domestic catch of edible species which are canned for domestic consumption. Also, there is a growing institutional business which uses whiting and hake fillets from Argentina.

The Wholesale Grocers Association of Brazil is well organized and are determined to become direct importers of dried salted fish to meet anticipated increased consumption.

Brazilian importers maintain that it is unlikely that Brazilians will break the custom to eat salted codfish and related species during the two peak seasons of Lent and Christmas. Whereas Brazilians consumed between 21,000 and 36,000 tonnes of imported dried salted cod and related species annually during the 1960's it is now considered a middle-class food and a feast for the poor on rare occasions. The official rate of inflation is 40 percent for the past year and the price level of all foods has increased 50 percent.

Brazilian imports of dried salted cod (excluding ling and related species) amounted to approximately 7,500 tonnes in 1976 and 1977 and in excess of 8,000 tonnes (estimated) in 1978. Given the gradual removal of the 100% deposit scheme, the demand for imports of dried salted cod should reach 15,000 tonnes by 1985. Additionally it is anticipated that there will be a requirement for 7,000 tonnes of wet salted cod by 1985.

PRODUCT SPECIFICATION

Northern Brazil requires the traditional Atlantic Canadian pack of dried salted cod and related species and there is a tolerance for small sizes of fish. Southern Brazil demands large and extra large fish (1200-1800gr) dried to 38% or drier according to cura corrente or the Norwegian cure, which requires that the fish be naped (to ensure whiteness) and absence of blood stains.

In discussions between Brazilian importers and members of the Fishery Products Mission, the Canadian side emphasized the decline in the incidence of large fish from heavily fished stocks. The Brazilian side responded favourably to accepting a proportion of smaller fish in consignments that contain large fish.

STRATEGY FOR EXPORTERS

It is recommended that prospective Canadian exporters of salted codfish to Brazil employ a local agent to expedite shipments and product acceptance. To import codfish a Brazilian has to do the following to open a Letter of Credit:

- 1) Obtain an import license for which he has to deposit with Banco do Brasil 90% of the FOB value of the import (Resolution 354 was originally 100% of FOB value).

- 2) Deposit 100% of the value of the Letter of Credit with Banco do Brasil (GECAM 312). This deposit is returned to the importer when the Letter of Credit is paid.
- 3) Have, of course, in his current account the necessary funds to open the Letter of Credit or ask the bank for a loan.

Obviously an importer will need, to start with, 300% of the value he is going to import in order to open a Letter of Credit. In what concerns the mandatory deposit to obtain the import license, according to a government resolution dated January 25, 1979, this deposit will be phased out until June, 1983 at a rate of 10% every half year (June 79 - 90%; December 79 - 80% etc.).

Since codfish imports have to be made under a L/C documents are not sent on a collection basis, although usual documentation is included. When the Letter of Credit is open, one of the stipulations will be that payment is effected but 20% of the value of the shipment is retained and can only be paid after the merchandise is accepted by the importer. The acceptance by the importer requires the approval of the merchandise by an inspector which the importer is required to name in the L/C. It may be curious to note that for the importer to stop the payment of the 20% retained, he will have to present a report on the quality of the merchandise within 20 days of the arrival at the port of destination.

Another requirement will be a sanitary certificate issued by an official department of the country of origin.

There is no Brazilian tariff on dried salted cod and related species which are known in Brazil as "bacalhau".

MARKET OUTLOOK - VENEZUELA

The population of Portuguese, Spanish and Italian origin account for most fish consumption. Imports of dried salted fish amounted to 1,140 tonnes in 1977, compared to 831 tonnes in 1976 and 445 tonnes in 1975. 1978 imports of dried salted fish are estimated at the 1977 level.

In recent years Venezuelan imports of salted cod have originated almost exclusively from Norway as presented in the following table:

Venezuelan Imports of Salted Cod from Norway

<u>Year</u>	<u>Tonnes</u>	<u>Can \$'000</u>
1975 dried	445	878
1976 dried	831	1,998
1976 wet	100	199
1977 dried	1,140	3,084
1977 wet	100	206

Source: Official Statistics of Norway

The new government of Venezuela, which took office in March 1979, has promised to restrain food imports. The temporary suspension of the tariff on cod products, which came into effect on July 14, 1978, was not renewed after the expiry date, April 30, 1979. Just prior to that expiry, Canada entered the Venezuela market with 56 tonnes of dried salted cod valued at Cdn \$150,000. Given the present climate of restraint the Venezuelan market for dried salted fish has limited potential for Canadian exporters.

In the forecast below it is assumed that Venezuelan requirements of dried salted cod will remain close to the current level and on the basis that special ad hoc tariff suspensions will be granted for dried salted cod intended for further drying or skinning. The forecast also reflects an opportunity that exists for Canadian exports of wet salted and frozen, dressed whole cod for further processing.

Forecast of Total Cod Requirements by Venezuela

<u>Product</u>	<u>1979</u>	<u>1985</u>
Dried salted	1,000	1,200
Wet salted	100	500
Frozen, dried, whole	400	1,000

CARACAS, VENEZUELA

REVIEW OF FISHERIESTHE RESOURCE

Venezuelan waters are relatively poor in fish stocks. Commercial fishing takes place along the eastern coastal shelf which is 50 miles wide and 350 feet deep; a narrow shelf on the northern coast; and the Gulf of Maracaibo. Serious depletion of stocks in all three areas has resulted from over-fishing. Large catches of shrimp of former years in the northwestern waters have diminished and the large schools of sardine-type species have made irregular appearances in diminished numbers during the 1970s.

CATCHES

Landings of sardines, shrimp, tuna, groundfish and other shellfish (in descending order of importance) increased from 138,900 tonnes in 1971 to 162,400 in 1973 and decreased to 145,727 tonnes in 1976. Estimates for the last two years place the total catch around the 1976 level.

The majority of landings undergo some form of processing, i.e., the canning of sardines and tuna, freezing of shrimps and salting of 20 percent of the domestic caught species for consumers in the interior.

There is a freshwater catch of approximately 5,000 tonnes harvested, principally from the Orinoco system, and which is popular among domestic consumers.

THE VENEZUELAN MARKETPOPULATION & GEOGRAPHY

Located at the northern tip of South America, Venezuela is 352,150 square miles in area with 1,750 miles of northern coastline along the Caribbean Sea. The country shares borders with Colombia on the west, Brazil on the south and Guyana on the east.

Climatic zones correspond to the topographical divisions: hot and humid on the coast, cool in the mountains and tropical in the central plains and jungle.

Venezuelan time is one hour ahead of eastern standard time. Therefore, when it is 9:00 a.m. (EST) in Ottawa, it is 10:00 a.m. in Caracas.

The population is estimated at about 12 million.

Caracas, the capital, is the commercial and political centre of the country with a population of 2.5 million. Other major cities include:

<u>City</u>	<u>Population</u>
Maracaibo	780,000
Barquisimeto	390,000
Valencia	325,000
Maracay	225,000
San Cristobal	200,000
Cabimas	181,000

Principal seaports include La Guaira (near Caracas), Puerto Cabello, Maracaibo, Puerto La Cruz, Puerto Cardon, Puerto Ordaz, Carupano, Guanta and Ciudad Bolivar.

DISTRIBUTION

Distribution methods could be more efficient. The prices of many products are inflated as a result of extra intermediaries between manufacturers or distributors and retailers. With the exception of Caracas and Maracaibo, cities and towns are relatively small marketing areas. There is a shortage of public and private refrigeration, which is a hindrance to the movement of perishables. Government owned refrigeration capacity is limited to 50,000 cubic feet. Given the upsurge in food imports, this problem poses to be a trade barrier.

AGENTS AND REPRESENTATIVES

Commission agents should be selected carefully. Good agents are not only skillful salesmen, they are able to select solvent customers. In some cases, distributors should be given preference (check credit status). In any event, it is advisable to consult the Trade Commissioner before appointing agents or representatives.

FISH CONSUMPTION

There is a relatively low level of consumption of fish (estimated less than 5 kg per capita per year) for three reasons:

- a.) sea species are not a traditional regular source of protein for native Venezuelans;

- b.) about half the domestic catch (shrimp, tuna and sardines) is processed and priced high for export, primarily to the United States;
- c.) except for codfish on which tariffs are suspended, high import duties, up to 300%, and non-tariff barriers effectively discourage imports. (See discussion in the following section).

Domestic fish is canned or salted for markets in the interior and imported salted fish is consumed by people of Portuguese (500,000 new emigrants since 1973), Spanish and Italian origins, as well as Venezuelans of higher incomes. The minimum wage is equivalent to Cdn. \$5.00 per day; the average industrial wage is equivalent to Cdn. \$750.00 per month.

PROSPECT FOR CANADIAN SALTED FISH

On July 14, 1978, the Venezuelan Departments of Public Works and Finance suspended until April 30, 1979 the import duties on codfish, fresh and frozen; dried salted or in brine; and smoked, under tariff numbers 03.01 and 03.02. Although this suspension was to have application to cod, other groundfish species in dry salted form, namely, ling, saithe (pollock) and cusk entered Venezuela free. Prior to July 1978, duty suspensions were granted on 95% of salted fish imported, on the basis that further processing was required.

Although tariff suspension was not continued after April 30, 1979, traders in Caracas expect that ad hoc suspensions will take place for the following reasons:

- a.) although the new Government, which took over March 12, 1979, has promised to restrain imports of U.S. \$1.2 billion in 1978 (60% of the Venezuelan food supply), fishery products (Cdn. \$3.6 million in 1975) are a relatively minor item when compared to beef or corn;
- b.) the population of Portuguese, Spanish and Italian origins are expected to continue demand for salt fish. Heavy duties that are passed on to the consumers reduce total consumption.
- c.) Venezuelan processors want seriously to import groundfish (including Canadian cod), not only for salting and drying but also for frozen retail packs which are gaining recognition and acceptance in Caracas and

Venezuelan demand for salted cod and related species is estimated at 1,100 tonnes. In the absence of Venezuelan statistics, this estimate is based on the export data of Norway, virtually the exclusive supplier of salted fish to Venezuela, as follows:

	<u>TONNES</u>	<u>CDN. \$</u>
1975	445	878,000
1976	941	2,251,000
1977	1,240	3,290,000

Venezuelan importers require large sizes of salted fish, i.e. not under 31-40 fish per 50 kg bale. Prospective exporters should do business with a good local agent who will provide information, shipping details, refrigeration and financial arrangements.

TRADE BARRIERS

Following this section is a schedule of Venezuelan import duties on a selected list of fishery products.

Any brand of food product for retail sale must have Venezuelan government registration. This should be done in collaboration with the import agent three to four months in advance of planned shipment.

Venezuelan importers have to obtain an import licence for each contracted shipment.

All product brands must be registered at a cost of 1500 bolivars (Cdn \$4.05) per product and 300 bolivars (Cdn \$81) for the product inspection. If the product is for retail, the exporter must provide in advance, for inspection, three samples or two kilograms each.

Schedule of Venezuelan Import Tariffs
(Subject to amendment - Canadian exporters can verify rates through the
nearest IT&C office)

CHAPTER 3
FISH, CRUSTACEA AND MOLLUSKS

Note of the Chapter:

This Chapter does not include:

- a) Marine mammals (item 01.06) and their meats (items 02.04 or 02.06);
- b) Fish (including livers, roes and milts thereof), crustaceans and mollusks, dead, improper for human consumption because of their nature or their presentation (Chapter 5);
- c) Caviar and its substitutes (item 16.04).

03.01 FRESH FISH (LIVE OR DEAD), REFRIGERATED OR FROZEN.

01.00 Dead fish, fresh, refrigerated or frozen.

		<u>Tariff</u>	
01	Codfish	20	(5)
02	Salmon	20	(5)
99	Others	15	(2)(5)

02.00 For reproduction or industrial breeding

01	Codfish	10	(5)
02	Salmon	20	(5)
99	Others	50	(5)(6)

89.00 Others

01	For ornamentation.. .. .	15	(5)
99	Others	100	(5)

03.02 FISH-DRIED, SALTED OR IN BRINE: SMOKED FISH, INCLUDING
THOSE COOKED PRIOR TO OR IN THE PROCESS OF
SMOKING.

01.00 Dried, salted or in brine

01	Roes, livers and milts	100	(5)
02	Codfish	100	(5)
03	Salmon	20	(5)
04	Sardines.. .. .	300	(5)
05	Merluce	50	(5)
99	Others	50	(5)

Tariff

01	Roes, livers and milts	100	(5)
02	Codfish	100	(5)
03	Salmon	20	(5)
04	Sardines.. .. .	300	(5)
05	Merluce	50	(5)
99	Others	50	(5)

03.00 Fish meal proper for human consumption 100 (5)

03.03 SHELLFISH AND OTHER CRUSTACEA AND MOLLUSKS (INCLUDING THOSE SEPARATED FROM THEIR SHELLS), FRESH (LIVE OR DEAD), REFRIGERATED, FROZEN, DRY, SALTED OR IN BRINE; CRUSTACEA UNPEELED, SIMPLY COOKED IN WATER.

01.00 Fresh or refrigerated

01	Lobsters.. .. .	40	(5)
02	Crawfishes	40	(5)
99	Others	40	(5)

(2) Reserved for the National Governments.

(5) Sanitary Certificate from the Country of origin.

(6) Sanitary Permit from the Ministry of Agriculture and Stock Rearing.

02.00 Frozen

01	Lobsters.. .. .	40	(5)
02	Crawfish.. .. .	40	(5)
99	Others	40	(5)

03.00 Dried, salted or in brine.. .. . 40 (5)

89.00 Others

01	Fish meal for human consumption	40	(5)
99	Others	40	(5)

In 1978, the Mexican economy began to recover from four years of decline. In that period the imports of dried salted groundfish actual and estimated in tonnes appear as follows:

<u>Year</u>	<u>Cod</u>	<u>Ling</u>	<u>Other</u>
1975	150	850	-
1976	400	600 est.	-
1977	464	557	205
1978	180 est.	1,020 est.	-

Imports of dried salted cod declined from 464 tons in 1977 to an estimated 180 tonnes in 1978. Ling imports were greatly increased. The Mexican importers prefer to purchase cod. However, they maintained that cod prices in 1978 were too expensive in relation to ling.

Based on the assumption that the improving Mexican economy due to oil production will lead to growth in demand and that Canadian exporters will be in a better supply position to service this market, due to increased cod landings, a gradual penetration by Canada could take place. Forecasts are for requirements of 2,000 tonnes of dried salted cod and 1,000 tonnes of frozen, whole cod for processing.

MEXICO CITY, MEXICO

REVIEW OF MEXICAN FISHERIES

BACKGROUND

For several decades fisheries activity in Mexico has made a limited contribution towards the economic expansion of the country. Between 1960 and 1975, fisheries output was about 0.1 percent of the Gross National Product. However as a result of increased catches over the past two years the fisheries share of GNP has increased to 0.3 percent. Traditional problems consist of an out-dated and limited fleet, resulting in a low volume catch and high costs of operation.

The FAO estimates that Mexico has a fishing potential of nearly 9 million tonnes a year, but only about 6% of this total is exploited. There are about 200 species, of which shrimp, tuna, mojarra, perch, sardines, oysters, and anchoveta account for the bulk of the catch. The main obstacles to better development of resources have been identified as lack of an adequate and up-to-date infrastructure, insufficient finance and research, as well as deficient information and technical assistance.

Government Intervention

The Department of Fisheries was formed in early 1977 to coordinate the activities of the fishery sector, and controls 27 agencies including Productos Pesqueros Mexicanos (Propemex), a 1971 amalgamation of 22 companies with state participation, which is concerned with fishing, processing, transport and distribution of food fish and retails its products mainly for low-income groups. Apart from Propemex, there are cooperatives, private licensees and self-employed fishermen. The cooperatives, which numbered 442 in 1976, are protected by law and are entitled to fish for the more lucrative species, including shrimp.

The Government emphasized the need for development of the fishery sector in October 1977, when it revealed details of the very ambitious six-year Fishing Development Plan. The Plan foresees investments of some 30,000 million pesos (public and private) during the period, which will create about 113,000 new jobs, raising production from 530,000 tonnes in 1977 to 2.4 million tonnes by 1982, with average annual increases of 29%. Domestic human consumption is to be raised from 230,000 to 890,000 tonnes a year by 1982, with consumption per head rising from 3.7 kg (1976) to 12 kg; it should be added that fish consumption in the federal District was about 8 kg per person in 1976, against 2.9 kg elsewhere. Planned total output for export is to increase from 100,000 to 840,000 tonnes over the period. Infrastructure is to be improved in some 160 communities, at a cost of Cdn. \$200 million, 993 new vessels are to be brought into operation (Cdn. \$595 million) and 424 new processing plants installed (Cdn. \$165 million).

Cdn. \$160 million are to be spent on marketing and transport and Cdn. \$80 million on research and training. Catches are to be diversified to reduce the relative importance of the present most significant species, so that their value will fall from 80.3% of the total to 30.2% by 1982; emphasis will be placed on species such as hake and squid.

Over the next five year the Government favours establishment of 30 joint ventures with international enterprises to increase exports to more than US \$1,000 million annually. Investors from the USA, Spain, Japan and Canada have been encouraged to participate.

Production

Mexican fisheries production in 1978 reached an all time high of 1.5 million metric tons, and it is estimated that production should reach 2.4 million tonnes by 1982, according to the Fisheries Department. Traditionally, fishing activity has centered around a reduced number of species which can clearly be outlined as follows: export products which include shrimp, abalone, tuna and lobster representing an average of 59% of total catch volume; the other 41% represents species destined for the internal market, either for human consumption or for industrial use. In 1972, seven of the 200 species which were exploited commercially (shrimp, sardine, tuna, haddock, oyster, shad and anchovy) represented 62% of total volume catch and 73% of total value. Actually, shrimp represents 54% of total catch; engages 39.2% of the fleet and 90% of vessels over 20 tonnes are dedicated to shrimping activities.

Mexican fisheries production for 1977 (latest available figure) is as follows:

Products	Tonnes	000 Pesos
Total	<u>562,106</u>	<u>4,992,241</u>
For human consumption	278,579	4,751,580
Abalone	2,539	96,226
Clam	4,446	23,955
Anchovy	3,981	8,232
Tuna	18,682	152,648
Barrilete	3,884	28,953
Bonito	2,491	10,754
Shrimp	46,803	2,902,784
Baby Shark	7,536	52,712
Corvina	2,902	25,555
Red Snapper	4,545	109,382
Lobster	1,626	117,582
Mullet	5,174	35,287
Bass	11,319	110,109
Shad	12,353	125,327
Oyster	27,455	123,472

Products	Tonnes	000 Pesos
Octopus	6,188	73,410
Snook	2,185	74,806
Sardine	45,688	49,838
Mackerel	8,193	92,961
Shark	7,973	63,118
Turtle	3,233	12,957
Others	48,843	461,512

Species	Tonnes	000 Pesos
For industrial use	283,527	240,661
Marine Algae	3,839	14,452
Anchovy	140,079	77,082
Abalone Shell	1,980	11,674
Accompanying fauna	13,894	6,177
Fish excluded from packing	15,985	13,696

Species	Tonnes	000 Pesos
Sardine	62,774	53,249
Seaweed	41,746	34,670
Others	3,230	29,661

Source: Mexican Fisheries Department. Conversion: Mex. Peso
\$1.00 is equivalent to 5¢ Cdn.

Exports

Shrimp has constituted the fisheries industry's major exchange earner in the last five years, representing 85% of total exports of approximately 6,250.0 million pesos, with the main customers being the USA and Japan; abalone accounts for 5.7% followed by lobster with 2.7%, and fish fillets with 2.4%. Exports cover a great number of species, but due to lack of continuity of supply from year to year, sales of certain species have dropped considerably, but could be increased with a more vigorous production and marketing policy. Mexico's main fisheries customers are the USA, which absorbed 93.1% of total exports, and Japan with 6.3%. Canada has represented a growing market for Mexican shrimp, shell fish and fisheries products, with exports rising from less than 2 million dollars in 1974 to Cdn. \$8.3 million in 1977.

Imports of Fish & Salted Fish

From 1970 to 1975, imports have remained at the level of 240 million pesos (Cdn. \$12 million) per annum. 80.6% of the total corresponds to fishmeal, 11.2% to fish, shellfish and cured fish, 4.5% to oils from marine animals, and 2.9% to various canned specialties. In 1975 Peru was the principal supplier with 59.7% in value, followed by Chile with 10.0%, Norway with 9.7%, U.S.A. with 9.4%, France 2.1%, and Ecuador 1.8%. In 1975 about 1,000 tonnes of salted fish was imported from Norway, 85 percent of which was ling, 15 percent, cod.

1977 is the first year for which we have a meaningful breakdown of Mexican imports of fishery products as presented in the table below. This shows that 1,116 tonnes of dried salted fish were imported, mainly from Norway, comprised of 454 tonnes of cod, 557 tonnes of ling and 205 tonnes of other groundfish.

MEXICAN IMPORTS OF FISHERY PRODUCTS, 1977

<u>Product</u>	<u>Origin</u>	<u>Tonnes</u>	<u>Cdn. \$'000</u>	<u>\$/Kg.</u>
Dried salted cod	Norway	454	1,346	2.96
Dried salted cod	Spain	10	29	2.90
Dried salted ling	Norway	557	1,473	2.64
Dried salted haddock	Norway	27	58	2.15
Dried salted pollock	Norway	<u>178</u>	<u>363</u>	<u>2.04</u>
Sub-total		1,116	3,269	2.93
Stockfish, cod	Norway	124	637	5.14
Stockfish, pollock	Norway	47	175	3.72
Shrimp, frozen	USA	3,792	19,372	5.11
Shrimp, fresh	USA	126	561	4.45
Shrimp, frozen	Canada	27	55	2.04
Salmon, smoked	Canada	0.6	8	13.33
Sardines	Spain	20	38	1.90
Sardines	USA	163	200	1.23
Sardines	Portugal	30	26	.87
Tuna	Spain	9	36	4.00
Groundfish, frozen	USA	83	171	2.06
Other fish		<u>312</u>	<u>621</u>	1.99
Total		5,850	25,169	

Source: Analysis of statistics of exports of countries of origin.

It is estimated that the volume of Mexican salted fish imports in 1978 was around 1200 Tonnes and was mainly comprised of ling, cusk and saithe and only 15 percent of cod.

Outlook for Salted Fish

The population of Mexico is 60 million distributed in 95 centres of which 16 million persons are located in the Federal District of Mexico City. 50 percent of the population is 15 years and under. In all of Mexico between 10 and 14 million people are considered economically viable; the majority of whom are at the minimum wage level, about \$ Cdn. 200.00 per month. As many as 55 million people eat at the subsistence level.

The Mexican economy is recovering from four years of decline. The price of salted cod is expensive for the vast majority of consumers, although importers expect the market for salted fish to grow from the estimated 1200 tonnes in 1978 to 2000 tonnes in the near term. Between 80-90 percent of saltfish consumption takes place during lent and Christmas and the remainder is consumed throughout the year by affluent people. However, if the retail price could be reduced out of peak seasons below US \$5.00 - 6.00 per pound for skinned and boneless whole salted codfish as in early 1979, importers could move greatly increased quantities on year round basis. (In Mexico "boneless" fish is back bone removed.)

Mexican importers are interested to purchase frozen dressed cod for processing and estimate their requirements are for 1000 tonnes by the mid-1980s.

Tariffs

The Mexican tariff on hard dried salted codfish is 25% of ad valorem invoice. The tariff drops to 10% for semi dried i.e. 38-40 and 42-50 moisture content and all dried salted codfish requiring refrigerated storage can be entered at 10% tariff.

Product Specifications

Mexican importers want to buy boneless whole salt fish, skin on (in the traditional way) for skinning in Mexico.

This is because Mexico is a custom market (skin on, bones in) for further processing in Mexico. However, consumers want skin off but able to identify as bacalau the freshly skinned and deboned fish in the retail store. The mandatory government import permits are easier to obtain if importer is buying fish for further processing, e.g., skinning of salted fish in Mexico.

Preferred moisture content is 38-40 and 42 percent, but 50 percent is not out of the question if the importer has a plant including a drying facility.



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