ANNEX TO THE WORLDWIDE FISHERIES MARKETING STUDY: PROSPECTS TO 1985

ITALY

Government of Canada
Gouvernement du Canada

Fisheries and Oceans
Pêches et Océans

Industry, Trade and Commerce
Industrie et Commerce

Canada. Dept. of Fisheries and Oceans. Fisheries Economic Development & Marketing. Marketing Services Branch.

(This Report is one of a series of country and species annexes to the main study - entitled the Overview).

D R A F T

Annex to the
Worldwide Fisheries Marketing Study:
Prospects to 1985

ITALY [v. 6]

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ACKNOWLEDGEMENT

The preparation of the Worldwide Fisheries Marketing Study, of which this Report is a part, embodies many hours of work not only by the authors but also and more importantly by those who generously provided us with market information and advice.

Specifically, this Report would not have been possible without the cooperation and assistance of fishermen, processors, brokers, wholesalers, distributors, retailers, consumers and their organizations as well as government officials with whom we visited and interviewed. Though too numerous to mention separately, we would like to extend our sincere gratitude and appreciation.

The views expressed in this Study, however, are ours alone and reflect the Canadian perception of worldwide markets.

With regard to the overall Study, we would like to acknowledge:

- the encouragement of G.C. Vernon, Department of Fisheries and Oceans (DFO) and C. Stuart, Department of Industry, Trade and Commerce (IT&C);
- the guidance of the Steering Committee: K. Campbell, Fisheries Council of Canada; R. Bulmer, Canadian Association of Fish Exporters; R. Merner, IT&C; and D. Puccini (and J. John) DFO;
- the liaison work of H. Weiler and G. Gagné, IT&C; K. Dormaar and L. Gagnon, DFO;
- the dedication of the participants from various parts of the industry and government including officers at our diplomatic posts who formed the study teams;
- the analytical expertise and editorial assistance of K. Hay and his staff, Economix International;
- the general assistance within DFO provided by the Marketing Services Branch, the graphical services of the Information Services Branch, and the secretarial services of J. Inson.

To all of the above, we extend our thanks.

E.W.
December, 1979

FOREWORD

As a consequence of global extension of fisheries jurisdictions, a radical shift has taken place in the pattern of worldwide fish supply and demand. This change is still going on and will continue for many years before an equilibrium situation is reached. However, in the midst of this re-adjustment, a new trade pattern is emerging -- some net exporting countries are now importing and vice versa. In the longer term, some countries will experience shortages of supply and others will have a surplus. Fortunately, Canada is amongst the latter group.

The implications for the marketing of Canadian fisheries products arising from the worldwide introduction of the 200-mile limit are extensive. With our vastly improved supply position relative to world demand, government and industry are understandably concerned about ensuring that the bright promise of increased market opportunities are real and can be fulfilled. One of the steps in this process is the publication of the Worldwide Fisheries Marketing Study which assesses the potential on a country and species basis.

Specifically, the purpose of the Study is to identify the short (1981) and longer-term (1985) market opportunities for selected traditional and non-traditional species in existing and prospective markets. In this initial phase, 14 country markets and 8 species groups are analysed. It should be noted that while the information contained in the Reports was up-to-date when collected during March-June 1979, some information may now be dated given the speed with which changes are occurring in the marketplace. In this same vein, the market projections to 1981 and 1985 should be viewed with caution given the present and still evolving re-alignment in the pattern of international fisheries trade, keeping in mind the variability of key factors such as foreign exchange rates, energy costs, bilateral fisheries arrangements and the recently concluded GATT-MTN agreements which have a direct effect on trade flows.

Notwithstanding, the findings contained in these Reports represent an important consolidation of knowledge regarding market potential and implications for improvements in our existing marketing and production practices.

Thus, the results of the Study should usefully serve as a basis for planning fisheries development and marketing activities by both government and industry in order to capitalize on the identified market opportunities.

This draft Report is published for discussion purposes and as such we invite your critical comments.

Ed Wong

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December, 1979
Ottawa

ITALY

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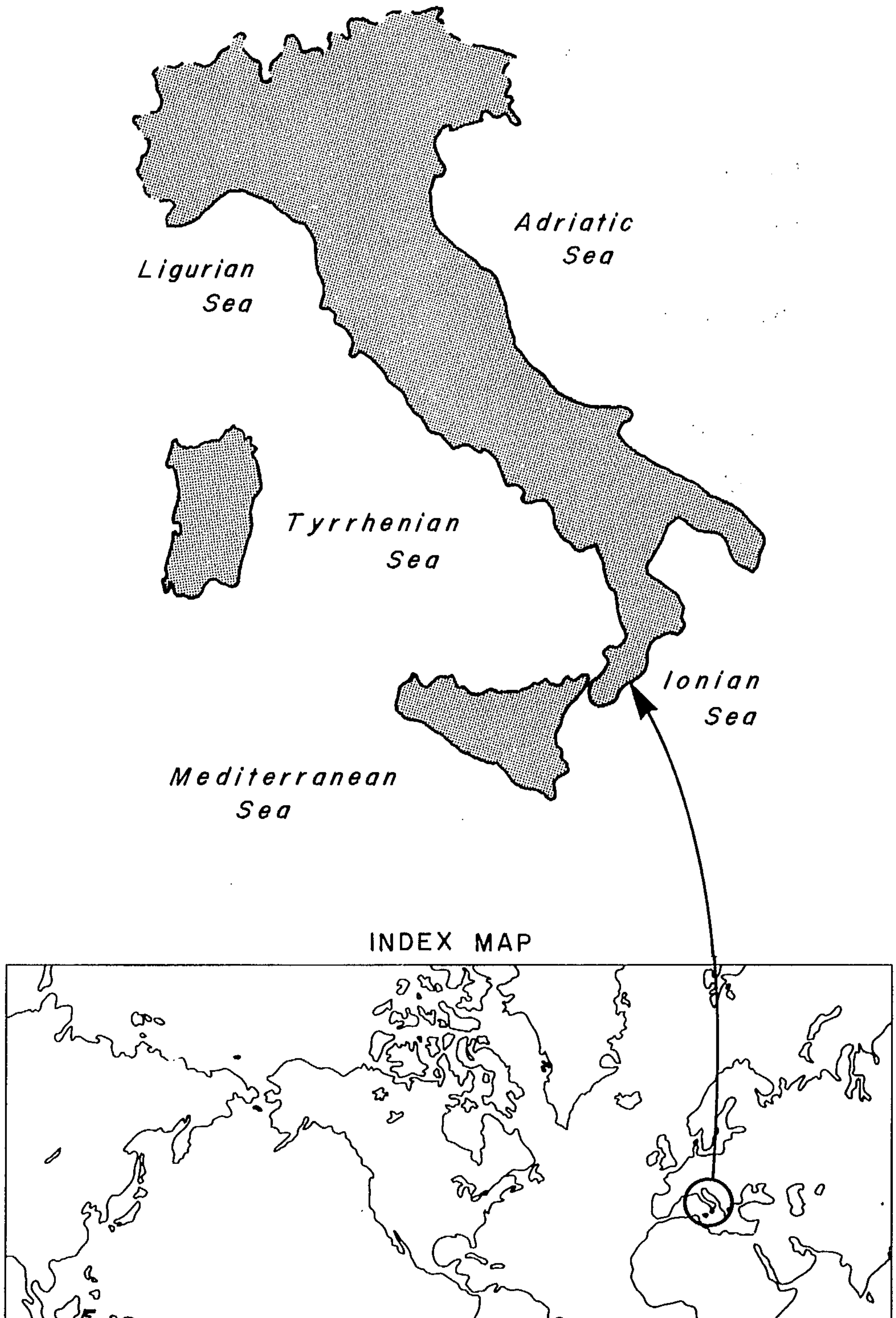
Adriatic Sea
Ligurian Sea
Tyrrhenian Sea
Ionian Sea
Mediterranean Sea
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I. DEMAND

Italy has a tradition of moderate fish consumption. Currently, Italians eat about 12.6 kg per person annually, a little below the average for Western Europe, but then so is Italian individual income. Fresh fish consumption of 7.1 kg per person has not varied much over the past five years, whereas preference for salted and dried fish has increased to 2.1 kg from 1.9 kg between 1976 and 1977.

Fish consumption is changing in mix and there are indications, projected by the FAO in Rome, that per capita levels will reach 14.2 kg by 1985. By then the population will have grown to 59 million and, though fish use may expand, it will depend on factors including personal incomes, relative protein prices, availability of popular species and costs of substitutes for well-accepted favourites.

Fish purchases comprised 3% of average monthly Italian per capita spending on major food items in 1976. Overall individual fish intake each year is divided as follows:

383,000 tonnes	Fresh	(74%)
37,000	Frozen	(7%)
60,000	Canned	(12%)
37,000	Dry and Salted	(7%)
517,000 tonnes		

There are striking regional differences in fish eating habits just as there are regional variations in income distribution. Not only is total consumption at variance, but the species consumed are quite different.

TABLE 1. FAMILY CONSUMPTION: STRUCTURE OF FAMILY EXPENDITURE 1976. MONTHLY PER CAPITA AVERAGES

	North West		North East		Central		South & Islands		Italy	
	V	%	V	%	V	%	V	%	V	%
Total Expenditure	186.92	269	177.16	280	167.07	265	118.09	237	157.09	261
Food	69.47	100	63.28	100	63.28	100	49.91	100*	60.24	100
Bread, Cereals, Derivatives	6.98	10	6.59	10	6.48	10	6.53	13	6.64	11
Meat	21.56	31	18.33	30	20.61	33	13.80	28	18.21	30
Fish	1.16	2	1.19	2	2.23	4	2.58	5	1.87	3
Milk, Cheese, Eggs	8.38	12	8.05	13	6.73	11	6.23	12	7.24	12
Oil, Fat	4.29	6	3.90	6	4.25	7	3.79	8	4.04	7
Potatoes, Veg.,Fruit	8.17	12	7.33	12	7.92	13	7.00	14	7.57	13
Sugar,Coffee,General Foods	3.67	5	3.58	6	2.92	5	2.74	5	3.19	5
Drink	6.18	9	5.30	8	4.75	8	3.65	7	4.86	8
Outside Meals	9.10	13	8.12	13	7.19	11	3.60	7	6.62	11

Value: Canadian Dollars
(Conversion rate - 842 L to Can $)
Percentage of total expenditure on food.

* Do not sum to 100 due to rounding.

SOURCE: Italian Yearbook of Statistics

In the more affluent North, consumers eat imported salmon and other high-value products in quantities similar to consumers in neighbouring countries.

For the time-being growth of QFF fish consumption will occur mostly in northern Italy, touching middle class consumers in central and southern Italy only moderately. Southern Italians, although they eat more fish per capita than in the North, have lower incomes, fewer refrigerators and favour cheap locally-caught fish and imported salted cod.

In general, all Italians prefer to buy "quality" species taken in Mediterranean waters, and there is a marked preference for sole, plaice, hake, red mullet, sea bass, cuttlefish and squid. Close substitutes for these species are acceptable but the housewife will pay a premium for freshness.

As might be expected, the average price of domestic fish is higher than that of imports and fresh fish is more expensive than frozen. According to sample data available, the price differential between fresh and frozen items can easily be one-third of value. Even fish transported rapidly overland from West European seaports and maintained at good quality cannot command the price of locally-landed products.

The Italian preference for fresh products is understandable. A temporate climate, an almost self-sufficient agriculture makes for a year-round supply of a variety of fresh vegetables, meat and fish. Not surprisingly, they have a suspicion of frozen food products so that yearly per capita consumption of 2.2 kg is below that of most other Europeans.

Less than 0.5% of total food production is frozen and of this small percentage about one-third is fish products. However, in recent years, consumers have been prepared to eat frozen-on-board products, which are thawed and sold as fresh and frozen-on-shore fish. The trend is indicative of a stronger interest in all types of frozen food as rising incomes and higher female participation in the labour force sparked demand for convenience foods. In the past eight years, frozen food use has climbed from 33,000 tonnes in 1969 to 133,100 in 1977, an average of 22% annually over the period. Even so, the lack of cold storage facilities in retail stores and household refrigeration, particularly in southern Italy, continue to be barriers to consumer acceptance of frozen products.

But as consumer tastes and incomes change, refrigeration bottlenecks will dissappear. Marketing efforts by the leading processor, the Findus Company, are directed to softening consumer attitudes to frozen fish. Findus, with 80% of the retail frozen food market, keeps a close control over distribution and merchandising of its products. Findus supplies frozen food cabinets to retailers and services them through a system of retailers and wholesale distributors. To maintain tight quality control, products are removed from the frozen food

TABLE 2: RETAIL FROZEN FISH CONSUMPTION IN ITALY

	1973	1974	1975	1976	1977	1978	AVERAGE GROWTH PER ANNUM
MOLLUSCS & CRUSTACEANS (1)	3,600	3,940	4,180	5,560	5,280	5,000	+ 6.9%
CRYOVAC WHOLE FISH (2)	5,930	6,500	9,210	7,440	8,500	8,650	+ 7.8%
FISH FILLETS (3)	5,540	5,270	6,710	7,700	8,080	8,100	+ 7.8%
OTHER FISH PRODUCTS	2,590	2,700	3,240	3,700	3,320	3,150	+ 7.9%
FISH FINGERS (4)	5,290	5,890	6,650	6,600	6,820	7,100	+ 6.1%
TOTAL	22,950	24,300	29,990	31,000	32,000	32,000	+

SOURCE: ITALY'S FROZEN FOOD INSTITUTE

NOTES -

1) Floriatic Sea Clams accounts for about 1/3 of this category - other products are squids, octopus, shrimps, etc.

2) Frozen headed and gutted small hake from South Africa and Dover Sole account the major portion of this category.

3) Frozen fillets comprises I.Q.F. Plaice fillets mostly from Holland - Note that FINDUS is using Cod in their "Filetto di Merluzzo" and advertising this product heavily. Expect to expand this category to a point where Cod will eventually by-pass Plaice as market leader.

cabinets on the pull date and credited to the retailer by Findus.

II SUPPLY

(a) Domestic

Italian fishery production cannot satisfy the demand for fresh and frozen fish. In the last 30 years, Italy's domestic fish supply has declined markedly leading to an increase in imports. Unfavourable factors continue to limit local production which is expected to fall further as mounting demand for fish products is met by increased imports of alternate species. Except for Bluefish-type (anchovy and sardines) and pelagic species the majority of Mediterranean species, though not fully assessed, have little hope for further exploitation till 1985. Indeed some may already be overfished, as on the Italian continental shelf.

In the long term, most pelagic species in the Mediterranean could expand although further expansion will depend largely on improved marketing of these lower-value species. Coastal aquaculture of clams and mussels could be developed if pollution is controlled.

Inland fresh water fisheries and aquaculture activities such as trout and eel farming should also play a stronger role in the future as large investments are being planned. In the short and medium term, fish farming is not expected to provide large surplus supplies as they command high prices and are expensive for the average fish consumer. Moreover, fresh-water species will not replace traditional preference for Mediterranean species.

The Italian distant-water fishery, which once accounted for about 20% of the catch, is also declining in volume as a result of 200-mile fishing jurisdictions abroad. Although agreements are being negotiated, long-term prospects for expansion are limited. In addition, the Italian fishing industry also has difficulty in recruiting and maintaining crews for distant-water vessels. The extension of territorial limits by neighbouring countries, particularly North African states, and limited success in negotiating bilateral agreements has forced the ocean fleet to range ever farther afield during 1977 and 1978. These developments have added to already rising labour and fuel costs.

In recent years, jursidictional problems among European Community members have hampered the Italian fleet. It is already troubled by low productivity caused by over-exploitation of groundfish species in the polluted Mediterranean. While pelagic species have significant development potential, efforts to convert the trawler fleet have proven uneconomical.

Catches of the near-shore and distant water fleets, as displayed on Table 3, have remained at around 420,000

TABLE 3 - CATCHES BY ITALIAN FISHERMEN BY FISHING AREA, 1973-76

('000 m.t. live weight)

Region	1974	1975	1976
Inland waters	17.8	19.1	21.3
N.W. Atlantic	4.7	4.4	7.7
Mediterranean and Black Sea	364.1	352.0	354.5
E. Central Atlantic	37.8	30.2	25.0
S.E. Atlantic	6.9	11.3	11.8
W. Central Atlantic	-	-	-
Total	431.3	417.0	420.3

Source: FAO

tonnes over the past five years. There is now a tendency for the total catch to dwindle.

Within the total catch there have been some obvious shifts in the mix: trout, hake, blue whiting and squid catches have been rising while sardine, anchovy, and miscellaneous fresh-water fish have been falling. Harvests of sea breams, mullets, horse mackerel, tuna, various crustacea, and octopus have displayed little variance until recently. However, data in Table 4 indicate sudden reversals in the catches of Atlantic mackerel, tuna, bogues, pickerels, sea breams, and octopus in 1977.

No attempt has been made to present landing projections because of the difficulty of interpreting Italian fishery development plans. There are particularly problems with respect to forecasting the utilization of the long-range fleet through bilateral agreements which have yet to be concluded with other countries.

(b) Imports

Italy is a net importer of fish, of 250,000 metric tons valued at C$428 million, the bulk was fresh and frozen fish with 37,800 metric tons of dried and salted fish. Imports are expected to grow further so that the trade gap will continue to widen in the years ahead. At this stage, it is impossible to predict how import demand will be affected by Italy's disagreements with other European Community members on a common fish

TABLE 4: FISHERIES PRODUCTION BY MAJOR SPECIES (TONNES)

	1975	1976	1977
Anchovies	49,081	50,131	40,632
SARDINES	42,643	39,879	40,799
CODS, HADDOCKS, HAKES	12,248	13,814	14,679
BOGUES	10,594	11,310	9,814
RED MULLET	8,553	9,933	9,291
HORSE MACKEREL	8,352	8,154	7,927
GREY MULLETS	6,934	6,722	7,333
PICARELS	6,133	6,177	4,822
GOBIES	3,505	4,083	3,787
POUTASSOL, BLUE WHITING	2,357	2,957	3,220
SWORDFISH	2,887	3,217	3,216
SMOOTH MOUNDS	2,328	2,822	2,836
COMMON SOLE	2,462	2,729	2,831
ATLANTIC MACKEREL	3,476	3,344	2,794
SILVERSIDES, SAND SMELTS	3,037	2,992	2,675
SCORPIONFISH	2,685	2,709	2,506
TUNA	4,170	3,502	2,374
RAYS, SKATES	1,942	2,209	1,983
	913	1,243	1,477
EUROPEAN EELS	2,223	2,020	1,798
	905	877	1,103
ANGLERFISH	1,510	1,676	1,616
BONITO	923	918	1,474
SEABREAMS	1,712	1,788	1,239
SARGO BREAMS	1,119	1,298	1,104
EARFISH, NEEDLEFISH	717	589	897
SEA BASS	690	634	863
COMMON DENTEX	611	587	587
LEERFISH	462	531	569
GILTHEAD SEABREAM	479	468	591
CORB, BROWN MEAGRE	394	426	350
DUSKY GROUPER	391	456	332
OTHERS	70,924	75,925	73,456

TABLE 4 (Cont'd)

	1975	1976	1977
CUTTLEFISH	11,366	10,256	10,047
OCTOPUS	8,849	9,029	8,383
MUSSELS	4,374	4,909	4,328
SQUID	4,607	4,256	4,324
CUTTLEFISH, SQUID	2,589	2,909	3,891
CURLED & MUSKY OCTOPUS	2,513	2,401	2,278
OTHERS	55,332	58,871	33,132

CRUSTACEANS

	1975	1976	1977
SHRIMPS	7,418	6,660	6,128
MANTIS SQUID	4,163	4,434	4,713
NORWAY LOBSTER	2,178	2,746	3,492
PRAWNS	1,734	1,611	1,947
LOBSTERS, CRAYFISH	730	757	612
OTHERS	3,367	3,618	3,744
GRAND TOTAL	366,580	378,577	337,799

policy. Italy, worried about sharing its dwindling resources, would prefer bilateral accords to acceptance of EC-determined fishing agreements.

Dried and salted fish imports have been relatively stable since 1974 with no immediate signs of growth. As demand accelerates for convenience frozen fish, consumption of dried and salted fish could decline slightly. Even so a strong tradition stands behind these products and buying habits are not expected to change radically. There are opportunities for introduction of new and more convenient dried and salted fish products. One good example is the growing market for "filettonis" imported from Norway and Spain.

The following breakdown is given for major suppliers, by species:

1. Hake:

A major source of supply comes from Argentina through joint ventures with the Italian distant-water fleet. Atlantic African coastal states also supply hake while other imports come from South Africa, Russia, Bulgaria and Spain. Pacific hake, caught off Chilean waters, is regarded as a good product by importers.

Frozen hake blocks are imported from Argentina. Frozen hake blocks are also processed on board by the Italian distant-water fleet which also operates in our waters. Fresh

TABLE 5: ITALIAN TRADE, SELECTED PRODUCTS

	QUANTITY ('000 tonnes)			VALUE* (Millions Cdn. $)		
IMPORTS	1975	1976	1977	1975	1976	1977
Salmon, fresh/frozen	0.7	0.9	0.7	2.8	4.1	4.7
Eels, fresh/frozen	2.8	2.7	2.4	7.4	6.0	6.7
Tuna dest. for canning	45.1	57.4	55.9	35.1	49.4	76.0
Tuna, other	3.9	6.0	6.8	3.7	6.2	10.0
Shark, fresh/frozen	9.2	8.8	6.2	11.6	12.9	9.4
Cod, fresh/frozen	18.5	7.8	12.5	8.2	3.1	7.1
Cod, fillets, frozen	3.6	3.8	2.9	5.9	6.3	3.5
Herring, dried/salted/brine	0.2	0.3	---	0.3	0.5	0.1
Stockfish	3.8	4.8	4.6	19.6	27.8	26.6
Other Cod, dried/salted/brine	23.9	28.4	28.7	38.2	50.0	62.3
Anchovies, dried/salted/brine	2.9	1.9	2.8	5.3	3.5	6.5
Herring, smoked	1.3	1.4	1.2	2.0	2.0	2.7
Salmon, smoked	0.1	0.1	0.1	1.4	1.7	1.7
Squid, fresh/frozen	15.5	19.5	15.6	10.9	20.3	17.9
Octopus fresh/frozen	7.8	6.1	8.3	6.0	6.0	9.6
Salmon, canned	0.1	0.2	0.3	0.6	0.8	1.2
Sardines, canned	1.9	2.1	1.9	2.9	2.9	3.1
Tuna, canned	2.4	1.9	1.0	5.3	3.8	2.8
Mackerel, canned	4.6	6.5	5.9	6.1	7.4	10.7
Anchovies, canned	0.4	0.5	0.3	1.2	1.3	1.1

* The exchange rate in lire per one Cdn. $ averaged as follows: 642 in 1975, 842 in 1976 and 826 in 1977. The current rate is 700.

TABLE 5: ITALIAN TRADE, SELECTED PRODUCTS (Cont.)

	QUANTITY ('000 tonnes)			VALUE* (millions Cdn. $)		
EXPORTS	1975	1976	1977	1975	1976	1977
Trout, fresh/frozen	3.3	2.3	3.3	5.5	4.6	7.4
Eels, fresh/frozen	0.2	0.3	0.3	0.9	1.4	1.7
Tuna, fresh/frozen	2.1	1.2	0.9	2.9	2.0	2.3
Sardines, fresh/frozen	16.9	19.9	27.9	6.3	6.4	6.8
Cod, fresh/frozen	0.2	0.4	0.4	0.2	0.3	0.5
Anchovies, fresh/frozen	11.0	6.0	3.4	2.9	1.5	1.1
Anchovies, salted	0.4	0.9	0.9	0.4	0.9	1.1
Tuna, canned	2.5	4.0	2.2	4.5	7.0	5.7
Anchovies, canned	0.1	0.5	0.4	0.4	0.8	1.4

* The exchange rate in lire per one Cdn. $ averaged as follows: 642 in 1975, 842 in 1976 and 826 in 1977. The current rate is 700.

SOURCE: ISTAT

TABLE 6: ITALIAN TRADE IN FISH AND FISH PRODUCTS

	QUANTITY ('000 TONNES)			VALUE* (MILLIONS OF $ CAN)		
IMPORTS	1975	1976	1977	1975	1976	1977
Fresh, Frozen fish	172.3	189.4	186.3	184.1	224.3	270.6
Other fish products	4.8	5.4	5.4	5.8	7.8	10.6
Dried,salted fish	33.1	37.0	37.8	68.4	86.3	100.9
Prepared fish products	20.4	23.0	21.1	36.4	37.4	45.7
TOTAL	230.6	254.8	250.6	294.7	355.9	427.8
EXPORTS						
Fresh, frozen fish	81.6	69.8	55.7	40.7	34.2	44.8
Other fish products	0.5	0.6	0.4	0.5	0.5	0.7
Dried, salted fish	0.7	1.3	1.2	0.9	1.7	2.0
Prepared fish products	3.9	5.8	3.9	7.3	10.3	10.2
TOTAL	86.7	77.5	61.2	49.4	46.7	57.7

SOURCE: ISTAT

* The exchahge rate in lire per one Canadian dollar averaged as follows: 642 in 1975, 842 in 1976, and 826 in 1977. The current rate is 700.

hake fillets are imported from Holland, Denmark and Argentina. Frozen skinless hake fillets, pin bone-in black spot removed (whiting), frozen-at-sea are also processed by the Italian fleet, or imported from Argentina packed in 15 lb. cartons.

2. Cod (Gadus)

Often confused with hake, as both are known as "Merluzzi", frozen cod is imported from Germany, Iceland and Norway. Headed and gutted, in small sizes up to 2 kg, cod is packed in 20 kg cartons, hand-packed and straight-cut.

Fresh cod fillets are imported from Holland and Denmark. Frozen cod fillets come from Germany and Norway. Retail packs of 200 g, 300 g, 400 g of cod fillets are taken from cod blocks imports and processed in Italy. Frozen-at-sea blocks are preferred with West Germany, Norway and Iceland as the major sources. Fish fingers and portions are not processed in Italy and are mainly imported from West Germany.

3. Pollock:

Pacific pollock caught by Japanese have a parasite problem and are of no interest to Italy. However, Pacific pollock caught off the cold waters of the Chilean coast do not have this problem.

4. Plaice and Sole:

I.Q.F. fillets and fresh fillets are mainly imported from Holland and Denmark. Small round plaice is available from Mediterranean waters but imports also arrive fresh and frozen from Holland and Denmark. Dover sole is also imported from Holland.

5. Mackerel:

Russia, Poland, Bulgaria are fishing for mackerel in the Atlantic and also buying from British ships. The market price during March was US$430 per tonne, delivered in Italian ports. Canned mackerel is also imported from Japan, apparently at product costs lower than in Canada.

6. Herring:

Silver and golden herring is imported from Holland and is considered a specialty item.

7. Dogfish:

Dogfish is imported from South America, headed and gutted without tails, size 2 kg. Price K.O.B. Montevideo is about US$1,100 per tonne (March 1979).

8. Greenland Turbot/Greenland Halibut:

I.Q.F. fillets from Japan were imported without success as Italians are very reticent about trying new species of fish.

9. Squid:

It appears that 25% of supplies come from the Italian fleet while 75% is supplied through imports. Argentina is an important source but squid are also imported from Bulgaria and Russia including the "illex" variety caught by Russian ships off Sable Islands. In addition supplies are bought on the open market in Los Palmas, Spain. Market price in Las Palmas was US$650 per tonne (March 1979), about 10% less than the Japanese are paying. "Illex" squid may be being traded to the Japanese by Eastern European sellers.

Imported squid are sold frozen for reprocessing, mostly for canning in pure olive oil. "Illex" squids used by one processor proved satisfactory; most canning and processing plants using squids are located in the Asiatic sea. Some frozen squids are re-exported as product of Italy.

10. Salmon:

Smoked salmon is imported from France, the Netherlands, and Denmark (129 tonnes in 1975, 118 tonnes in 1976 and 97 tonnes in 1977). The market has declines because of rising prices but local production could replace a portion of smoked salmon imports.

11. Crabmeat:

Top quality canned crab is imported from Russia while lower grade meat only canned crab comes from Thailand.

12. Cold Water Shrimps (Pandalus borealis):

Italy consumes mostly small shrimps from the African coast which are much lower priced than cold water shirmps.

13. Dried and Salted Fish:

Imports have remained steady since 1974, and it is expected that the market for dried and salted products will remain steady due mainly to strong traditions. Salted codfish imports amounted to 28,700 tonnes in 1977, of which 4,800 tonnes came from Norway, 9,900 from Denmark/Faroes Islands, 3,900 from Spain and 3,600 tonnes from Iceland. Canada's share was 900 tonnes or approximately 0.3%. Canada's imports of dried salted cod are of the Gaspé cured and/or light salted type which is particularly more popular in the South and considered a specialty product.

III. POTENTIAL

Italy is a net importer of fish (1977 imports were 250,000 tonnes valued at C$427.8 million with the prospect that the trade gap will continue to widen in the years ahead. The size of the deficit will depend on:

- worldwide extension of fisheries jurisdiction;
- Italy's ability to gain access to foreign fishing waters;
- the rate of recovery of the over-exploited coastal stocks and polluted waters.

The outlook for the domestic fish industry is not bright in the immediate future. Fresh fish consists mainly of sardines, anchovies, squids and hake type species. The canned fish market is comprised of: 47,000 tonnes of tuna, 8,000 tonnes of sardines

TABLE 7: SALTED CODFISH IMPORTS

	QUANTITY ('000 tonnes)			VALUE* (million Cdn. $)		
	1975	1976	1977	1975	1976	1977
Stockfish	3.8	4.8	4.6	19.6	27.5	26.6
EEC	--	0.1	--	0.1	0.3	--
Iceland	0.4	0.7	0.5	1.6	3.3	2.7
Faero Islands	--	--	--	0.1	--	0.1
Norway	3.4	4.1	4.1	17.7	23.9	23.8
Other Cod, Hakes	23.9	28.1	28.7	38.5	50.1	62.3
Germany	0.5	0.5	0.1	0.9	1.0	0.3
France	0.2	--	0.1	0.3	0.1	0.3
Denmark	3.5	2.8	1.7	5.6	5.0	3.7
EEC	4.2	3.4	1.9	6.9	6.1	4.3
Iceland	2.7	3.7	3.6	4.2	5.8	6.7
Norway	9.5	9.0	9.8	16.7	18.4	24.2
Spain	1.9	4.9	3.9	2.5	8.0	8.6
USSR	0.5	0.4	0.3	0.8	0.5	0.4
Canada	0.4	0.6	0.9	1.4	1.8	2.6
Faero Islands	4.5	6.0	8.2	6.1	9.0	15.4

SOURCE: ISTAT

* The exchange rate in Lire per one Canadian dollar averaged as follows: 642 in 1975, 842 in 1976 and 826 in 1977. The current rate is 700.

TABLE 8: SALMON PRODUCTS IMPORTS

	QUANTITY (TONNES)			VALUE* (THOUSAND Cdn. $)		
	1975	1976	1977	1975	1976	1977
FRESH,CHILLED,FROZEN						
Canada	388.2	550.0	392.0	1,520	2,708	2,393
USA	214.2	160.0	244.7	1,031	831	1,980
Japan	40.0	170.0	18.7	185	570	61
TOTAL	662.1	900.0	694.7	2,783	4,228	4,697
SMOKED						
France	20.6	16.6	22.2	192	210	300
Netherlands	95.2	70.6	39.3	1,109	1,010	783
Denmark	2.8	15.0	23.9	30	215	393
TOTAL	129.6	118.4	97.1	1,428	1,652	1,673
CANNED						
Belgium/Lux.	0.2	0.3	0.6	2	4	11
Netherlands	7.9	9.1	5.6	97	115	70
West Germany	0.2	0.9	0.7	2	19	14
Denmark	1.4	2.4	3.0	11	25	29
Sweden	2.3	2.4	0.8	16	13	17
USSR	25.4	--	11.1	67	--	34
Canada	103.0	153.7	253.8	350	526	952
Japan	--	17.2	10.7	--	52	37
TOTAL	148.3	186.9	309.8	581	766	1,247

SOURCE: ISTAT

* The exchange rate in Lire for one Canadian dollar averaged as follows: 642 in 1975, 842 in 1976 and 826 in 1977. The current rate is 700.

and 5,000 tonnes of anchovies and other canned products, being mostly specialty items.

Consequently, with fresh fish supplies jeopardized and a growing acceptance of convenience frozen products, Italy will need to import greater volumes of fish particularly in frozen form during the 1981-85 period. As incomes rise, there is also move towards more expensive items and away from salted fish, although the existing market volume will be stable. Consumers are price-sensitive, so they will shift between fish and competitive protein products, depending on relative price trends.

The opportunity for Canada to market more fish to Italy is slight to good depending on the species, product forms, quality (such as on-board freezing) and prices. Dried salted cod and various salmon products have dominated Canadian exports to Italy and further potential exists to export these traditional fish products. With market development of non-traditional but locally-known, lower-valued species such as dogfish, hake and mackerel, other opportunities will open up. It will be easier to penetrate the Italian market with raw material rather than processed products, particularly cod. There is little interest in and/or knowledge of other under utilized species but some samples have been requested out of curiosity by importers and brokers.

The following is an analysis by species:

TABLE 9: CANADIAN FISH EXPORTS TO ITALY
(tonnes)

		1977*	1985 (projected)
(a)	salted cod	718	286
	light, 43% moisture	87	100
	light, 43% or less	195	224
	heavy, 44-45%	436	501
(b)	frozen herring		
	butterfly fillets	18	21
(c)	frozen, round salmon	476	547
	chum	43	49
	coho	163	187
	spring	247	284
	unspecified	23	26
(d)	canned salmon	274	315
	chum	17	20
	pink	225	259
	sockeye	10	12
	other	22	25
(e)	canned crabs	1	1

* Source: Extracted from Statistics Canada, Domestic Exports by Commodities and Countries. Cat. 65-004.

1. Hake:

There is much confusion between cod and hake as both are called "Merluzzi". Historically, Italians prefer hake as it is available as a Mediterranean species and therefore better known than cod. It is also a lower-value fish than cod and is one of the more popular species with a very high volume potential.

Frozen hake is in strong demand. Its features include hand-packed, headed and gutted "straight cut" small size up to 2 kg packed in 20 kg cartons, frozen-on-board ship within four hours of catch. The potential for Canadian Pacific hake should be persued. Frozen-at-sea silver hake from the North Atlantic is also one of the better opportunities for Canada.

2. Cod:

Opportunities are limited for exports of Canadian cod blocks and fillets. The demand is for small round cod, headed, gutted, straight-cut but Italian regulations of "Deep Frozen" would be a problem. Price is a factor since cod competes with similar hake products under the umbrella category of "Merluzzi".

Italian distant water fleet are seeking a quota from Canadian authorities on "Northern cod" and have indicated an interest in joint fishing venture with Canadian firms.

3. Pollock:

There is interest in round frozen, gutted and headed under 2 kg. Pollock blocks, and fillets frozen-at-sea are also of interest. Atlantic pollock seems to be of a lesser interest. Like Chilean pollock, Canadian species may be free of parasite problems so that the Italians are potential buyers of pollock caught off the Pacific coast.

4. Plaice and Sole:

Little potential exists for the Canadian product; where possible the precise name of the species should be specified.

5. Mackerel (Scombus):

There is a market in Italy for block frozen whole mackerel hand laid in 10 kg cartons (3 x 10 kg to a master, 4 to 6 pieces per kg). Importers have an interest in obtaining this product from Canadian waters but require it to be frozen-on-board or within four hours after being caught. Mackerel is used extensively by the canning industry, packed in olive oil, and re-exported. It is also used as bait for swordfish fishing.

6. Herring:

There seems to be limited market potential for butterfly fillets or round frozen.

7. Swordfish:

It is a locally-caught species not in abundance. While there may be some opportunities for Canadian exports it is doubtful that price would be competetive with supplies from the U.S. but it is a market which should be investigated further.

8. Dogfish:

There is a strong demand for this product but opportunities are marred by a mercury problem and strict government regulations must be followed. For instance, analysis of 20 pieces out of a shipment of 30 to 50 tonnes must be taken to ensure the product falls below a prescribed maximum tolerance. A complete record of analysis of each piece must be recorded. A certificate "Analysis of Mercury Content and Radio Active" must be filled by an approved laboratory and inspection authorities.

9. Greenland Turbot/Greenland Halibut:

Though Japan failed to penetrate the market with I.Q.F. fillets, consumers may overcome their suspicions of new products. In time the species could make inroads as it fits well with Italian tastes. Opportunities exist for Canadian product but promotion will be needed to get it started.

10. Eels:

It is a tradition to eat eels at Christmas in Italy. There is an important local production but there is still room for imports prior to Christmas. Prices may run as high as US$15.00 per kg for fresh eels but will drop to US$2.00 immediately after Christmas. There is also a potential for frozen eels at that time. Import regulations and tariffs must be checked to avoid marketing difficulties.

11. Cuttlefish:

This species is in very strong demand as the canning industry and the wholesale trade.

12. Squid:

Italians prefer the "Loligo Vulgaris" squids, and there is very little market at present for the "illex" type. Squid is a high volume commodity item in Italy and is available in local fisheries, mostly sold as fresh. Though the distant-water Italian fleet is a major source of supply Italians could eventually present a market for Canadian squid.

13. Salmon:

Total imports of chilled and frozen salmon in 1977 amounted to 695 tonnes, down sharply from 900 tonnes in 1976 and the recent year average of 725 tonnes. Canada continues to be the major supplier with over 55% of sales. Other important suppliers last year were the U.S. (244.7 tonnes) and Japan (18.7 tonnes).

There are signs of interest in Norwegian raised salmon, and for all types of Canadian salmon, but the market is limited because of the high price. On the other hand, smokers are looking for other sources of salmon for curing and smoking purposes. They claim that supply problems limit the expansion of their processing operations. Good prospects are evident for frozen salmon. Smokers are looking for new suppliers. Processors seem unfamiliar with Atlantic salmon and no shipments have been made to Italy.

Canada also continues to be the major supplier of canned salmon, providing over 80% of imports last year. Total imports have fallen off drastically from a high of over 800 tonnes in 1973 mainly due to increased prices. As it is considered a high-price specialty item, market expansion is limited.

14. Crab:

There seems to be some opportunities for canned Canadian snow crab at an intermediary price. It may be possible to position Canadian canned snowcrab between top quality Russian Chatka crab and the lower quality from Taiwan and Japan. Frozen snow crab is virtually not used but interest for some Canadian snow crab could be developed for the catering and ship handling trade.

15. Monkfish:

There is a good demand for monkfish tails in Northern Italy and processors and wholesalers would be receptive to offers from Canadian producers.

16. Cold Water Shrimp (Pandalus borealis):

Some inquiries have been made for Pandalus borealis which is popular in nearby countries, and there are some opportunities for peeled and deveined cooked shrimps but the market is very limited.

17. Underutilized Species:

Grenadier, argentine and capelin are virtually unknown in Italy. Due to the difficulty in getting consumers to accept new species it may be difficult to introduce these species. However, as they are alternatives to some better known species from the Mediterranean, consumers could be won over from higher-priced favourites. For instance, Italians seem to prefer small fish and with market testing and promotion, Canadian exporters could make sales progress.

18. Freshwater Fish:

Italy has a freshwater fisheries in the North and species such as trout, mullet, lake smelts,pickerel, perch, and gobie are consumed. Canadian species are unknown and though little interest has been shown, there may be opportunities for lower priced species. Market investigations should be pursued.

19. Dried and Salted Fish:

Per capita consumption of salted and dried fish recovered in 1977 possibly because of a better availability of products. Prospects for this market are interesting but should be approached with caution since over-production could depress prices of the specialty products.

Canada could add to its market share, by replacing the other types of dried or wet salted codfish presently supplied by Norway, Faroe Islands, Spain and Iceland. However quality is a major consideration. Canadian processors must be able to sell products of acceptable quality if they are to be successful.

Canadian fish exports to Italy have been modest. They have not by any measure reached their full potential. With greater marketing aggressiveness, more of the traditional Canadian species and products could be sold to Italy. With some intensive market development, other lesser known Canadian species could be introduced, including items such as grenadier, capelin, snow crab, skate and squid.

Italy has a substantial fish processing industry. Its activities are summarized in Table 10. Virtually all Mediterranean landings are distributed to the consumer fresh, thus 83% of the catch is in fresh or chilled form. Most of the fish taken in the Atlantic is frozen and this has accounted for about 12.5% in recent years, although this proportion fluctuates. Salted, dried and smoked fish has made up about 3% of the total, while only 1% of Italian landings were canned in 1973 and 1974. The canning industry is, however, an important sector since it does not rely exclusively on the catch of Italian vessels, but also imports supplies featuring large quantities of tuna.

IV. PROBLEMS

Italy lacks an efficient distribution system. Most of its domestic production continues to be marketed fresh in open markets. Wholesale markets are poorly organized and the information system is weak. Local fishermen are in a poor bargaining position with buyers as products may change hands several times before reaching the consumer. As a result, middlemen's margins may inflate prices as much as double those paid to fishermen, thereby depressing both production and consumption. Furthermore, promotion and introduction of alternative products is extremely difficult with a fragmented distribution system. Recent legislative efforts to promote producers' associations to negotiate prices with industry and direct marketing co-operatives have been only partially successful.

The weak distribution system also make it difficult to guarantee adequate health controls. The cholera outbreak in Naples a few years ago created nation-wide furor and tarnished the image of the whole industry. More recently, three people died as a result of eating toxic fish imports from the Far East. Publicized reports detailed how frozen fish is thawed and fraudulently sold as fresh. Species can be easily substituted and this practice has served to further increase consumer wariness of fish products.

In cutting deeper into the Italian market, Canadian exporters will have to recognize these factors:

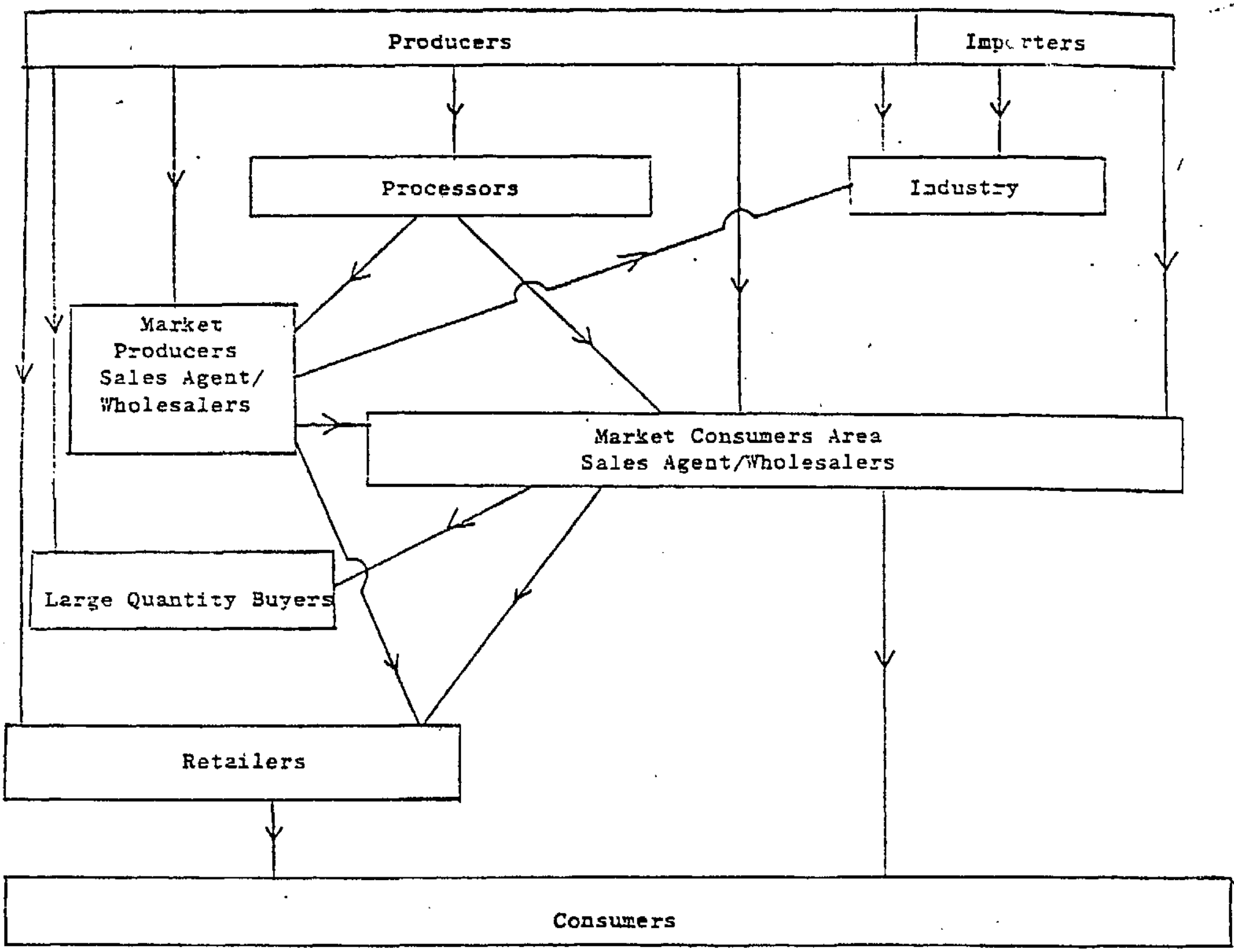
- Quality: Consumer preference remains strong for fresh products though frozen products are gaining in popularity (37,000 tonnes in 1978 out of a total of 517,000 tonnes fish marketed). Some preference is shown for on-board frozen products. It is imperative that quality meet Italian standards; eye appeal (presentation) is also very important.

- Price: Competition is brisk and prices must be quoted competitively.

- Distribution: While highly fragmented, there are geographical differences between northern and southern Italy.

- Legislation: Strict laws govern the sale of quick frozen foods and cover a list of those frozen foods which can be sold. They include:
  - maximum freezing time (four hours), after which the temperature of the product must be below -18C;
  - transportation rules;
  - control on production and retail sale including packaging;
  - labelling practices, including quality of raw material;
  - preliminary process operation;
  - operation of production establishment (systems, freezing lines, storage, packaging and labelling);

Figure 1:: Marketing Channels for Fresh Fish in Italy (Source E.E.C.)



- exporters must be recognized by the Italian Ministry of Health.

Canadian exporters should familiarize themselves with regulations governing quick frozen foods. Information can be obtained from the Regional Office of IT&C in Canada, Canadian Trade Commission in Italy and Italian importers. Also bear in mind these requirements:

- Mercury Level Document: This is essential for imports of some fishery products.
- Image: Some people in the Italian trade feel Canadians are neither interested nor aggressive enough in marketing, especially given Italian requirements for larger volumes. Canadian business should ensure follow-up with Italian contacts to improve image and credibility.
- Business Practices: Companies presenting proposals should check distribution channels prior to granting exclusive distributorship in order not to compete against other Canadians and, more generally, disrupt existing trade practices.

APPENDIX

APPENDIX A:

Italian Domesitc Fishing Policy

It is difficult to understnad the coherence of Italian policy regarding fisheries. There is a lack of coordination among government departments, such as the ministries of health, industry, agriculture and the merchant marine and in the fishery sector. The industry has suffered official neglect as a result. When special measures are passed to assist either industry or agriculture, the fishing industry may be over-looked and its industry association is forced to fight for special amendments to recognize their position. However, with the rising cost of fish imports, more attention will doubtlessly be directed to the industry's problems and potential in the future.

The most important area of concern, and one neglected by the government until recently, is fisheries agreements with countries in the Mediterranean basin and especially on the north coast of Africa, where the Italian fleet has fished traditionally. The inability to reach bilateral accords and the lack of government coordination has reduced ocean fishing activities to a minimum. Currently, only a dozen Italian ocean vessels are active, five in Canadian waters and seven in U.S. waters.

Similar problems of access exist at the EC level, where Italy represents only a small percentage of the overall EC fleet. Furthermore, since Italians prefer Mediterranean species, the north African waters are of much more importance to Italy than to its EC partners who are more concerned with North Sea developments. Italy has threatened to veto all EC fisheries decisions until the community moves to establish accords with the African countries.

The current status of fisheries agreements and negotiations as of 1979, by fishing zone is:

1. Mediterranean:
    (a) Italo-Yugoslav Agreement for Adriatic Sea was renewed during mid-May.
    (b) Italo-Tunisian Agreement expired May 31. A new accord negotiated via the EC is expected to take considerable time. Tunisians have seized seven Sicilian vessels in 1979 and hold four vessels and many crew members in lieu of fines.
    (c) An accord with Libya will also be difficult as government requires substantial joint-venture investments. These include construction of fish processing facilities in Libya in exchange for fishing rights.
    (d) Serious negotiations have not yet started with Algeria and Morocco.

2. East-Central Atlantic:

The only current fisheries accord in force is an agreement between a group of Italian fisheries firms and the Guinea Bissau government. The EC has had fruitful discussions with Senegal and barring last minute complications, an agreement could be signed in mid-June. Discussions are underway between EC and the governments of Mauritania, Guinea-Bissau and Cape Verde Islands but no firm agreements are expected in the immediate future.

3. South-East Atlantic:

Italians fish these waters for hake, some crustacea and molluscs but outside territorial limits.

4. West Central Atlantic:

Italian vessels fish various tuna like species outside national waters.

5. Northwest Atlantic:

Since 1973, Italians have fished quotas of squid off Canada and the U.S. with whom the EC has recently signed agreements. Portions of the EC quotas are given to Italy. The Italian government is currently reviewing catch conditions for 1979 with U.S. authorities but Canada will withhold 1979 licenses pending Italian cancellation of its ban on imports of Canadian seals.

In 1976 the EC Guidance and Guarantee Fund approved 10 Italian fisheries projects; three for new tuna and pelagic fishing vessels, four for processing facilities, two for construction of fish farms and the last to set up an institute for acquaculture and fish product preservation.

Last January the EC Council approved regulation No. 355 for common action to improve processing and marketing conditions for agricultural products, including fisheries products. Up to 30% funding can be provided by the EAGGF Fund between 1978 and 1983 which if fully utilized, could result in a total investment of up to $28 million in new EC processing and marketing facilities.

Once the Italian government passes the enabling legislation, a portion of this contribution could certainly facilitate the development of the Italian pelagic fisheries. On the other hand, the biggest block still lies in the area of consumer habit and preference. The Ministry of Agriculture and the press cooperated in the past year in a campaign to publicize the nutritional value of pelagic fish, but much more intensive steps will have to be taken to effect any significant change in the present consumption pattern.